



KINGSTON WHARVES LIMITED

ANNUAL REPORT

2012

Becoming the **WORLD'S**
LEADING Multi-Purpose Port

CONTENTS

OUR MISSION	2
CORE VALUES	3
Notice of Annual General Meeting	4
KWL AT A GLANCE	6
2012 Performance Summary	8
Ten Year Statistical Review	10
Chairman's Message	12
BOARD OF DIRECTORS	17
Directors' Report	21
Corporate Governance	22
LEADERSHIP TEAM	24
Leadership Team Roles & Responsibilities	28

MANAGEMENT DISCUSSION & ANALYSIS	30
Enabling A World Class Vision	35
How We Deliver to Our Customers	36
How We Do Business	37
How We Build the Team	38
How We Build Community	39
The Results We Delivered	43
The Group	43
Kingston Wharves Limited	44
Subsidiaries	45
Looking to the Future: How We Will Move Forward	47

TOP TEN SHAREHOLDERS	50
Directors' and Executives' Shareholdings	50
Corporate Data	51

INDEX TO FINANCIAL STATEMENTS	53
Independent Auditors' Report	54

MISSION - To be the multipurpose port of choice for the movement of cargo in the western hemisphere by providing consistently high quality service to the benefit of all stakeholders



VISION - To become the world's leading multi-purpose port operator

CORE VALUES

INTEGRITY

Our actions and decisions shall reflect the highest ethical standards, professionalism and honesty.

CUSTOMER FOCUS

We are deeply committed to meeting the needs of our customers, and we will constantly focus on customer satisfaction.



RESPECT

We will respect the dignity and rights of our employees and customers.

TEAMWORK

We know that to be a successful company we must work together, frequently transcending organizational and departmental boundaries to meet the changing needs of our customers.

SOCIAL RESPONSIBILITY

We play an active role in making our country and the community in which we operate a better place to live and work, knowing that the ongoing vitality of our country and community has a direct impact on the long-term success of our business.

PERFORMANCE

We strive for continuous improvement in our performance, measuring results carefully and ensuring that integrity and respect for people are never compromised.

NOTICE of ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of Kingston Wharves Limited will be held at the **Jamaica Conference Centre, 14-20 Port Royal Street, Kingston on Wednesday, June 26, 2013 at 10 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the year ended December 31, 2012 and the Reports of the Directors and Auditors circulated herewith:

To consider and (if thought) fit pass the following resolution:

“THAT the Audited Financial Statements for the year ended December 31, 2012 and the Reports of the Directors and Auditors circulated with the Notice convening the meeting be adopted.”

2. To declare the interim dividend of ten cents (\$0.10) paid on December 21, 2012 and final dividend of two cents (\$0.02) paid on March 28, 2013 be declared as final.

To consider (if thought fit) pass the following resolution:

“THAT as recommended by the Directors, the interim dividend of ten cents (\$0.10) per share paid on December 21, 2012 and two cents (\$0.02) per share paid on March 28, 2013 is hereby declared as final and that no further dividend be paid in respect of the year under review.”

3. Rotation of Directors

The directors retiring from office by rotation pursuant to Article 107 of the Company's Articles of Incorporation are Ms. Karlene Bailey, and Messrs. Charles Johnston, Harriat Maragh, and Stephen Lyn Kee Chow, who, being eligible, offer themselves for re-election.

To consider (if thought fit) pass the following resolutions:

- (a) “THAT Ms. Karlene Bailey be and is hereby re-elected a Director of the Company.”
- (b) “THAT Mr. Charles Johnston be and is hereby re-elected a Director of the Company.”
- (c) “THAT Mr. Harriat Maragh be and is hereby re-elected a Director of the Company.”
- (d) “THAT Mr. Stephen Lyn Kee Chow be and is hereby re-elected a Director of the Company.”

4. To appoint auditors and authorise the Directors to fix the remuneration of the Auditors.

To consider and if thought fit pass the following resolution:

“THAT PricewaterhouseCoopers, Chartered Accountants, having agreed to continue in office as auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.”

5. To fix the fees of the Directors or to determine the manner in which such fees are to be fixed.

To consider and (if thought fit) pass the following resolution:

“THAT the amount shown in the account of the Company for the year ended December 31, 2012 as fees of the Directors for their service as directors, be and is hereby approved.”

Dated this 6th day of May 2013.

By Order of the Board



Roger Hinds
Company Secretary

REGISTERED OFFICE

Kingport Building
Third Street
Newport West
Kingston, Jamaica

NB: A member entitled to vote at the meeting is entitled to appoint a proxy to vote in his stead. A proxy need not be a member of the company. Enclosed is a proxy form for your convenience, which must be lodged at the office of the Registrar and Transfer Agent of the company, KPMG Regulatory & Compliance Services, 6 Duke Street, Kingston, Jamaica at least forty-eight hours before the time appointed for holding the meeting. The Proxy Form shall bear the stamp of \$100.00. The stamp duty may be paid by adhesive stamp (s) to be cancelled by the person executing the proxy

KINGSTON WHARVES LIMITED (KWL) is consistently recognized as the Region's leading Multipurpose Port Terminal Operator, connecting our nation's importers and exporters to over 20 international ports in the Caribbean, Latin and North America.

ACHIEVEMENT KWL is the recipient of numerous awards and accolades for excellence:

- ▶ **Best in Chamber Nominee 2011** - Jamaica Chamber of Commerce
- ▶ **Growth & Development awardee for 2010** - Caribbean Shipping Association (CSA)
- ▶ **Most Efficient Port awardee for 2010 and 2008** - CSA
- ▶ **'Best Multi-purpose Terminal of the Year' Award** for 2006, 2007 and 2009 - CSA

OUR BUSINESS A listed company on the Jamaica Stock Exchange with **Net Assets Value of US\$131.45 million**, the KWL Group has experienced steady growth through prudent management and a commitment to continuous improvement that has ensured competitiveness, since its inception in 1945. In addition to its core business of terminal operations, the KWL Group includes two subsidiaries:

- ▶ **SECURITY ADMINISTRATORS LIMITED**, provider of industrial and port security services
- ▶ **HARBOUR COLD STORES LIMITED**, a public bonded cold storage facility

KWL AT A GLANCE

2012



Kingston Wharves Limited FACILITY

GOOGLE EARTH IMAGE

WE DELIVER The port terminal provides a full-range cargo handling and logistics services 24- hours per day, 7 days per week, including:

- ▶ Mooring and Unmooring of Vessels
- ▶ Stevedoring
- ▶ Equipment Rental
- ▶ Stripping and Stuffing of Containers
- ▶ Storage and Warehousing
- ▶ Reconsolidation of Containers
- ▶ Cargo Handling Services
- ▶ Transshipment
- ▶ Refrigerated Container Management & Support

TRANSSHIPMENT KWL's transshipment service has achieved exponential growth over the last decade.

- ▶ Two of the Region's premier shipping lines utilize KWL's terminal as their transshipment hub, operating weekly feeder services to Caribbean and Latin American Ports.
- ▶ The regional transshipment hub for one of the world's leading motor vehicle carriers is managed by KWL, the first direct service of its kind from Europe to Jamaica.



TERMINAL INFRASTRUCTURE

Strategically located on the Port of Kingston 17°58'W, 76°48'N, the Terminal operates 24 hours per day, 365 days per year.

- ▶ **CONTINUOUS QUAY** measuring 1,655 metres (5,430 feet)
- ▶ **9 DEEPWATER BERTHS** for ro-ro, lo-lo, container, general break bulk and bulk cargoes
- ▶ **VESSEL DRAFT** 9 metres (29 feet) to 13 metres (32 feet)
- ▶ **ON-DOCK OPEN STORAGE:** Approximately 242,000 square metres or 2,605,000 square feet
- ▶ **ON-DOCK TRANSSHIPMENT CAR PARK:** 48,562 square metres or 522,720 square feet
- ▶ **ON-DOCK WAREHOUSE STORAGE:** 21,225 square metres or 228,000 square feet.
- ▶ **OFF-DOCK STORAGE:** 20,000 square metres or 215,000 square feet
- ▶ **REEFER PLUGS:** 130 at 440 Volts

HOW WE WORK The Equipment & Supporting Systems include

- ▶ 4 – Gottwald Mobile Harbour Cranes
- ▶ 11 - Reach Stackers
- ▶ 1 - Empty Container Handlers
- ▶ 1 - Toploaders
- ▶ 10 - Trucks /Bomb Carts

- ▶ 1 – Terberg Tug Master
- ▶ Tideworks Terminal Management System

In addition to these resources, we are able to source additional chassis, trucks, trailers and forklifts, upon request

OPERATIONAL HIGHLIGHTS (2012)

- ▶ 283,000 Twenty-foot Equivalent Units (TEUs)
- ▶ 1.6 billion tonnes Domestic Tonnage
- ▶ 80,000 Motor Units

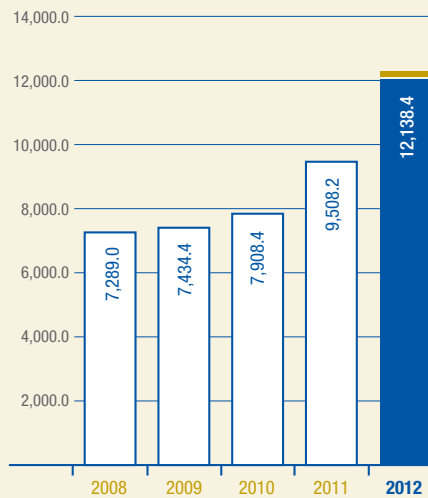
Jamaica is positioned to take advantage of the PANAMA CANAL EXPANSION, based on its strategic location in the Caribbean; it is predicted that the expansion will bring increased business to Jamaica, especially in transshipment. The Group is committed to furthering the scope of its existing growth and development strategies as it charts a steady course of action for the future, and is ready to capitalize on this opportunity.

For more information visit www.kingstonwharves.com.jm

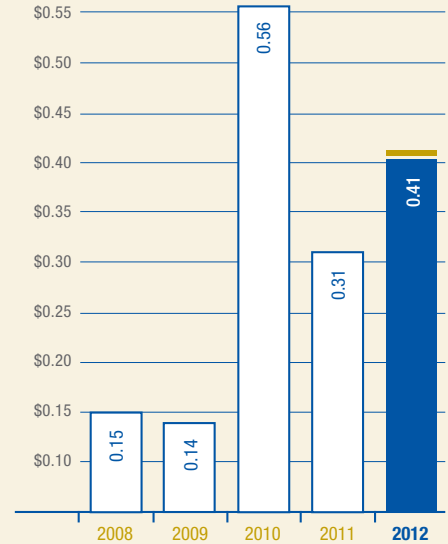
2012 PERFORMANCE SUMMARY

SHAREHOLDERS' INTEREST

NET WORTH (\$M)

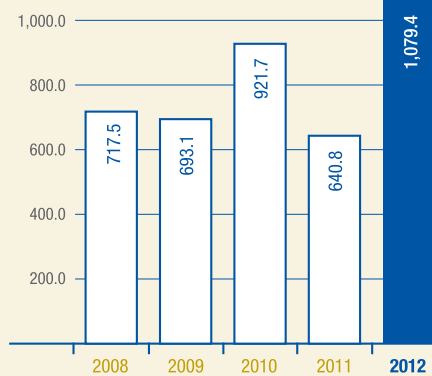


EARNINGS PER STOCK (\$)

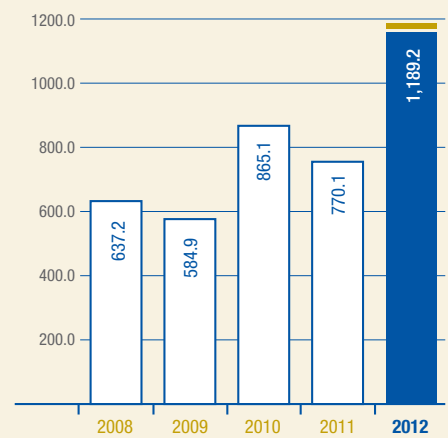


FINANCIAL

GROUP OPERATING PROFIT (\$M)

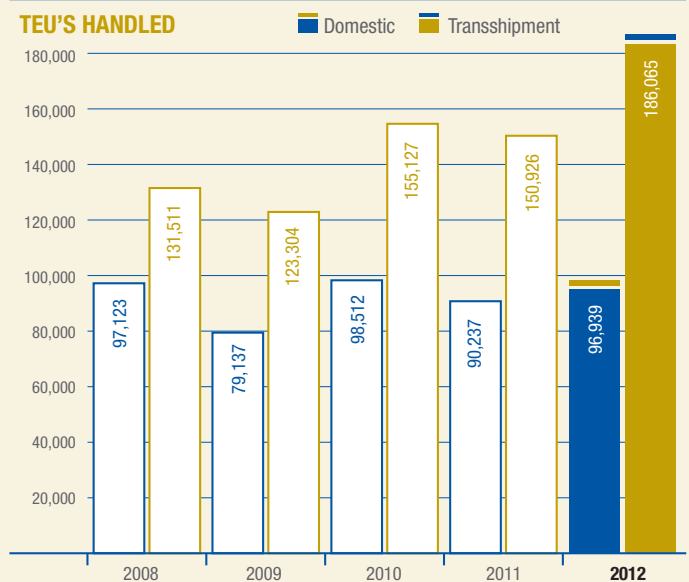


**KINGSTON WHARVES LIMITED -
OPERATING PROFIT (\$M)**

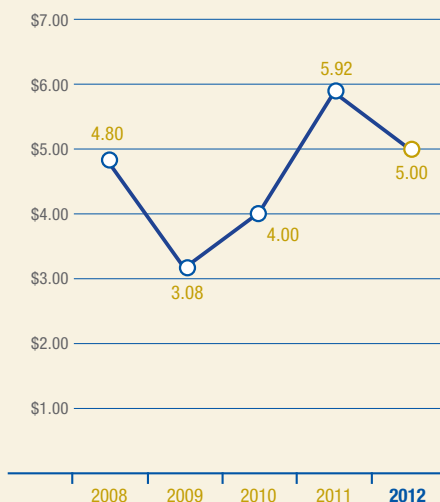


OPERATIONAL

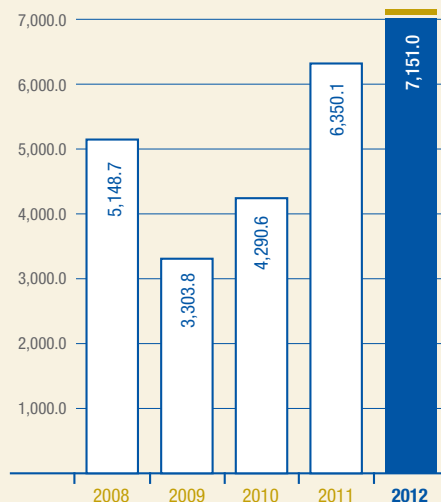
TEU'S HANDLED



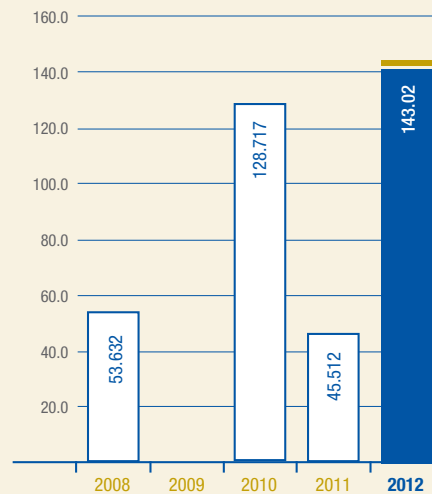
STOCK PRICE AT YEAR END (\$)



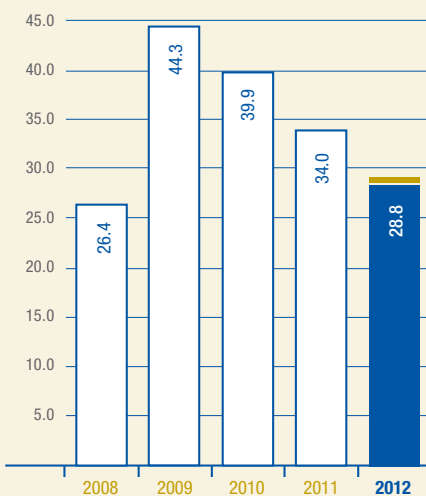
MARKET CAPITALISATION (\$M)



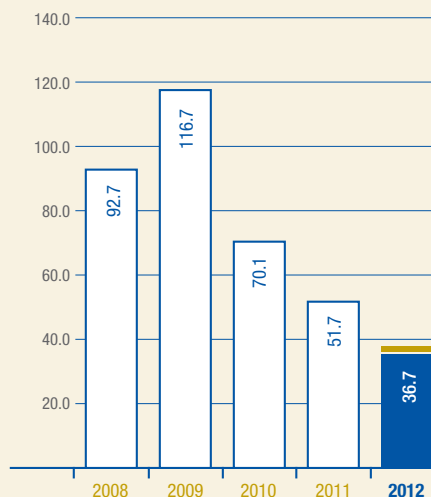
DIVIDENDS PAID (\$M)



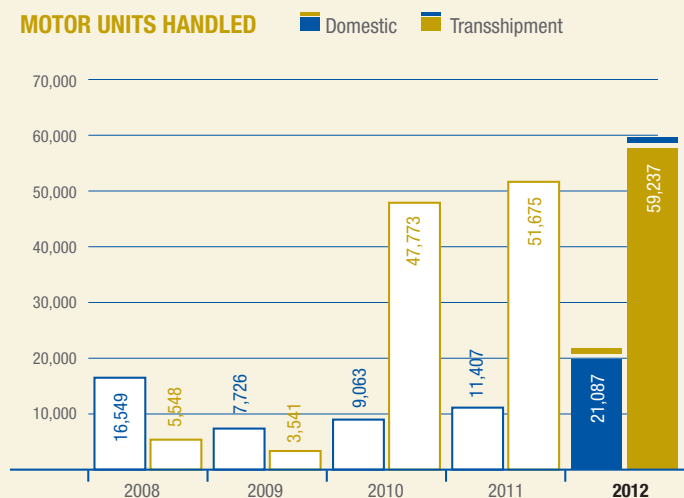
SECURITY ADMINISTRATORS LIMITED - OPERATING PROFIT (\$M)



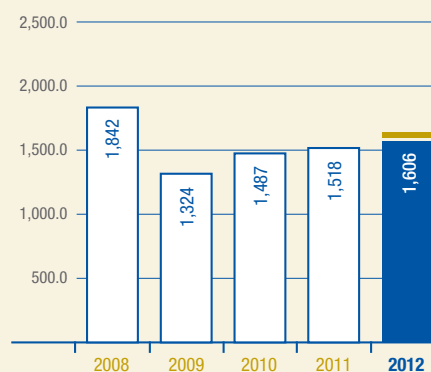
HARBOUR COLD STORES - OPERATING PROFIT (\$M)



MOTOR UNITS HANDLED



DOMESTIC TONNAGE HANDLED



TEN YEAR STATISTICAL REVIEW

	2012	2011	2010
No. of Stock Units @ 20 cents each (000's)	1,430,200	1,072,650	1,072,650
Total Assets (\$'000)	16,367,887	14,316,407	12,317,049
Net Current Assets (\$'000)	2,844,769	800,995	912,786
Deposit & Cash Balance (\$'000)	3,100,658	1,076,655	1,282,678
Capital Expenditure (\$'000)	51,567	638,022	111,172
Total Gearing (\$'000)	2,049,307	2,402,855	2,462,422
Net Worth (\$'000)	12,138,428	9,508,154	7,908,397
PROFIT AND LOSS ACCOUNT			
Revenue (\$'000)	3,670,177	3,168,802	3,025,883
% Increase/(Decrease) over prior year	15.82	4.72	17.72
Operating Profit (J\$'000)	1,079,354	640,764	921,723
% Increase/(Decrease) over prior year	68.45	(30.48)	32.99
Finance Costs (\$'000)	266,330	173,465	34,442
% Increase/(Decrease) over prior year	53.54	403.64	-93.07
Profit Before Income Tax (\$'000)	813,024	467,299	887,281
% Increase/(Decrease) over prior year	73.98	-47.33	352.61
Net Profit Attributable to Equity Stockholders (\$'000)	549,457	337,604	602,741
% Increase/(Decrease) over prior year	62.75	-43.99	314.73
Dividends Declared (\$'000)	143,020	45,512	128,717
% Increase/(Decrease) over prior year	214.25	-64.64	100.00
IMPORTANT RATIOS			
Return on Sales	14.97%	10.65%	19.92%
Return on Equity	4.53%	3.55%	7.62%
Current Ratio	3.63:1	1.95:1	2.02:1
Debt to Equity Ratio	16.88%	25.27%	31.14%
Profit Before Tax to Sales	22.15%	14.75%	29.32%
Dividend Cover - Times	3.84	7.42	4.68
Earnings Before Interest & Income Tax (EBIT) - Times	4.05	3.69	26.76
No. of Permanent Employees	756	481	458
Net Profit After Income Tax per Employee (\$'000)	726.8	701.9	1,316.0
MARKET STATISTICS			
Stock Price at year end	\$5.00	\$5.92	\$4.00
Earnings per Stock Unit	\$0.41	\$0.31	\$0.56
Price Earnings Ratio	12.20	19.10	7.14
Net Worth per Stock Unit at year end	\$8.49	\$8.86	\$7.37
Net Worth to Total Assets	74.16%	66.41%	64.21%
Market Capitalisation (\$'000)	7,151,000	6,350,088	4,290,600

2009	2008	2007	2006	2005	2004	2003
1,072,650	1,072,650	1,072,650	1,072,650	1,072,650	1,072,650	1,072,650
12,160,635	12,233,560	8,854,977	7,677,911	6,343,594	4,487,008	4,199,724
896,221	836,735	604,910	565,202	516,432	453,571	461,149
1,120,133	1,182,095	976,178	677,137	633,945	515,491	498,584
141,950	390,520	1,222,946	1,335,957	718,468	384,402	57,881
3,007,277	3,110,254	2,606,776	1,643,036	762,129	268,080	243,788
7,434,373	7,289,040	4,890,156	4,707,122	4,405,831	3,332,754	3,164,995
2,570,325	2,774,922	2,568,778	2,319,431	1,875,955	1,536,215	1,164,670
-7.37	8.02	10.75	23.64	22.12	31.90	5.26
693,091	717,528	576,428	612,360	503,822	349,652	78,531
-3.41	24.48	-5.87	21.54	44.09	345.24	-50.80
497,056	500,043	166,111	99,288	41,540	18,552	44,559
-0.60	201.03	67.30	139.02	123.91	-58.37	92.91
196,035	217,485	410,317	513,072	462,282	331,100	127,381
-9.86	-47.00	-20.03	10.99	39.62	159.93	-33.11
145,333	160,705	339,771	426,103	314,981	242,844	63,535
-9.57	-52.70	-20.26	35.28	29.71	282.22	-57.50
-	53,632	85,812	85,812	85,812	75,085	21,453
-100.00	-37.50	0.00	0.00	14.29	250.00	-60.00
5.65%	5.79%	13.23%	18.37%	16.79%	15.81%	5.46%
1.95%	2.20%	6.95%	9.05%	7.15%	7.29%	2.01%
2.24:1	2.12:1	1.91:1	2.19:1	2.48:1	2.62:1	3.22:1
40.45%	42.67%	53.31%	34.91%	17.30%	8.04%	7.70%
7.63%	7.84%	15.97%	22.12%	24.64%	21.55%	10.94%
0.00	3.00	3.96	4.97	3.67	3.23	2.96
1.39	1.43	3.47	6.17	12.13	18.85	1.76
434	347	202	186	191	157	147
334.9	463.1	1,682.0	2,290.9	1,649.1	1,546.8	432.2
\$3.08	\$4.80	\$7.65	\$7.94	\$6.00	\$4.90	\$1.30
\$0.14	\$0.15	\$0.32	\$0.40	\$0.29	\$0.23	\$0.06
22.00	32.00	23.91	19.85	20.69	21.30	21.67
\$6.93	\$6.80	\$4.56	\$4.39	\$4.11	\$3.11	\$2.95
61.13%	59.58%	55.22%	61.31%	69.45%	74.28%	75.36%
3,303,762	5,148,720	8,205,773	8,516,841	6,435,900	5,255,985	1,394,445



THE KINGSTON WHARVES GROUP HELD FIRM IN 2012.

We delivered our strongest performance in the past 10 years amidst persistent local and international economic challenges. Our financial results indicate improvement in the critical performance indicators: a 15% increase in revenue over the 2011 Financial Year and a 68% increase in Operating Profit; a significant improvement over 2012. Profit before tax and Net Profit also saw increases of 74% and 61%, respectively. This is a pleasing achievement in a tough operating environment, and we are very proud of these results.

CHAIRMAN'S MESSAGE

Grantley Stephenson / Chairman & Chief Executive Officer

cont'd This performance affirmed the wisdom of the position we articulated in 2011, 'a firm hold on the future'. This outlook provided the anchor for our strong performance: for business growth, for continued improvement in our operations, and for increased investment in our people.

A FIRM HOLD THAT ENSURED OUR PROSPERITY

In 2011 we indicated the four Strategic pillars that are critical to the sustainable growth, development, profitability, and the delivery of world-class service: Financial, Customer, Learning & Growth, and Business Growth. Our results, so far, are promising.

Our 2012 results were led by the strong performance of Kingston Wharves Limited (KWL) through the growth in motor vehicle and container activities.

There is no doubt the acquisition of the Hoegh Motor Vehicle Transshipment Hub in 2010 is not only good business but is also good for business. This partnership resulted in a staggering 500% increase in motor vehicle units in 2010 compared to 2009. Our 2012 results indicate that, while not of the same magnitude, this increasing trend has continued.

Having set the strategic objective to increase Customer Value through the consistent delivery of service at a competitive price, 2012 was used to lay the foundation to implement a Customer Value Proposition that is Distinctive and Differentiable. Our 2012 customer service satisfaction survey, gave us insights, many of which we have already acted on to deliver on this promise.

KWL Customers also benefitted from efforts to improve convenience and access to information through online portals. During the year, there was more visible management participation and involvement in service delivery; managers assisted and coordinated warehouse delivery during the Christmas Peak where we achieved in excess 1,200 deliveries in a day, the highest number ever recorded!

The streamlining of business processes to efficiently fulfil customer needs and increase value continued. The refurbishing of Berths 6 and 7, the relocation of the warehouses presently on port, and the development of modern logistics facility, inclusive

of a state-of-art warehouse, are the immediate improvement projects already advanced.

A \$1.79 billion equity investment by Jamaica Producers Group Limited will assist in securing the long-term financing for port expansion and development for KWL. This purchase signals the confidence that is placed in the KWL Group and our plans for the future.

We also built on our strong record as a responsible corporate citizen in 2012; a year made special because of the celebration of Jamaica's 50th year of independence. To celebrate this important milestone, the KWL Group sponsored The Missionaries of the Poor, an organization with unwavering commitment to community outreach.

ENABLING A WORLD - CLASS VISION: FACING THE FUTURE HEAD-ON

The world economy appears set to emerge from its hangover even if the pace of recovery is likely to remain slow.

In their January 2013 World Economic Outlook Update, the International Monetary Fund (IMF) indicated that they expect the world economy to expand by 3.4% (annualised) in the first quarter of 2013; up from 3.0% in the last quarter of 2012. While the growth in Q4 2012 was entirely due to the developing economies, it is believed that the advanced economies will contribute to a quarter of the expected growth in Q1 2013.

An upturn in economic growth in 2013 is predicted for Latin America and the Caribbean by The Economic Commission for Latin America and the Caribbean (ECLAC). According to ECLAC, in 2013, Latin America and the Caribbean will see stronger economic growth, despite ongoing uncertainties at the international level (particularly the difficulties faced by Europe, the United States and China). In 2013, while the Region will grow by around 3.8%, thanks mainly to the recovery of the economies of Argentina and Brazil, as well as ongoing buoyant internal demand in several countries, Caribbean countries will remain fiscally fragile, and will require reforms accompanied by external support to ensure sustainable fiscal consolidation trajectories.



CHAIRMAN'S MESSAGE cont'd

Shipping remains critical to the continued growth of the world economy. The 2012 World Economic Forum, in its outlook for the logistics and supply chain industry, reported that Governments around the world are investing significant resources in developing logistics clusters; agglomerations of logistics service providers and business logistics functions of shippers. Such clusters are supported by significant infrastructure investments in ports, airports and intermodal yards, as well as water, rail and highway connections.

Shipping is critical to the continued growth and development of the Jamaican and other economies in the Region. Regional governments pursue logistics clusters, because they lead to economic growth and jobs. The Jamaican Government has articulated its commitment to the establishment of a Global Logistics Hub which has the potential to grow the Jamaican economy by 17% within the next 7 years.

Achieving the status of Best Multipurpose Port Operator in the World is how KWL will make its contribution to Jamaica, the Region, and the World. To realize this vision, we must face the future head-on; we must competitively position ourselves to capitalize on clear trends and opportunities in the current global shipping paradigm. Advancing the efforts of the Group and that of our nation to capitalize on the trade expansion and growing traffic levels presented by the Panama Canal Expansion is a must. The PANAMA CANAL EXPANSION, it might be argued, is the opportunity of the century – it is to shipping what manufacturing was to the Industrial Revolution in the 18th century and Information Technology and Silicon Valley to the 20th century.

The PANAMA CANAL EXPANSION will provide economies of scale and cost reductions along the supply chain, especially for shipping lines and shippers, as well as growth opportunities for ports and areas that are the origins and destinations of cargo. The KWL Group, much like we proactively prepared for the recession, is prepared to capitalize on this opportunity.

The Five-Year Plan articulated in 2010, indicated that sound, long-term strategies would ensure that we were well-placed to face future challenges, head-on. Armed with the knowledge that a more efficient and effective freight system can raise the prosperity of businesses and workers and enhance consumers' purchasing power, the KWL Group made improvements in operational efficiency a key priority.

In 2011, we continued with improvements in our operations to ensure that we had the appropriate infrastructure, capabilities and operations to meet the needs of our customers. In 2012, we were also very focused on increasing efficiencies and reducing waste and implemented effective operational efficiency and cost management strategies. In fact, the motor vehicle and container transshipment hub operations made these imperatives and not just objectives.

In 2013, KWL will be one of three local ports to benefit from the establishment of a Container Control Programme (CCP). The programme, a partnership with the Government of Jamaica and the United Nations Office on Drugs and Crime, will strengthen linkages with key local, regional and international security experts and implement practices to combat the use of legitimate maritime trade to conduct illicit activities. The programme has been effectively introduced in several countries and has the potential to enhance state revenue.

The Group's 2012 performance affirmed the wisdom of keeping our eyes on the horizon even as we prudently managed our business: investing to capitalize on powerful regional trends such as the expansion of the Panama Canal, while at the same time maintaining a laser-like focus on operational excellence and making customer service a key strategic imperative.

As I have indicated over the years, a key driver of our success is our people – a team that any organization can boast about and one that we are especially proud of. Again, I commend their efforts and contributions in 2012 and look forward to their continued support. I extend a special thank you to Mr. Anthony Allen, our retiring Facilities Maintenance Manager. During his 20-years of service, Mr. Allen designed the civil works and supervised many of the major infrastructural projects on the port.

I also want to thank the Board of Directors for helping to keep a firm hold at the helm when required and for helping to chart new directions. As we continue to show that we are a winning team, our shareholders can know that their confidence in us is well placed.

The KWL Group is an organization that is capable of continuing to accomplish great things. We are well on our way to realizing our vision of becoming the best multipurpose port in the world.



BOARD OF DIRECTORS

The Board of Directors is committed to providing guidance, strategic direction and corporate governance oversight to the management of Kingston Wharves Limited and its subsidiaries to ensure the interests of all stakeholders, including shareowners are being served. The Board currently has 11 members.



GRANTLEY STEPHENSON, C.D., J.P.
CHAIRMAN AND CEO

COMMITTEE: ALL

Grantley Stephenson joined Kingston Wharves as the Managing Director in 2003 and has carefully crafted the modernisation and growth strategies of the Company. He has also headed various shipping companies over the past 30 years such as Seaboard Freight and Shipping Jamaica Limited and Jamaica Merchant Marine.

In 2010 Mr. Stephenson was ranked the No.1 CEO of all companies trading on the Stock Exchange by the Businessite Magazine. He holds a Masters in Business Administration from the University of the West Indies. He is also a graduate of the University of Technology in Jamaica and the University of Plymouth in England.

In 2012, Mr. Stephenson was elected President of the Caribbean Shipping Association. He is Dean of the Consular Corps of Jamaica and the Honorary Consul General for the Kingdom of Norway. For his outstanding work in this role, he was conferred with the Jamaican National Award of the Order of Distinction - Commander Class and the Royal Norwegian Order of Merit, the highest non-national award.

OTHER BOARD AND COMMITTEE ASSOCIATION: Security Administrators Limited, Harbour Cold Stores Limited, Shipping Association of Jamaica Property Limited, ADVANTUM and Assessment Recoveries Limited. He is a member of the Kings House Foundation and a fellow of the Jamaica Institute of Management.

LENGTH OF DIRECTORSHIP: 9 YEARS



KARLENE BAILEY

COMMITTEE: CORPORATE GOVERNANCE, AUDIT AND FINANCE, STRATEGIC PLANNING AND BUSINESS DEVELOPMENT

Karlene Bailey is a Management Consultant and was appointed to the Board of Directors of Kingston Wharves Limited in 2009.

Miss Bailey worked in the financial services sector for over 9 years in organisations such as the Bank of Jamaica and NCB Capital Markets Limited where she was Vice President for Investments. Miss Bailey was also most recently a Lecturer in the Finance Department of the School of Business at the University of Technology (UTECH).

She holds a Master's Degree in Economics from La Universidad Católica Santo Domingo and is currently pursuing a Doctorate of Business Administration (DBA) at the University of the West Indies.

OTHER BOARD AND COMMITTEE ASSOCIATIONS: Advantage General Insurance Company Limited.

LENGTH OF DIRECTORSHIP: 3 YEARS

BOARD OF DIRECTORS cont'd



KIM CLARKE

COMMITTEE: : CORPORATE GOVERNANCE, STRATEGIC PLANNING AND BUSINESS DEVELOPMENT

Kim Clarke, a graduate of the University of Miami, is the President of the Shipping Association of Jamaica.

He started his career in the shipping industry in early 1990 as a Documentation Clerk at Kirk Line Inc. Mr. Clarke now serves as the Managing Director of the Maritime and Transport Group of Companies that consists of Maritime & Transport Services Limited, Maritime Towing Company Limited, Maritime General Insurance Brokers Limited, A.E. Parnell & Company Limited, Parnell Investment Limited and Seaport Equipment Limited.

Mr. Clarke is also Chairman of Amalgamated Stevedores Limited and Managing Director of Boat Services Limited.

OTHER BOARD AND COMMITTEE ASSOCIATION: R.S. Gamble Limited, Arnold L. Malabre & Company Limited, Newport Fersan Jamaica Limited

LENGTH OF DIRECTORSHIP: 9 YEARS



JEFFERY HALL, BA, MPP, JD

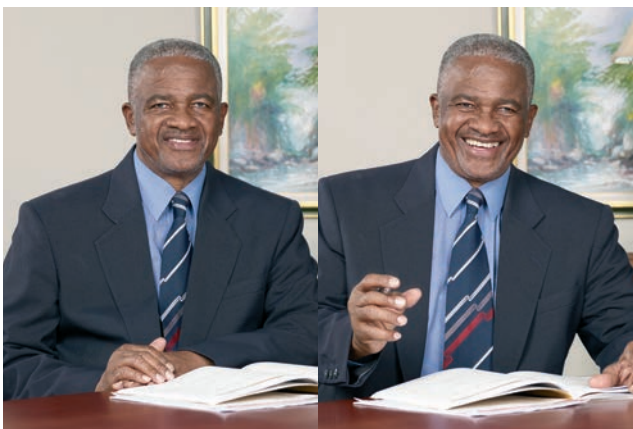
COMMITTEE: CORPORATE GOVERNANCE, STRATEGIC PLANNING AND BUSINESS DEVELOPMENT

Jeffery Hall is the Chief Executive Officer and a Director of Jamaica Producers Group (JP). Before joining JP, he was a founding partner of the Caribbean Investment Fund. As a former senior executive at FINSAC, he was involved in the acquisition and restructuring of various Jamaican financial institutions.

Mr. Hall received his Juris Doctorate degree, with honours, from Harvard University and practiced banking and securities law at Davis Polk and Wardwell in New York. Mr. Hall has a Master of Public Policy degree (International Finance) from Harvard University and a Bachelor of Arts degree in Economics from Washington University.

OTHER BOARD AND COMMITTEE ASSOCIATION: Scotia Group Jamaica Limited, Scotia Investments Jamaica Ltd, Blue Power Group Limited, JAMPRO – Trade and Investment Jamaica, Agro-Investment Corporation, Jamaica Stock Exchange, Junior Achievement Jamaica, Council of the Institute of Jamaica, Jamaica Producers Group. He has also served as a Director of the Bank of Jamaica.

LENGTH OF DIRECTORSHIP: 10 MONTHS



ALVIN HENRY

COMMITTEE: CORPORATE GOVERNANCE, COMPENSATION AND HUMAN RESOURCES, AUDIT AND FINANCE

Alvin Henry is an Industrial Relations Consultant to the Shipping Association of Jamaica (SAJ). He retired from the SAJ in 2001 as the longest serving General Manager, having held that position for 20 years of a total 32 years of service to that organization.

Mr. Henry, who is also a Chartered Accountant and member of the Institute of Chartered Accountants of Jamaica, has also served as the Executive Vice President of the Caribbean Shipping Association. With his expertise and negotiation skills, he remains actively involved in shipping industry. In addition, Mr. Henry serves on several Boards and Committees.

LENGTH OF DIRECTORSHIP: 8 YEARS



ROGER HINDS
EXECUTIVE CORPORATE SECRETARY

COMMITTEES: HUMAN RESOURCES AND COMPENSATION, STRATEGIC PLANNING AND BUSINESS DEVELOPMENT

Roger Hinds is the Company Secretary for Kingston Wharves Limited. He has more than 25 years' experience in the private sector, primarily in the shipping industry. Mr. Hinds, who is also the Chairman and CEO of Transocean Shipping Limited, founded and chaired the Transport Logistics Limited and Marine Haulage Services Limited.

Past President of the Shipping Association of Jamaica, Mr. Hinds is also the Chairman for ADVANTUM and a Director of Assessment Recoveries Limited.

Mr. Hinds is a graduate of the University of the West Indies.

OTHER BOARD AND COMMITTEE ASSOCIATION: Shipping Association of Jamaica and Caribbean Shipping Association

LENGTH OF DIRECTORSHIP: 9 YEARS



STEPHEN LYN KEE CHOW, J.P.

COMMITTEE: HUMAN RESOURCES AND COMPENSATION, AUDIT AND FINANCE

Stephen Lyn Kee Chow joined the Board of Kingston Wharves Limited on February 22, 2004. He is currently the CEO and Managing Director of Pickapeppa Company Limited, a world-famous producer of Jamaican sauces that have pride of place among gourmet connoisseurs.

Mr. Lyn Kee Chow was knighted by Pope John Paul II in 2000. He is a past student of the DeCarteret College in Manchester and remains an active member of the community where he serves as a Justice of Peace and a Lay Magistrate.

OTHER BOARD AND COMMITTEE ASSOCIATION: The Catholic College of Mandeville and St. Vincent DePaul Society.

LENGTH OF DIRECTORSHIP: 8 YEARS



HARRIAT MARAGH

COMMITTEE: CORPORATE GOVERNANCE, STRATEGIC PLANNING AND BUSINESS DEVELOPMENT AND AUDIT AND FINANCE

Harriat Maragh is the Chairman and Chief Executive Officer of Lannaman & Morris Shipping Limited where he joined as a Sales Representative.

Mr. Maragh is the Chairman of the Kingston Port Workers Superannuation Fund and Metro Investments Limited. He has also served as President of the Shipping Association of Jamaica.

He is a graduate of Humber College in Toronto, Canada.

OTHER BOARD AND COMMITTEE ASSOCIATION: Shipping Association of Jamaica, Seafreight Agencies Inc., ADVANTUM, Caribbean Shipping Association and the National Cruise Council of Jamaica.

LENGTH OF DIRECTORSHIP: 9 YEARS.

BOARD OF DIRECTORS cont'd



KATHLEEN A.J. MOSS, BSC, MBA, CBV

COMMITTEE: CORPORATE GOVERNANCE, COMPENSATION AND HUMAN RESOURCES

Kathleen Moss established Sierra Associates, an independent advisory and business valuation firm, in 1993. She is a management consultant and chartered business valuator and is a member of the Canadian Institute of Chartered Business Valuators.

A graduate of the University of the West Indies and McGill University, she serves on the Finance Committee of the Archdiocese of Kingston and is a Trustee of the Violence Prevention Alliance.

Mrs. Moss joined the Board of Directors of Kingston Wharves in March 2012.

OTHER BOARD AND COMMITTEE ASSOCIATIONS: Jamaica Producers Group Limited, Assurance Brokers Jamaica Limited, JN General Insurance Company Limited, Pan Jamaican Investment Trust Limited and Jamaica National Building Society.

LENGTH OF DIRECTORSHIP: 10 MONTHS



RAMON PITTER

COMMITTEE: AUDIT AND FINANCE

Ramon Pitter, appointed on July 17, 2012, is the newest Board Member of Kingston Wharves Limited. He is currently the Head of Mergers and Acquisitions at National Commercial Bank Jamaica Limited (NCB).

Before joining NCB, Mr. Pitter worked in senior management positions with companies such as Grace Kennedy Limited, Bank of America Merrill Lynch and J.P. Morgan Chase & Company. His background includes expertise in mergers and acquisitions, equity and debt transactions, restructuring, financial budget planning, business strategy consulting, business development, and portfolio management within a number of industries including real estate, gaming, leisure, shipping and transportation.

He holds a Masters of Business Administration with majors in Marketing and Finance from the Wharton School of Business, University of Pennsylvania.

LENGTH OF DIRECTORSHIP: 5 MONTHS



CHARLES JOHNSTON, C.D.

COMMITTEE: CORPORATE GOVERNANCE

Charles Johnston is the Chairman and Managing Director of the Jamaica Fruit and Shipping Company Limited. He is the Chairman of Jamaica Producers Group Limited, Seaboard Freight & Shipping Co. Limited and T.S. Crane Services.

In 2006, Mr. Johnston was conferred with the National Award of the Order of Distinction, Commander Class and in 2008 he was inducted in the Hall of Fame of the Private Sector Organisation of Jamaica.

He holds a Bachelor of Science Degree in Economics, specializing in International Trade and Finance from the University of Pennsylvania's Wharton School of Finance and Commerce. With more than 35 years in the business sector, Mr. Johnston continues to impact the shipping and agricultural industries with his entrepreneurial leadership.

OTHER BOARD AND COMMITTEE ASSOCIATION: Port Authority of Jamaica, Shipping Association of Jamaica, Kingston Port Workers Superannuation Fund, Bank of Nova Scotia Jamaica Limited, Jamaica Public Service Company Limited, B & D Trawling Ltd., Lennox Portland Ltd.

LENGTH OF DIRECTORSHIP: 9 YEARS

DIRECTORS' REPORT

The directors are pleased to report their results for the year 2012.

1. The profit for the group before income tax was \$ 813,024,000. The profit for the group after tax and minority interest was \$549,457,000.
2. The directors recommend that the interim dividends paid on 21 December 2012 and 28 March 2013 be declared as final.
3. Messrs. PricewaterhouseCoopers, the present auditors will continue in office pursuant to Section 153 of the Companies Act, 1965.
4. The directors wish to express their sincere appreciation to the management and staff for their dedication.

By Order of the Board
May 6, 2013



ROGER HINDS
Company Secretary

CORPORATE GOVERNANCE



The Board of Directors of Kingston Wharves Limited schedules 10 meetings annually and convenes special meetings to address specific matters that require special attention and immediate decisions outside of the normally scheduled Board meeting. During 2012 all scheduled meetings were held with 4 special meetings.

Mr. Grantley Stephenson was appointed Interim Chairman of Kingston Wharves Limited on January 29, 2012 following the resignation of Mr. Derek Jones as non-executive Chairman. Mr. Stephenson, therefore, has the dual role of Chairman and Chief Executive Officer.

At an Extraordinary General Meeting in March 2012, the shareholders of Kingston Wharves Limited (KWL) approved the issuance of 357,550,000 ordinary shares to Jamaica Producers Group Limited. The transaction was recommended to shareholders by the Board and took into account the independent professional legal and financial advice provided to the Company. In addition, shareholders approved an amendment to the Articles of Incorporation of KWL to allow minority shareholders holding 21% or more of the issued shares the right to appoint up to three directors to the Board.

The responsibilities of the Corporate Governance and Nominating Committee have been subsumed by the Board and, therefore, such matters are addressed at the Board Meetings.

BOARD STEWARDSHIP

The Board focused on enhancing shareholder value and ensuring the long-term viability of the Company in the context of making Kingston Wharves Limited “world class” across all aspects of its operations. The Board provided management with guidance and strategic direction with respect to managing and operating the Company, including:

- the development of business plans and long term strategic plans
- the development of risk assessment and risk management
- the establishment of appropriate internal controls
- the approval of published accounting, reports and budgets

BOARD MEETINGS

DIRECTORS	ATTENDANCE AT MEETINGS
Grantley Stephenson, Chairman	12/12
Karlene Bailey	12/12
Kim Clarke	9/12
Jeffery Hall appointed March 29, 2012	6/7
Alvin Henry	12/12
Roger Hinds	10/12
Derek Jones resigned September 13, 2012	6/7
Charles Johnston	9/12
Peter Lawson resigned July 10, 2012	7/7
Stephen Lyn Kee Chow	12/12
Harriat Maragh	11/12
Kathleen Moss appointed March 29, 2012	7/7
Ramon Pitter appointed July 17, 2012	5/5

During 2012, the Board of Directors was assisted by three Board committees:

- Strategic Planning and Business Development
- Audit and Finance
- Human Resources and Compensation

STRATEGIC PLANNING AND BUSINESS DEVELOPMENT COMMITTEE

The Strategic Planning and Business Development Committee held three meetings in 2012. Its principal mandate is to advise the Board of Directors on strategic planning and business development matters in Kingston Wharves Limited, including specific capital projects, the Company's Strategic Plan, and the Company's business and non-financial asset portfolio. The Committee also made recommendations to the Board on decisions with regard to these matters, and provided guidance, direction and oversight to management with respect to existing and new business development opportunities.

COMMITTEE MEMBERS:

Jeffery Hall, Chairman
Karlene Bailey
Kim Clarke
Roger Hinds
Harriet Maragh
Grantley Stephenson

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee had 11 meetings in 2012 and reviewed monthly management reports, budgets, financing for capital projects, internal controls, and financial information to be communicated externally, prior to this information being sent to the Board for approval. In addition, the Committee reviewed and evaluated the effectiveness of the Company's internal audit function.

COMMITTEE MEMBERS:

Alvin Henry, Chairman
Karlene Bailey
Stephen Lyn Kee Chow
Harriet Maragh
Ramon Pitter
Grantley Stephenson

HUMAN RESOURCES AND COMPENSATION COMMITTEE

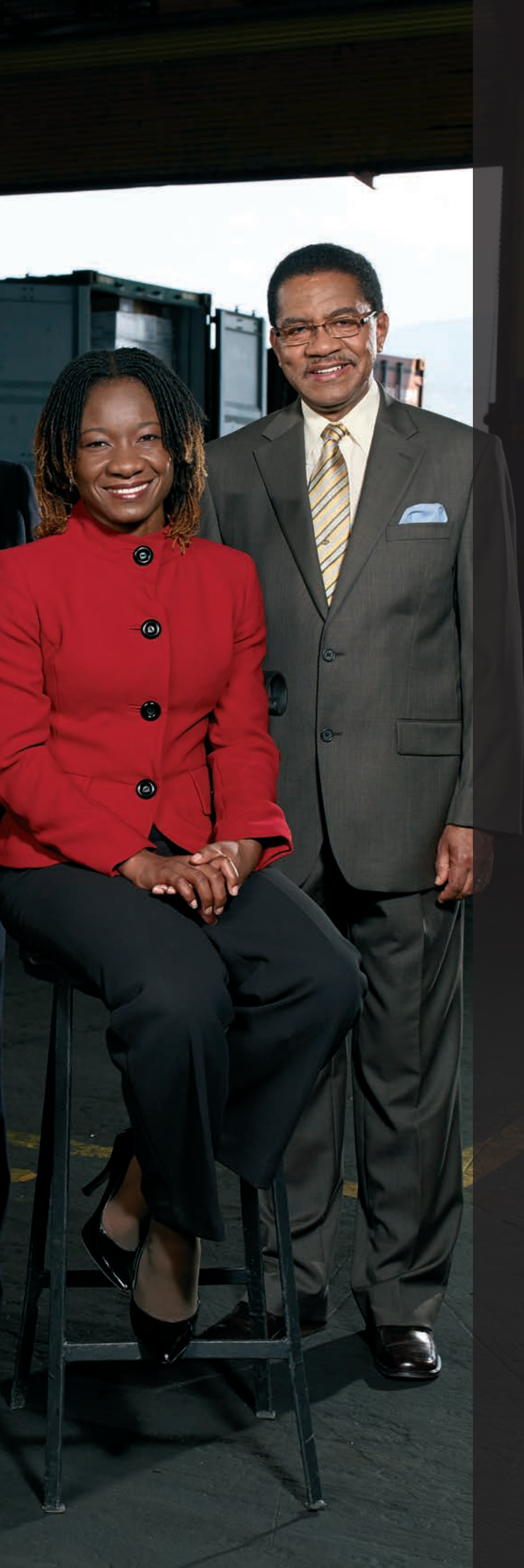
The Human Resources and Compensation Committee had two meetings during 2012. An important achievement of the Committee is the development of a policy and framework for executive compensation to provide performance-based reward opportunities in support of the Company's business objectives and long-term financial returns to investors, as well as to motivate and retain key executives. The Committee also reviewed and approved employment contracts for executives, and made recommendations to the Board on fixed and variable compensation for the CEO, CFO and other key executives based on business performance. In addition, the Compensation Committee worked with Stanton Chase International, an independent compensation consultant, to review the compensation and benefits for Board Directors.

COMMITTEE MEMBERS:

Kathleen Moss, Chairman
Alvin Henry
Roger Hinds
Stephen Lyn Kee Chow
Grantley Stephenson



LEADERSHIP TEAM



FRONT ROW [L-R]:

NERVAL ROBERTS Group Internal Auditor – KWL

LLOYD SMITH Technical Services Manager – KWL

VALRIE CAMPBELL Safety, Security and Claims Manager – KWL

BACK ROW [L-R]:

STEVE WHYTE Group Information Systems Manager – KWL

MARCELLO RICHARDS Engineering Manager – KWL

VILMA DAVIDSON General Manager & Chief Accountant – HCS

GRANTLEY STEPHENSON Chairman and CEO – KWL

FRONT ROW [L-R]:

KAREN GILBERT Group Chief Financial Officer – KWL

MAJOR TALBERT MORRISON Operations Manager – SAL

JULIET CRAWFORD Administration & Human Resources
Manager – SAL

PAULINE BURTON Finance and Facilities Manager – SAL

BACK ROW [L-R]:

MARK WILLIAMS Group Chief Marketing & Planning
Officer – KWL

ANNICA ANDERSON Human Resource & Administration
Manager – KWL

RYAN PEART Stevedoring and Planning Manager – KWL

CALVIN WATSON Assistant Operations Manager – SAL

CAPTAIN GEORGE REYNOLDS Managing Director – SAL

***ABSENT:**

VINCENT VASSELL Operations Manager – HCS





LEADERSHIP TEAM cont'd

LEADERSHIP TEAM ROLES & RESPONSIBILITIES

Kingston Wharves Limited and its subsidiaries are being led by a team of seasoned professionals with years of experience in the shipping industry. The following is a summary of their respective roles and responsibilities of members of the Leadership Team:

GRANTLEY STEPHENSON, C.D., J.P. Chairman and Chief Executive Officer – KWL

Grantley Stephenson has the overall responsibility of charting and maintaining the Group's businesses on the course of steady growth, profitability and sustainability through the planning and implementation of strategic objectives set out by the Board.

Additionally, he is charged with developing, enhancing and sustaining an effective strategic relationship with key stakeholders of the business. Mr. Stephenson drives the effort towards the achievement of the Group's vision by providing leadership, planning and direction towards the formulation of business development on a macro level.

LENGTH OF TENURE: 9 years

MARK WILLIAMS Group Chief Marketing & Planning Officer – KWL

Mark Williams is responsible for overseeing and directing all marketing, operations, and planning initiatives within the Group. His portfolio encompasses product development, product branding, pricing, media relations, domestic and international commercial business development, business and strategic planning, market research, customer service and operations.

In addition to leading and managing the Group's strategic planning process, he also expedites quantitative analysis and assessment of the business' performance identifying major future initiatives for growth and development.

LENGTH OF TENURE: 1 year

KAREN GILBERT Group Chief Financial Officer – KWL

Karen Gilbert is primarily responsible for the planning, directing and controlling the Group's financial operations as well as all strategic and tactical matters as they relate to budget management, cost benefit analysis and forecasting needs.

Additionally, Mrs. Gilbert oversees the management and coordination of all fiscal reporting activities for the group and provides advice on asset acquisitions, including upgrading and disposal of assets, as well as other major revenue and expense considerations. In addition, she makes projections for future growth opportunities for the Group.

LENGTH OF TENURE: 7 years

ANNICA ANDERSON Human Resource & Administration Manager – KWL

Annica Anderson is responsible for the strategic planning, directing and implementation of the Company's human resources policies, programs, and practices. In line with KWL's strategic initiatives, goals and objectives, Ms. Anderson ensures the development and effective motivation of the Company's critical high-performing human capital base.

She also oversees the performance management system, the administration of employee compensation and benefits, as well as managing industrial and employee relations. Ms. Anderson is in charge of the recruitment process and manages the maintenance of employee records.

LENGTH OF TENURE: 19 years

STEVE WHYTE Group Information Systems Manager – KWL

Steve Whyte is charged with the development of computer information resources, data security and control, as well as strategic computing, and disaster recovery for the Group.

He administers the systems analysis and implementation of computer applications and hardware including upgrading, data back-ups and proper recording of the systems on a daily basis. Mr. Whyte also evaluates the company's technology use and needs and recommends improvements as well as to ensure that the security and integrity of systems and data are maintained at the highest standards.

LENGTH OF TENURE: 7 years

NERVAL ROBERTS Group Internal Auditor – KWL

Nerval Roberts manages and safeguards the Group's assets against loss and misappropriation by monitoring, evaluating and determine the effectiveness of internal control systems.

Additionally, Mr. Roberts manages the preliminary reviews of all areas to be audited within the company including policies, procedures and practices. He conducts checks, reconciliation, comparisons and verification of transactions. Mr. Roberts is responsible for the systematic disciplined approach to improving the effectiveness of risk management.

LENGTH OF TENURE: 20 years

VALRIE CAMPBELL Safety and Security Claims Manager – KWL

Valrie Campbell manages all aspects of the Company's safety and security policies and procedures in order to safeguard personnel and property on the terminal. She ensures periodic strategic review of all safety and security measures, monitors and investigates all safety and security breaches and implements corrective measures to improve effectiveness. Ms. Campbell is also responsible for developing safety programmes and conducting employee training to ensure compliance with the Company's objectives.

LENGTH OF TENURE: 12 years

RYAN PEART

Stevedoring and Planning Manager – KWL

Ryan Peart assists and advises the executive team on all matters relating to the port terminal to ensure its efficient and profitable operations. He assists with developing strategic programmes to facilitate achievement of long and short term benefits of port operations. Mr. Peart manages all daily operations of the port terminal, which involve vessel planning, stevedoring, container freight station, yard/gate activities' and other support functions to ensure adequate preparation for the receiving, safe custody and delivery of cargo.

LENGTH OF TENURE: 6 years

MARCELLO RICHARDS

Engineering Manager – KWL

Marcello Richards has responsibility for the overall operations of all engineering and fleet maintenance function within the company. He ensures that the infrastructure, electrical systems and equipment are maintained at the highest level.

Mr. Richards also develops and implement maintenance programs, develops and monitor the maintenance budget, develops and execute capital projects as well as design and plan the layout of buildings, design structure and oversee the preparation of 'Bill of Quantities' for construction works.

LENGTH OF TENURE: 1 year

LLOYD SMITH

Technical Services Manager – KWL

Lloyd Smith is responsible for the monitoring and management of all electrical related systems, as well as mechanical construction and maintenance activities. He ensures that all electrical installations and systems are maintained at the highest level and also develop and implement effective electrical maintenance and mechanical engineering programmes for the facilities of the Company. Mr. Smith handles the procurement services of contractors to effect repairs on electrical installations and fixtures.

LENGTH OF TENURE: 17 years

CAPTAIN GEORGE REYNOLDS

Managing Director – SAL

Captain George Reynolds is charged with leading the company and structuring all resources strategically to increase profitability. Captain Reynolds directs all aspect of management for the company and is primarily responsible to design, develop and implement strategic plans in alignment with the main objectives and targets.

He also ensures that adequate security measures are implemented and maintained in order to protect the property of the terminal, shipping agents and consignees and reducing illicit use of the port

LENGTH OF TENURE: 1 year

JULIET CRAWFORD

Administration & Human Resources Manager – SAL

Juliet Crawford directs all human resources and administration related matters pertaining to the company. She also manages the activities of the National Port Identification Processing Centre.

In her Human Resources management portfolio, Ms. Crawford manages policies and programs to include recruitment and staffing, preparation of employee contracts, performance management and improvement systems, employee compensation, benefits, development and training. In administration, she ensures that the company has sufficient stock of critical supplies as well as the maintenance of relevant equipment.

LENGTH OF TENURE: 17 years

PAULINE BURTON

Finance and Facilities Manager – SAL

Pauline Burton is charged with managing all the company's accounting affairs including treasury management and the co-ordination and preparation of budgets and financial statements.

Ms. Burton also monitors the acquisition and maintenance of the company's assets and facilitates internal and external auditors. By extension, she provides supervision to multi-disciplinary teams to include the accounting and maintenance staff

LENGTH OF TENURE: 16 years

MAJOR TALBERT MORRISON

Operations Manager – SAL

Major Talbert Morrison is responsible for the co-ordination and supervision of all security activities at client locations, as well as security systems for vessels at the relevant port facilities in conjunction with other support agencies. He undertakes continuous auditing of all the agreed Systems and Procedures for Security Officers, making recommendations and highlighting weaknesses and breaches in security arrangements. In addition, he helps to enforce the safety requirements at the terminal. Major Morrison also assesses the training needs of the staff, designs and conducts appropriate training programmes as needed.

LENGTH OF TENURE: 6 months

CALVIN WATSON

Assistant Operations Manager – SAL

Calvin Watson assists and advises the Operations Manager in overseeing all security and safety activities. Mr. Watson manages all daily operations at client locations, vessel security systems at the relevant port facilities of the port terminal. He is responsible for assisting the operations manager in coordination of security and safety requirements, as well as managing, training, and assessing performance of the entire security personnel. He is also responsible for assisting with internal investigations.

LENGTH OF TENURE: 25 years

VILMA DAVIDSON

General Manager & Chief Accountant – HCSL

Vilma Davidson has primary responsibility for the management of the company's general and financial resources. Her responsibility includes but not limited to the development and implementation of broad policies in accordance with the company's strategic plans.

Ms. Davidson also monitors critical aspects of the company's financial position including revenue, expenditure and investments, as well as the preparation of capital and recurrent budgets. Additionally she ensures that high quality customer service and security measures are implemented in order to elimination of pilferage and property protection.

LENGTH OF TENURE: 40 years

VINCENT VASSELL

General Manager & Chief Accountant – HCSL Operations Manager

Vincent Vassell is charged with designing, testing and evaluating systems and procedures to improve the company's operational efficiency. His main objective is to direct the company's operations through strategic planning and co-ordination. Mr. Vassell also ensures that the company has adequate security measures implemented and enforced as well as the required manpower, equipment and facilities for the smooth functioning of warehouse operations.

LENGTH OF TENURE: 20 years

MANAGEMENT DISCUSSION & ANALYSIS

2012

ENABLING A WORLD CLASS VISION

35

How We Deliver to Our Customers

36

How We Do Business

37

How We Build the Team

38

How We Build Community

39

THE RESULTS WE DELIVERED

43

The Group

43

Kingston Wharves Limited

44

Subsidiaries

45

LOOKING TO THE FUTURE: How We Will Move Forward

47



TTNU 429648 II
42G1

MAX GROSS 30,480 KG
TARE 5,440 KG
NET 25,040 KG
MAX LOAD 24,820 KG
CUB. CAP. 67.7 CBM
2,390 CUFT

FSCU 664247 B
45G1

MAX GROSS 30,480 KG
TARE 5,440 KG
NET 25,040 KG
MAX CARGO 25,040 KG
CUB. CAP. 67.7 CBM
2,390 CUFT

MAX CARGO 25,040 KG
CUB. CAP. 67.7 CBM
2,390 CUFT

FLORENS



**A WORLD-CLASS JOURNEY REQUIRES A CHANGE
IN OUTLOOK, A CHANGE IN CULTURE: Robert BOGLE,**
KWL Chief Electrical Engineer at the fore of change
leadership.



MANAGEMENT DISCUSSION & ANALYSIS

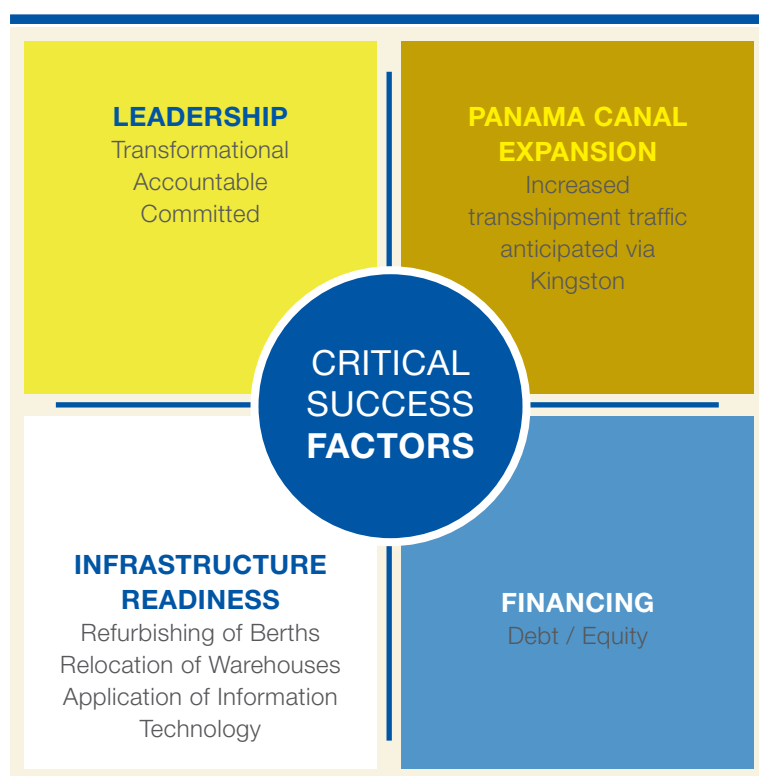
The Management of Kingston Wharves Limited (KWL) is responsible for the reliability of the information disclosed in the Management and Discussion Analysis (MD&A). The MD&A provides an overview of the financial performance of the Group and its subsidiaries which is consistent with previous disclosures made by the Group and its audited financial statements for the Financial Year 2012. This MD&A includes forward-looking statements based on our current strategic plans and expectations about future events. In light of the risks, uncertainties and assumptions discussed in the Chairman's Message (Page 12-15) and discussed in this section, there are risks that our actual experience will differ materially from the expectations and beliefs reflected in the forward-looking statements in this section and throughout this report.

The KWL Group is a publicly listed company on the Jamaica Stock Exchange with net assets of US\$131.45million. The principal activities of the KWL Group are wharf operations, cold storage, and provision of security services. These activities are carried out through Kingston Wharves Limited (KWL) which operates and manages the multipurpose wharf operations on the Port of Kingston; Harbour Cold Stores Limited (HCS) which operates cold storage facilities and provides complimentary ancillary services; and Security Administrators Limited (SAL) which provides security services to marine-related companies.

we do business, how we work together, and how we build community. The focus on these areas delivered the sterling performance in 2012, and will continue to drive our results in 2013 and beyond.

ENABLING A WORLD-CLASS VISION

There is no silver bullet in achieving a world-class vision. In fact, it is a journey that requires a change in outlook, a change in culture. In 2011, we indicated that our strategy was predicated on a culture that is transformational, accountable and committed. The 2012 results confirm that a solid foundation is in place; effective teams and new norms aligned to best practices have begun to define work and the way forward. For the KWL Group, this has meant a change in how we deliver to our customers, how



MD&A cont'd

CREATING A NEW CUSTOMER EXPERIENCE:

Valued Customer, Marvin Williams (left) is assisted by Shelly-Ann Cameron, KWL Customer Service Administrator and Chase Williams, KWL Customer Service Representative.

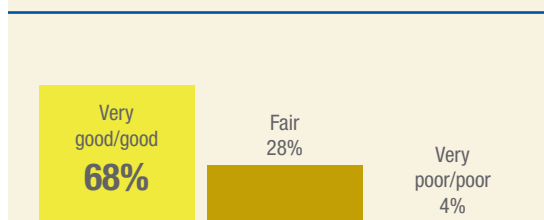


HOW WE DELIVER TO OUR CUSTOMERS

Having committed to the objective of increasing customer value through the consistent delivery of service at competitive price, 2012 was used to lay the foundation for the implementation of a Customer Value Proposition that is distinct and differentiable. Listening to the Voice of the Customer is a key component in building an effective customer value proposition. In this regard a structured approach was utilised in 2012 through the Company's first customer satisfaction survey which included all customer segments. In an effort to ensure candid customer feedback and the veracity of the results, an independent and reputable market research firm was engaged to carry out the survey. The findings are encouraging with 50% of customers responding and providing valuable feedback, some of which have already been employed in key aspects of operations to maximize resources and yield satisfying results.

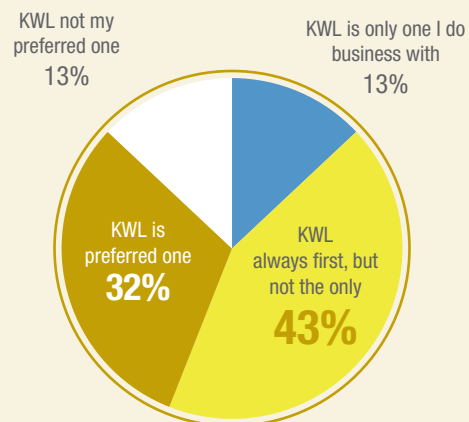
The survey results indicated that the Company received fairly high satisfactory rating:

KWL CUSTOMER SERVICE RATINGS



68% of participants rated overall performance between 7 and 10, with 10 being the highest. More than 50% indicated the Company is preferred service provider. Customers felt the Company maintained high standards in the accuracy of information provided, flexibility in customer relations, and in the ability of staff members. Two key areas highlighted to improve service delivery are greater use of technology and improvement in communication.

CUSTOMER VIEWS OF KWL



In direct response to customer feedback, KWL implemented online portals to improve convenience and access to information. Customers with consolidated containers are able to **view online the daily stripping schedule** for containers. The Company launched a **Container**

Charges Website in November 2012 where customers can view an itemized listing of all the charges for any full container loads (FCL) shipment. This gives customers relevant and precise information to advance cargo preclearance. Concomitantly, KWL now accepts **Electronic Data Interchange (EDI) information**. This allows customers to transfer manifest information electronically and results in faster processing of transactions.

A customer contact and database management software is actively in use as a communication mechanism to inform customers of service offerings, promotions, procedural changes, etc. while simultaneously measuring and channeling feedback. The Company is in the final design stages of operationalizing a new Wharfage Management Information System (WMIS). The new WMIS is an integrated tool that will provide greater processing efficiency and service delivery.

During the year, management made a deliberate effort to be more visible and involved in service delivery; executives assisted and coordinated warehouse delivery during the Christmas Peak where we achieved in excess of 1,200 deliveries in a day, the highest number ever recorded!

HOW WE DO BUSINESS

The upgrade and introduction of systems to improve the performance of personnel, equipment and other resources have begun to reap gains in productivity, reliability and in streamlining of overall operations.

The lifting capacities of the Gottwald Harbour Cranes were put to the test with the request to discharge and load several break bulk cargoes weighing over 80 tonnes. Four ZIM Panamax vessels, the largest being 294m long, discharged and loaded the cargoes at Berths 8 and 9. This operation underlined KWL's capacity to accommodate larger vessels (Panamax) and our ability to effectively stevedore them.

With the acquisition of a Gottwald Mobile Harbour Crane and two (2) Taylor Stackers in 2011, the focus was returned to equipment maintenance projects in 2012. Several significant maintenance projects were carried out by internal technical staff with the assistance of overseas technical representatives. These projects were dominated by crane-related maintenance activities.

Other extraordinary civil-related maintenance projects were completed, including the rehabilitation of eroded surfaces and drains, to improve the safety and protection of the facilities and collateral. In addition,



EMBRACING NEW STANDARDS FOR SERVICE DELIVERY:
ZIM New York, docked at Berths 8 and 9 - amongst the largest vessels now being serviced by the KWL Team.

MD&A cont'd

installation of larger bollards at Berths 6 has improved ship utilization at that berth.

The recommendations from the Energy Audit continued to be implemented. In 2012, LED lighting and motion sensors were installed in the administration and operations building to reduce energy consumption.

The strategy of collaboration with local, regional and international external partners and the execution of a multi-layered approach to security remained a vanguard of the Company's Security Plan. In 2012, the Company continued to enhance safety and security by increasing the use of technology in processes and by adopting international maritime best practices for safety and security. The intensification of training and awareness, in both safety and security, has resulted in the reduction of incidents and accidents which will positively impact future claims.

systems during the 2012 financial year.

Another main area of focus for 2012 was the improvement in the Company's disaster recovery and data redundancy strategies. System recovery and restoration plans were developed and tested with our offshore backup services provider. A simulation restoration was also conducted which was observed by our internal audit department. The KWL data network has now been extended to a Tier III data centre provided by a local telecommunications company. This data centre now hosts the Company's backup servers and is configured as a failover for the Tideworks system.

HOW WE BUILD THE TEAM

Creating and building a service culture guided by accountability, commitment and excellence can only be achieved through the development of the

service expertise of staff and a sense of 'team' in the delivery of service. In support of the Company's Service Strategy, service training was given a boost through a retreat which addressed the initial findings of the 2012 Customer Satisfaction Survey. The retreat focused on frontline staff and the immediate methods and practices to be applied to improve service delivery while the overarching service strategy was being developed.

To build on the competence and proficiency of existing operators, mandatory operations-based refresher training programmes were a primary feature in 2012. New operators benefited

from the extensive introductory and advanced training programmes.

Recognition of team members gives the KWL team a deep sense of pride. The election in



SUCCESS REQUIRES TEAMWORK: Damien Williamson, Maintenance Officer (left) working with Barrington Samuels, Operations Officer (right) to ensure seamless service delivery.

With the replacement of the IBM-AIX operating system with the Linux Server OS, coupled with the upgrade of the Tideworks (Mainsail) production solution, KWL was able to take advantage of a significant lowering of the annual maintenance costs associated with running IBM-based server

2012 of the Chairman and CEO of Kingston Wharves Limited as President of the Caribbean Shipping Association is acknowledgement of the great value of KWL team members, both nationally and regionally.

HOW WE BUILD COMMUNITY

Celebrating Jamaica 50th – Supporting Missionaries of the Poor

Kingston Wharves Limited (KWL) continues, with great pride, to impact groups, communities and, by extension, the wider Jamaican society. The celebration of Jamaica's 50th year of independence made 2012 a very special year. To celebrate this important milestone, KWL committed to donating to a charitable institution that best reflect the company's unwavering commitment to social responsibility; the Missionaries of the Poor was identified as the organization.

The Missionaries of the Poor (MOP), an international religious institute of Brothers, originated and headquartered in Jamaica, has for over 30 years dedicated themselves to serving the poorest-of-the-poor. They maintain six (6) mission homes for the destitute, including abandoned, sick, disabled and terminally ill men, women, infants and children. Beyond aiding with food, clothing and shelter, one of the main objectives of the MOP, is to build family and community cohesiveness among the poor and disadvantaged.

One major source of funding sought by the MOP is support for its annual award-winning theatrical performance produced by the Missionaries' founder Father Ho Lung and his Friends. Understanding the important work of Father Ho Lung, Kingston Wharves Limited supported the 2012 production, "The Messiah". This Christian family musical centred around biblical stories featuring different genres of Jamaican and Caribbean music that entertained 50,000 persons commemorating Jamaica 50.

"Jamaica needs compassion at this time. We must not forget that although all of us are struggling, that the one missing answer is love. It sounds cliché, but we need to love because we all have struggles. We cannot look up at the struggles of others and say, No", said Father Ho Lung.

KWL did not say no. We are committed to our social responsibility core value to "play an active role in making our country and community in which we operate a better place to live and work; knowing that the on-going vitality of our country and community has direct impact on the long-term success of business".

50 for Jamaica 50 Promotion

The Company aligned the staging of its annual Customer Appreciation Day with the celebration of Jamaica's 50th Anniversary. The 50 for Jamaica 50 promotion gave 50 lucky customers 50% off their Handling Charge or Container Transaction Fee Invoice.

Additionally, the Company also partnered with leading telecommunication providers, retailers, banks and regulatory agencies to offer customers promotional discounts, financial planning and cargo processing information on the same day.

Under-15 Cricket Competition

The Kingston Wharves Under-15 Cricket Competition is the single largest sponsorship of the Group. KWL appreciates the sustainable development of Jamaica's youth through this medium and remains committed to this area of sports.

Cricket creates a culture of respect, teamwork, practice and self-reliance; tenets that are to be fostered and encouraged in young Jamaicans. This is why KWL is proudly the longest sponsors of cricket competition in Jamaica with over 24 years of partnership with the Jamaica Cricket Association (JCA). The competition has proven to be one of the best in the region; which continues to identify and nurture esteemed players such as Chris Gayle, Tamar Lambert, Nkrumah Bonner, James "Jimmy" Adams, Wavell Hinds, and Marquino Mindley, the KWL 2009 scholarship awardee.

2012 saw stellar performances from parish teams in the Competition; St. Andrew bowled their way to the top of the championship as they did in 2011.

The Camp, usually held after the competition in August, was rescheduled for January 2013 in an effort to support the JCA's preparations for national and regional competitions.

MD&A cont'd

Education

UNION GARDENS CHRISTIAN ACADEMY

For the past seven (7) years, KWL has adopted and supported the Union Gardens Christian Academy, an early childhood institution located in a neighbouring community in which the company operates. In 2012, we continued to facilitate the School's compliance with the Ministry of Education's requirements for Early Childhood Institutions. Our support during the Year included: the renewal of the Vice Principal's scholarship to Shortwood Teacher's College to pursue a degree in Early Childhood Education, the Annual Christmas Treat - the pride and joy of KWL employees who have assisted with the hosting of the Christmas lunch, entertainment and game for children and teachers, and the Annual Easter Field Outing which exposes the children to the diversity of Jamaica and the Jamaican culture.

SCHOOL TOURS were improved so that primary, secondary and tertiary students could be exposed to the operations of the port and the shipping industry.

THE MARITIME AWARENESS WEEK

EXPO, one of the best educational exhibitions coordinated by the shipping industry, received continued support from the KWL Group with exhibits offering informative materials showcasing the affairs and opportunities of the industry. It was a tremendous success.

THE ANNUAL GSAT AWARDS CEREMONY

which honours the excellent academic achievements of the children of KWL employees. Financial contributions were also given towards their school expenses.



1 School children excitedly wait to see the performance of *The Messiah*, the **Father Ho Lung & Friends 2012 Production** that aimed to have 50,000 patrons see the musical in commemoration of Jamaica 50. **2** A scene from *The Messiah* featuring Father Ho Lung **3** – **8** Snapshots from the **2012 Customer Appreciation Day** which featured KWL's 50 for Jamaica 50 Promotion - a 50% discount off service charges. **9** Mr. Grantley Stephenson, KWL Chairman and CEO, welcomes customers, employees and other participants to the 2012 Customer Appreciation Day.



10



11



12



13



15



16



14



17



18



19



20



21

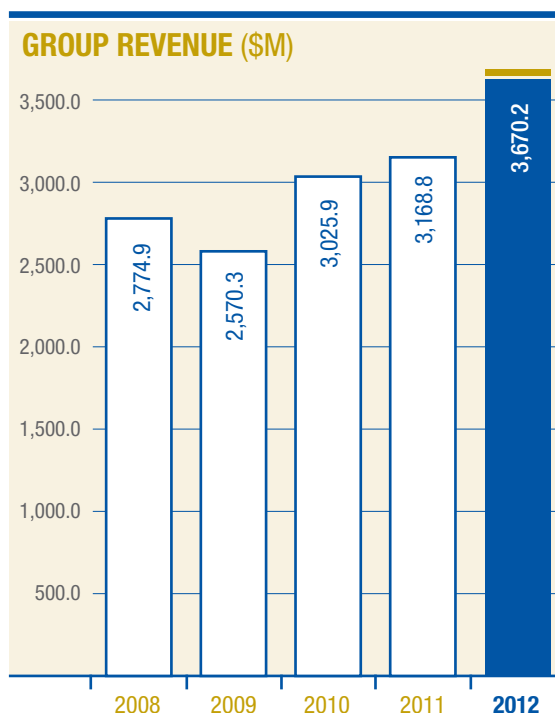
10 – 17 The Children and Teachers of Union Gardens Christian Academy enjoy the Annual Christmas Treat hosted by KWL Employees. **18 – 21** St. Andrew, Champion of the 2012 KWL Under-15 Cricket Competition, celebrate their victory and are presented with the Championship Trophy, Team Medals, Individual Performance Awards and Bursaries by KWL Representatives.



A SHARED VISION DELIVERS RESULTS: Warehouse Team (l-r)
Phillip Gentles, Jennifer Brown, Aton Barnett, Dawn Brown-Smith led by
Warehouse Manager, Sydius Rose aim for service improvements.

MD&A cont'd

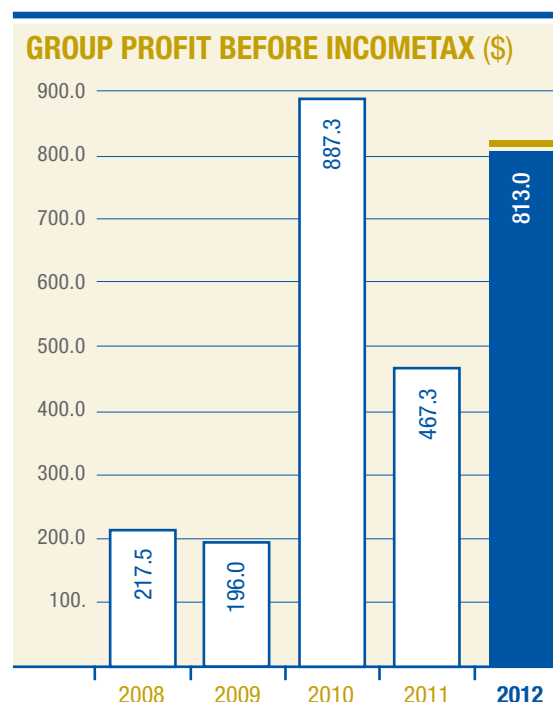
THE RESULTS WE DELIVERED



THE GROUP

The 2012 Financial Year was a year of notable increases: the group recorded a 15% or \$501 million increase in revenue, from \$ 3,169 million in 2011 to \$3,670 million. Group Operating Profit increased by 68.4% or \$439 million to \$1,079 million in 2012 when compared to \$640 million in 2011.

Group Profit Before Income Tax increased by 74% or \$346 million, from \$467 million to \$ 813 million in 2012. This includes a sum \$160 million, a combination of interest income on equity injection in 2012 and gains on foreign exchange as a result of the devaluation of the Jamaican dollar.



Other factors that impacted the profit for the period were improvements in core terminal operations.

Dividends pay-out for the last five years ended December 2012 amounted to a total of \$ 371 million. Earnings Per Share increased by 32% and Net Worth by 28%. Share Price, however, experienced a 16% decline. Long-term Shareholder Value benefitted from Jamaica Producer's (JP) purchase of Three Hundred and Fifty Seven Million Five Hundred and Fifty Thousand (357,550,000) ordinary shares of KWL at a price of \$5.00 per share. The financing provided by the JP Equity investment is a critical factor in enabling the capital improvement program that will continue the modernization of our facilities and create improvement in efficiencies.

MD&A cont'd

KINGSTON WHARVES LIMITED

Kingston Wharves Limited (KWL), like the Group, experienced growth in some of the key financial indicators: a 22.3% or \$557.7 million increase in revenue and a 54.4% or \$419.1 million increase in operating profit

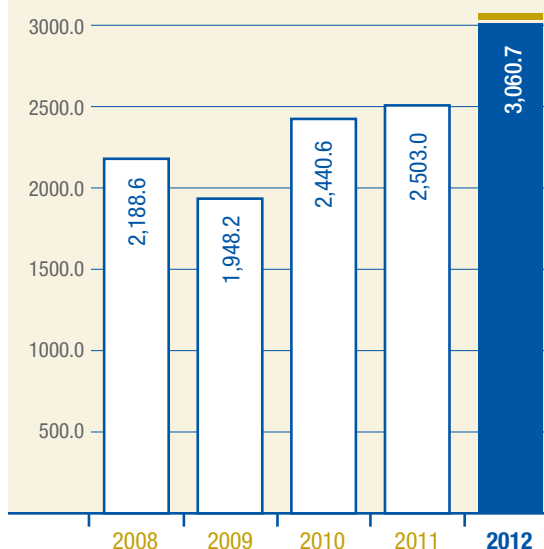
There were gains in total domestic and transshipment containers handled. However, the significant gains came from the transshipment containers handled. At the end of 2012, transshipment containers handled totalled 186,065 TEU's, an increase of 23.3% over 2011. Domestic TEU's increased to 96,939 TEU's, a 7.4% increase when compared to 2011.

Much like 2011, Motor Vehicle activity continued to increase with notable gains in both domestic and transshipment units handled. Domestic units

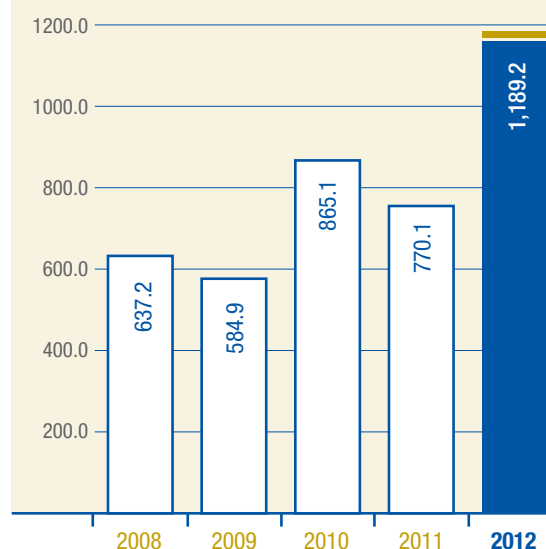
handled almost doubled by increasing to 21,087 from 11,407 while transshipment units handled in 2012 totalled 59,237 when compared to 51,675 moves in 2011.

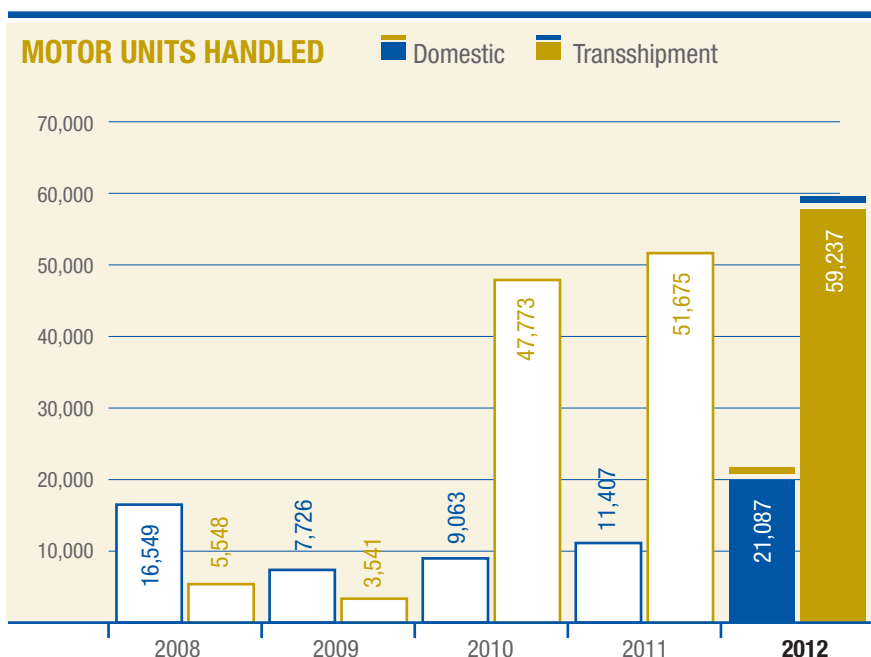
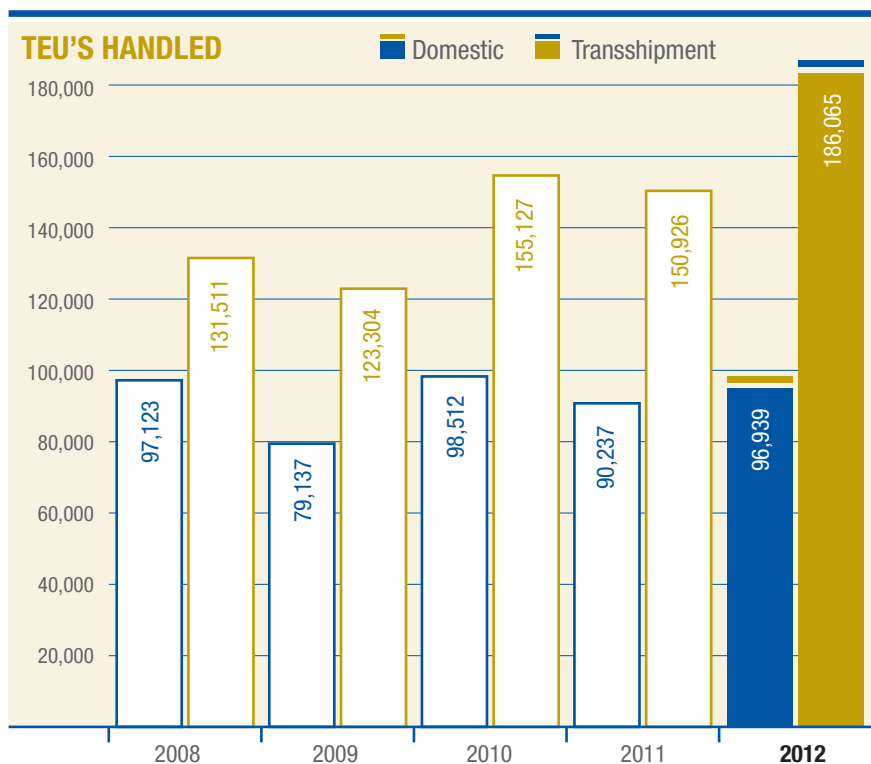
Improved efficiency in terminal operations was the key driver of much of the improvements in 2012. Our efforts at reducing cost through effective management included an improved management systems, contract renegotiation, consolidation of key service providers, on-site technical support by the Equipment Manufacturer, and the implementation of an Overall Preventative Maintenance Strategy. Collectively, these changes resulted in a modest increase in equipment reliability over the 12-month period and provide a framework upon which we can build future growth in productivity.

KINGSTON WHARVES LIMITED - REVENUE (\$M)



KINGSTON WHARVES LIMITED - OPERATING PROFIT (\$M)





SUBSIDIARIES:

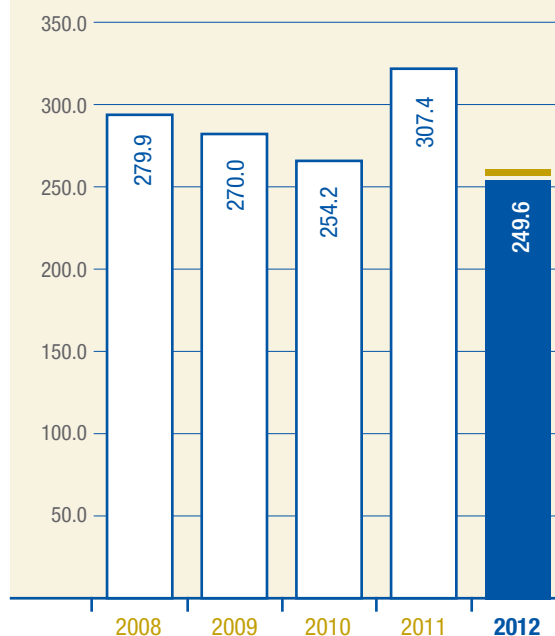
HARBOUR COLD STORES LIMITED

In 2012, the Company recorded revenue of \$249.6 million compared to the \$307.4 million achieved in

2011. This 18.8% decrease in revenue reflects the impact of the challenges of the on-going global and local economic crises on the business of Harbour Cold Stores Limited (HCS). Revenue from interest income declined by \$8.6 million or 19.7% due to lower interest rates and reduced amounts on deposits as a result of dividend payments of \$100 million.

MD&A cont'd

HARBOUR COLD STORES - REVENUE (\$M)

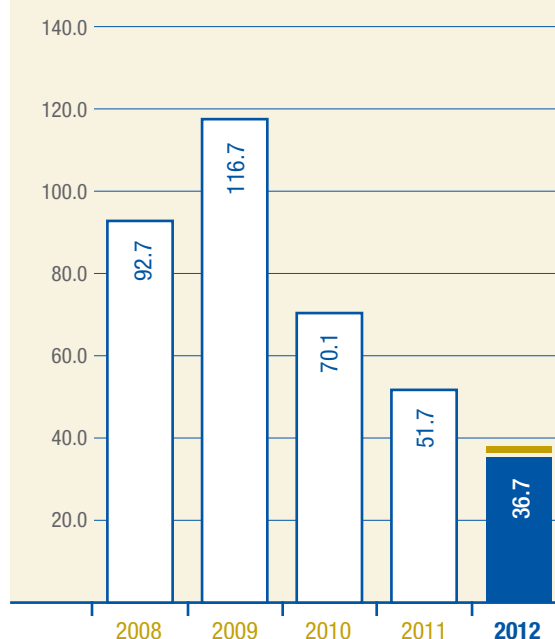


Just-in-time inventory strategies, merged warehousing and distribution operations and trading with reduced quantities of goods, while good for business operators, have reduced the demand for the services provided by the Company. HCS recorded a 15.4% reduction in the cost for electricity in 2012, compared to 2011, as a direct result of reduced demand and utilization of cold storage space.

The relevant criteria for compliance with the new 2012 Food Safety Modernization Act 2012 are successfully being pursued.

Due to the reduction in business activity being experienced by the Company, a phased approach is to be undertaken to the scheduled refurbishing and upgrading of the facility. This important upgrade will prioritise areas involved in the movement of goods from container to the inspection area to provide a seamless cold chain in keeping with international standards of warehouse best practices.

HARBOUR COLD STORES - OPERATING PROFIT (\$M)

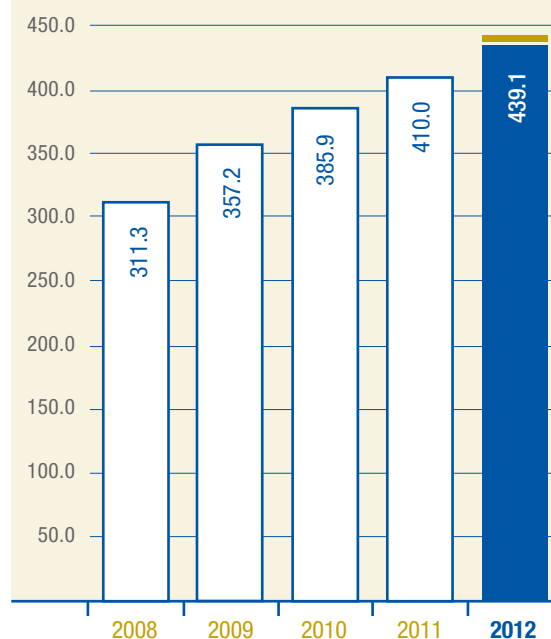


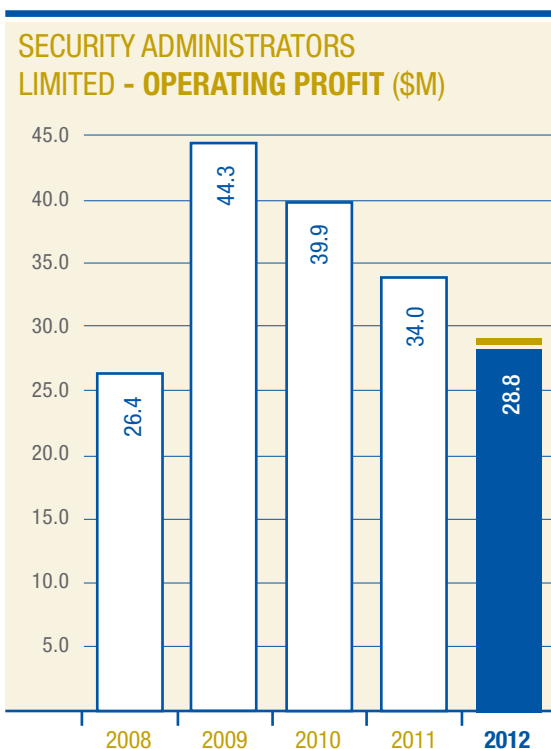
Revenue from storage and rental for 2012 also declined; by \$11.2 million or 9.5% and \$16 million or 35.35%, respectively. The Company recorded a 2012 Pre-tax profit of \$36.7 million or 29% below the \$51.61 million achieved in 2011.

SECURITY ADMINISTRATORS LIMITED (SAL)

The revenues of the security arm of the Group increased by 7% in 2012; from \$410 million to \$439 million. However, pretax profits of \$28.8 million fell below the prior year by \$5.2 million dollars or 15%

SECURITY ADMINISTRATORS LIMITED - REVENUE (\$M)

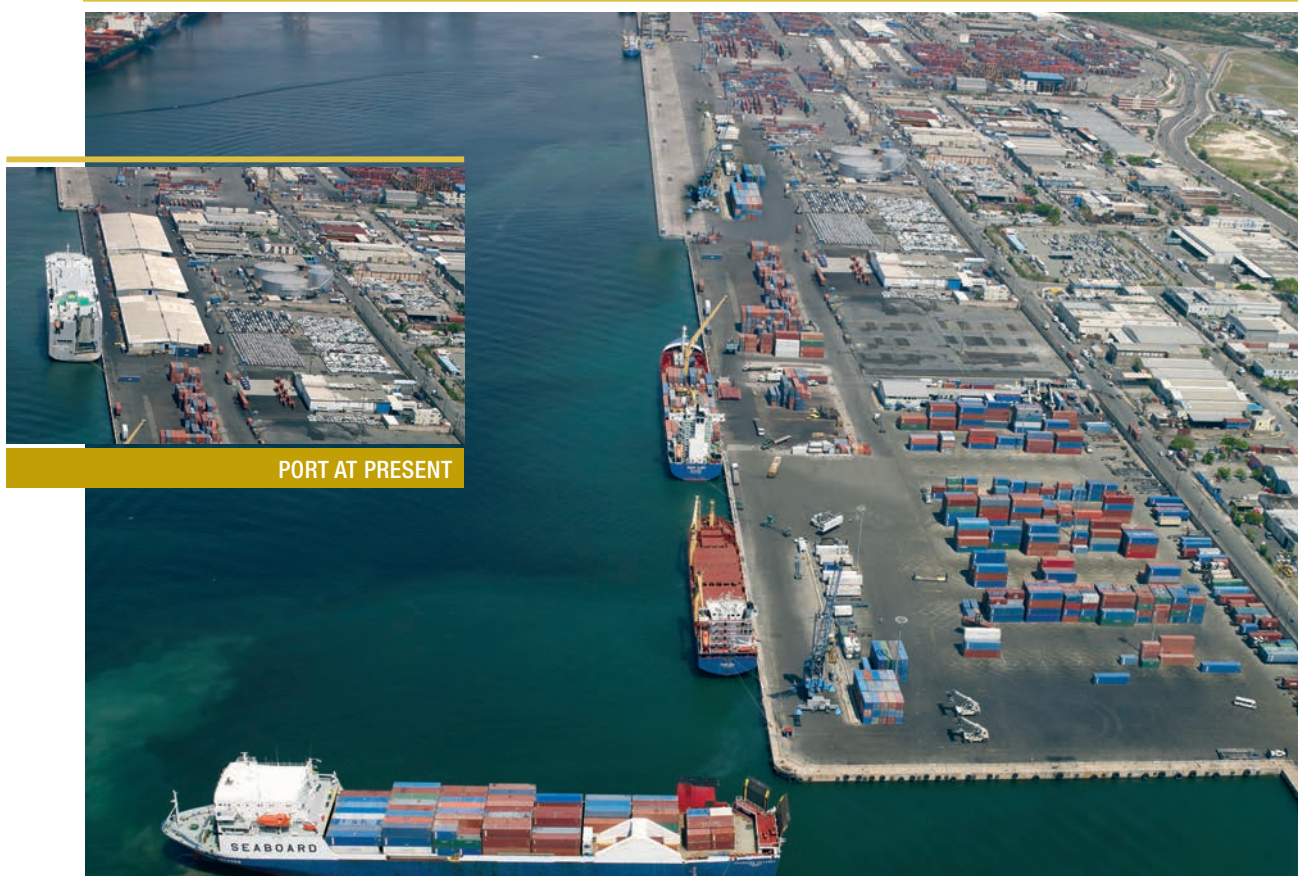




Contributory factors were increased expenditure arising from wage increases across the Group and in the Government of Jamaica's minimum rates payable to industrial Security Officers, as well as reduced demands for security services and capping of rates by businesses in their efforts to contain expenditure.

The Company's plans for 2013 are to diversify the scope of services offered, especially electronic security solutions, and to re-tool, as required. The Company will also be focusing on retaining existing customers and increasing the overall customer base through targeted efforts such as improving service delivery and operational efficiencies, expanding the volume and range of services provided and containing expenses.

LOOKING TO THE FUTURE



MD&A cont'd



**CUSTOMER ENGAGEMENT,
THE KEY TO WORLD-CLASS
SERVICE DELIVERY:**
Marguerite Taylor,
Country Manager, Laparkan
Jamaica Limited works
with Mark Williams,
KWL Chief Marketing and
Planning Officer, to define
expectations.

HOW WE WILL MOVE FORWARD

The Customers' call for faster, more consistent and reliable service is encapsulated in our service mission, to deliver world-class service every day... all day and drives the multifaceted service strategy which in 2013 will involve expanded training, standards, metrics, recognition and reaffirmed commitments to enable the service levels to meet the needs of all customer segments.

Equipment and facilities maintenance management is a critical component for KWL's growth strategy. Accordingly, major transformation projects are targeted for implementation in 2013. Among these priorities are:

- implementation of an integrated inventory management system including a maintenance planning and execution system to improve inventory control and maintenance performance and to reduce maintenance expenses
- extension of the collaborative programme with equipment manufacturers whereby their expert technicians provide intensive hands-on training with KWL technicians, and carry

out periodic inspection, assessment and supervision of repairs and maintenance.

- introduction of advanced tooling to assist with minimizing downtime – vibration monitoring, online diagnostic checks and infrared thermography
- exploration of solar and wind turbine energy sources to assist with energy reduction initiatives

In 2013, KWL will be one (1) of three (3) local ports to benefit from the establishment of a Container Control Programme (CCP). The Programme, the result of a partnership with the Government of Jamaica and the United Nations Office on Drugs and Crime, will see the strengthening of linkages with key local, regional and international security experts. The aim is the implementation of practices to reduce and combat the use of legitimate maritime trade for any form of illicit activity. The Programme has been effectively introduced in several other countries has the potential to enhance state revenue.

The development and deployment of a modern Wharfage Information System (WIS) is a key deliverable of the service strategy and will be a main area of focus for the Information Technology team in 2013. The WIS will provide an integrated management solution for customer service,

warehouse, cargo operations and maintenance teams.

An important objective in 2013 is the continued implementation of the comprehensive customer service training programme for all KWL staff and other port personnel critical to customer care. Key deliverables will include equipping personnel with the necessary tools to provide exceptional customer service and solutions in an effort to strengthen the relationships with customers. The recognition and reward of team members who champion the world-class service culture will form a cornerstone of the strategic service imperative.

How we work in 2013 and beyond will be driven by how we capitalise on the opportunities to develop our people. In this regard, collaboration with best-practice global and sub-regional hub ports to benefit key personnel with international experience and exchange of ideas will be fully exploited. Also, the certification programme launched in 2011 for equipment operators will be expanded to encompass other operations, service and administrative personnel.

The Management Trainee Programme is a key component of the Company's comprehensive succession planning and its second cohort will be in place in 2013. The programme identifies and develops leadership skills of high-potential candidates with the right competence, skills set and aptitude. The main objective of the programme is to provide the trainees with a broad exposure through a rotational programme building on their skills set to deliver managers who can perform at the senior level within 8-10 years of joining.

The retooling of the Union Gardens Christian Academy will be amongst the priority of the Group's community building initiatives in 2013. The objective, with the assistance of partners and stakeholders, is to provide an environment that fosters the learning and creativity of young children while being safe and secure. In this regard, the project will include refurbishing of the classrooms and the provision of new and compliant school equipment.

As an organization, KWL recognizes the immeasurable benefits of social responsibility programs to community and nation building. KWL is unwavering in this commitment; it is the way we do business!

TOP TEN SHAREHOLDERS

as at December 31, 2012

SHAREHOLDERS	SHAREHOLDING	PERCENTAGE OF OWNERSHIP
Jamaica Producers Group Limited	431,761,188	30.19
National Commercial Bank Jamaica Limited	360,807,145	25.23
Shipping Association of Jamaica Property Limited	168,933,715	11.81
Kingston Port Workers Superannuation Fund	159,405,130	11.15
NCB Capital Markets A/C No. 2231	105,283,757	7.36
Maritime and Transport Services Limited	71,475,924	5.00
Lannaman and Morris (Shipping) Limited	28,842,258	2.01
Sagicor PIF Equity Fund	10,785,223	0.72
NCB Insurance Company Limited - A/C WT 181	10,000,000	0.70
Seafreight Line	6,029,108	0.42

DIRECTORS' & EXECUTIVES' SHAREHOLDINGS

as at December 31, 2012

DIRECTORS	TOTAL	DIRECT	CONNECTED PARTIES*
Karlene Bailey	-	-	-
Kim Clarke	71,475,924	-	71,475,924
Roger Hinds	1,481,481	-	1,481,481
Charles Johnston	432,495,153	24,458	432,470,695
Jeffery Hall	431,761,188	-	431,761,188
Alvin Henry	91,333	91,333	-
Stephen Lyn Kee Chow	150,000	150,000	-
Harriat Maragh	28,736,164	-	28,736,164
Kathleen Moss	431,763,188	2,000	431,761,188
Ramon Pitter	360,807,145	-	360,807,145
Grantley Stephenson	331,369	331,369	-

EXECUTIVES	TOTAL	DIRECT	CONNECTED PARTIES*
Annica Anderson	-	-	-
Karen Gilbert	-	-	-
Mark Williams	-	-	-
Grantley Stephenson	331,369	331,369	-

* Includes shares held by connected parties

CORPORATE DATA

CHAIRMAN & CHIEF EXECUTIVE OFFICER

Grantley Stephenson

DIRECTORS

Karlene Bailey

Kim Clarke

Jeffery Hall – appointed March 29, 2012

Alvin Henry

Roger Hinds

Charles Johnston

Derek Jones – resigned September 13, 2012

Peter Lawson – resigned July 10, 2012

Kathleen Moss – appointed March 29, 2012

Ramon Pitter – appointed July 17, 2012

Stephen Lyn Kee Chow

Harriat Maragh

AUDITORS

PRICEWATERHOUSECOOPERS

Scotiabank Centre
Corner of Duke & Port Royal
Streets
Kingston

ATTORNEYS-AT-LAW

DUNNCOX

48 Duke Street
Kingston

GARCIA & COMPANY

Unit 2, Building B
Ardenne House
11 Ardenne Road
Kingston 10

HART MUIRHEAD FATTA

2nd Floor
53 Knutsford Boulevard
Kingston 5

HYLTON & HYLTON

31 Upper Waterloo Road
Kingston 10

HYLTON BROWN INTERNATIONAL

6-8 St. Lucia Avenue
Kingston 5

LIVINGSTON ALEXANDER & LEVY

72 Harbour Street
Kingston

MICHAEL HYLTON & ASSOCIATES

11A Oxford Road
Kingston 5

MYERS, FLETCHER & GORDON

21 East Street
Kingston

NICHOLSON PHILLIPS

22 Trafalgar Road
Kingston 10

PATTERSON MAIR HAMILTON

63-67 Knutsford Boulevard
Kingston 5

WILSON FRANKLYN BARNES

21 Connolley Avenue
Kingston 4

BANKERS

BANK OF NOVA SCOTIA (JAMAICA) LIMITED

Scotiabank Centre
Corner of Duke & Port Royal
Streets
Kingston

FIRST CARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED

23 Knutsford Boulevard
Kingston 5

FIRST GLOBAL BANK

2 St. Lucia Avenue
Kingston 5

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

The Atrium
32 Trafalgar Road
Kingston 10

REGISTRAR & TRANSFER AGENT

KPMG REGULATORY & COMPLIANCE SERVICES

6 Duke Street
Kingston

CORPORATE SECRETARY

ROGER HINDS

90 First Street
Newport West
Kingston 11
Tel: (876) 923-5719
Fax: (876) 923-9301

ADMINISTRATIVE OFFICES

KINGPORT BUILDING

Third Street
Newport West
Kingston 11, Jamaica
Tel: (876) 923-9211
Fax: (876) 923-5361



FINANCIAL STATEMENTS

31 December 2012

INDEX to FINANCIAL Statements

Independent Auditors' Report to the Members

Financial Statements

Group statement of comprehensive income	56
Group statement of financial position	57
Group statement of changes in equity	59
Group statement of cash flows	60
Company statement of comprehensive income	61
Company statement of financial position	62
Company statement of changes in equity	64
Company statement of cash flows	65
Notes to the financial statements	66



Independent Auditors' 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 56 to 116, which comprise the consolidated statement of financial position as at 31 December 2012 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 statement of financial position as at 31 December 2012 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
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

C.D.W. Maxwell P.W. Pearson E.A. Crawford J.W. Lee P.E. Williams G.L. Lewars L.A. McKnight A.K. Jain B.L. Scott B.J. Denning
G.A. Reece P.A. Williams R.S. Nathan

**Members of Kingston Wharves Limited
Independent Auditors' Report
Page 2**

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 Kingston Wharves Limited and its subsidiaries and Kingston Wharves Limited standing alone as at 31 December 2012, 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 consolidated and company stand alone 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 March 2013
Kingston, Jamaica

KINGSTON WHARVES LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME Year Ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Revenue		3,670,177	3,168,802
Direct costs		(2,118,034)	(1,935,733)
Gross Profit		1,552,143	1,233,069
Other operating income	8	309,420	93,373
Administration expenses		(782,209)	(685,678)
Operating Profit		1,079,354	640,764
Finance costs	9	(266,330)	(173,465)
Profit before Income Tax		813,024	467,299
Income tax expense	10	(257,296)	(122,287)
Net Profit for Year		555,728	345,012
Other Comprehensive Income			
Surplus recognised on revaluation of property, plant and equipment		-	1,732,373
Deferred tax effect on other comprehensive income	29	-	(438,041)
Other Comprehensive Income for Year net of Tax		-	1,294,332
Total Comprehensive Income for Year		555,728	1,639,344
Net Profit Attributable to:			
Equity holders of the company	11	549,457	337,604
Non-controlling interest	12	6,271	7,408
		555,728	345,012
Total Comprehensive Income Attributable to:			
Equity holders of the company		549,457	1,631,936
Non-controlling interest	12	6,271	7,408
		555,728	1,639,344
Earnings per stock unit for profit attributable to the equity holders of the company during the year	13	\$0.41	\$0.31

KINGSTON WHARVES LIMITED

GROUP STATEMENT OF FINANCIAL POSITION 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	11,841,077	12,116,385
Intangible asset	16	3,116	3,773
Recoverable from The Port Authority of Jamaica	18	3,101	23,187
Deferred income tax assets	29	1,261	1,128
Retirement benefit asset	19	593,917	526,360
		<u>12,442,472</u>	<u>12,670,833</u>
Current Assets			
Inventories	20	30,026	23,275
Trade and other receivables	22	782,881	480,894
Taxation recoverable		11,850	64,750
Short term investments	23	2,984,835	1,033,894
Cash and bank	23	115,823	42,761
		<u>3,925,415</u>	<u>1,645,574</u>
Total assets		<u><u>16,367,887</u></u>	<u><u>14,316,407</u></u>

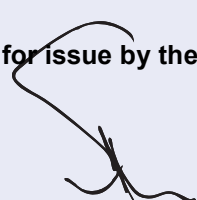
KINGSTON WHARVES LIMITED

GROUP STATEMENT OF FINANCIAL POSITION CONT'D 31 December 2012

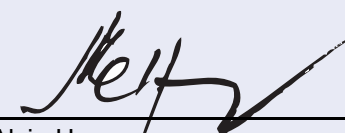
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
EQUITY			
Stockholders' Equity			
(attributable to equity holders of the company)			
Share capital	24	2,079,398	291,648
Capital reserves	25	7,165,022	6,716,356
Asset replacement/rehabilitation and depreciation reserves	26	215,168	214,796
Retained earnings		<u>2,678,840</u>	<u>2,285,354</u>
		12,138,428	9,508,154
Non-controlling Interest			
	12	<u>51,815</u>	<u>45,544</u>
		12,190,243	9,553,698
LIABILITIES			
Non-current Liabilities			
Borrowings	27	1,581,508	1,953,538
Deferred income tax liabilities	29	1,333,992	1,800,699
Retirement benefit obligations	19	<u>181,498</u>	<u>163,893</u>
		3,096,998	3,918,130
Current Liabilities			
Trade and other payables	30	494,114	395,262
Taxation		118,733	-
Borrowings	27	<u>467,799</u>	<u>449,317</u>
		1,080,646	844,579
Total equity and liabilities			
		<u>16,367,887</u>	<u>14,316,407</u>

Approved for issue by the Board of Directors on 4 March 2013 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 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Attributable to equity holders of the company					Non-controlling Interest	Total Equity
		Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 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
Total comprehensive income for the year		-	-	-	549,457	549,457	6,271	555,728
Adjustment to deferred income taxes on surplus on revaluation	29		436,087	-	-	436,087	-	436,087
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	26	-	-	372	(372)	-	-	-
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)	-	-	-	-
Issue of shares	24	1,787,750	-	-	-	1,787,750	-	1,787,750
Dividends	14	-	-	-	(143,020)	(143,020)	-	(143,020)
Balance at 31 December 2012		<u>2,079,398</u>	<u>7,165,022</u>	<u>215,168</u>	<u>2,678,840</u>	<u>12,138,428</u>	<u>51,815</u>	<u>12,190,243</u>

KINGSTON WHARVES LIMITED

GROUP STATEMENT OF CASH FLOWS Year Ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Net profit		555,728	345,012
Adjustments for:			
Amortisation	16	1,258	1,257
Depreciation	15	326,074	262,561
Foreign exchange adjustment on loans		114,947	18,238
Foreign exchange gain		(89,553)	(2,941)
Loss on disposal of property, plant and equipment		130	121
Retirement benefit asset		(67,557)	(73,018)
Retirement benefit obligations		17,605	20,879
Interest income	8	(113,695)	(65,623)
Interest expense	9	151,383	155,227
Taxation	10	257,296	122,287
		<u>1,153,616</u>	<u>784,000</u>
Changes in operating assets and liabilities:			
Inventories		(6,751)	5,254
Trade and other receivables		(309,769)	6,448
Trade and other payables		121,343	109,221
Recoverable from The Port Authority of Jamaica		<u>20,086</u>	<u>16,956</u>
Cash provided by operations		<u>978,525</u>	<u>921,879</u>
Tax paid		<u>(116,416)</u>	<u>(211,664)</u>
Net cash provided by operating activities		<u>862,109</u>	<u>710,215</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(51,567)	(638,022)
Purchase of intangible asset		(601)	-
Proceeds from sale of property, plant and equipment		671	1,231
Short term deposits with maturity greater than 90 days		39,729	(46,265)
Interest received		<u>121,477</u>	<u>59,182</u>
Net cash provided by/(used in) investing activities		<u>109,709</u>	<u>(623,874)</u>
Cash flows from financing activities			
Dividends paid to equity holders of the company		(166,170)	(95,562)
Dividends paid to non-controlling interest		-	(13,333)
Interest paid		(150,724)	(154,870)
Loans received		-	469,766
Loans repaid		(459,263)	(559,751)
Issue of shares		<u>1,787,750</u>	<u>-</u>
Net cash provided by/(used in) financing activities		<u>1,011,593</u>	<u>(353,750)</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,983,411</u>	<u>(267,409)</u>
Net cash and cash equivalents at beginning of year		774,756	1,039,224
Exchange adjustment on foreign currency cash and cash equivalents		<u>89,553</u>	<u>2,941</u>
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	23	<u><u>2,847,720</u></u>	<u><u>774,756</u></u>

KINGSTON WHARVES LIMITED

COMPANY STATEMENT OF COMPREHENSIVE INCOME Year Ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Revenue		3,060,724	2,503,034
Direct expenses		<u>(1,675,473)</u>	<u>(1,444,962)</u>
Gross Profit		1,385,251	1,058,072
Other operating income	8	373,877	225,550
Administration expenses		<u>(569,932)</u>	<u>(513,522)</u>
Operating Profit		1,189,196	770,100
Finance costs	9	<u>(277,947)</u>	<u>(188,299)</u>
Profit before Income Tax		911,249	581,801
Income tax expense	10	<u>(224,490)</u>	<u>(105,397)</u>
Net Profit for the Year		<u>686,759</u>	<u>476,404</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>-</u>	<u>(284,887)</u>
Other Comprehensive Income for Year net of Tax		<u>-</u>	<u>849,356</u>
Total Comprehensive Income for Year		<u><u>686,759</u></u>	<u><u>1,325,760</u></u>

KINGSTON WHARVES LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	8,625,550	8,813,594
Intangible asset	16	3,116	3,773
Investments in subsidiaries	17	75,731	75,731
Recoverable from The Port Authority of Jamaica	18	3,101	23,187
Retirement benefit asset	19	593,917	526,360
		<u>9,301,415</u>	<u>9,442,645</u>
Current Assets			
Inventories	20	22,392	13,994
Trade and other receivables	22	493,422	306,296
Group companies	21	169,446	66,064
Taxation recoverable		-	50,828
Short term investments	23	2,449,478	435,182
Cash and bank	23	85,906	15,142
		<u>3,220,644</u>	<u>887,506</u>
Total assets		<u><u>12,522,059</u></u>	<u><u>10,330,151</u></u>

KINGSTON WHARVES LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION CONT'D 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
EQUITY			
Stockholders' Equity			
Share capital	24	2,079,398	291,648
Capital reserves	25	3,980,157	3,740,130
Asset replacement/rehabilitation and depreciation reserves	26	212,968	212,968
Retained earnings		<u>2,514,923</u>	<u>1,983,763</u>
		<u>8,787,446</u>	<u>6,228,509</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	27	1,603,824	2,001,054
Deferred income tax liabilities	29	805,440	1,064,739
Retirement benefit obligations	19	<u>181,498</u>	<u>163,893</u>
		<u>2,590,762</u>	<u>3,229,686</u>
Current Liabilities			
Trade and other payables	30	436,043	331,330
Group companies	21	96,076	66,109
Taxation payable		118,733	-
Borrowings	27	<u>492,999</u>	<u>474,517</u>
		<u>1,143,851</u>	<u>871,956</u>
Total equity and liabilities		<u><u>12,522,059</u></u>	<u><u>10,330,151</u></u>

Approved for issue by the Board of Directors on 4 March 2013 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 2012

(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 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
Total comprehensive income for the year		-	-	-	686,759	686,759
Adjustment to deferred income taxes on surplus on revaluation	29	-	227,448	-	-	227,448
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)	-	-
Issue of shares	24	1,787,750	-	-	-	1,787,750
Dividends	14	-	-	-	(143,020)	(143,020)
Balance at 31 December 2012		<u>2,079,398</u>	<u>3,980,157</u>	<u>212,968</u>	<u>2,514,923</u>	<u>8,787,446</u>

KINGSTON WHARVES LIMITED

COMPANY STATEMENT OF CASH FLOWS Year Ended 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Net profit		686,759	476,404
Adjustments for:			
Amortisation	16	1,258	1,257
Depreciation	15	232,034	193,238
Foreign exchange adjustment on long term loans		114,947	18,238
Foreign exchange gains		(51,412)	(2,629)
Gain on disposal of property, plant and equipment		(474)	(24)
Retirement benefit asset		(67,557)	(73,018)
Retirement benefit obligations		17,605	20,879
Interest income	8	(78,319)	(25,235)
Interest expense	9	163,000	170,061
Taxation	10	224,490	105,397
		<u>1,242,331</u>	<u>884,568</u>
Changes in operating assets and liabilities:			
Inventories		(8,398)	(11,738)
Group companies		(76,891)	(68,523)
Trade and other receivables		(182,311)	60,272
Trade and other payables		127,204	88,485
Recoverable from The Port Authority of Jamaica		20,086	16,956
Cash provided by operations		<u>1,122,021</u>	<u>970,020</u>
Tax paid		<u>(86,780)</u>	<u>(174,533)</u>
Net cash provided by operating activities		<u>1,035,241</u>	<u>795,487</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(44,169)	(629,689)
Purchase of intangible asset		(601)	-
Proceeds from sale of property, plant and equipment		653	24
Interest received		73,504	24,917
Net cash provided by/(used in) investing activities		<u>29,387</u>	<u>(604,748)</u>
Cash flows from financing activities			
Dividends paid to equity holders of the company		(166,170)	(95,562)
Interest paid		(158,865)	(166,210)
Loans received		-	469,766
Loans repaid		(484,463)	(584,950)
Issue of shares		1,787,750	-
Net cash provided by/(used in) financing activities		<u>978,252</u>	<u>(376,956)</u>
Net increase/(decrease) in cash and cash equivalents		<u>2,042,880</u>	<u>(186,217)</u>
Net cash and cash equivalents at beginning of year		405,244	588,832
Exchange adjustment on foreign currency cash and cash equivalents		51,412	2,629
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	23	<u><u>2,499,536</u></u>	<u><u>405,244</u></u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 the Group has not yet adopted

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 2012 or later periods, but were not effective for the current period, 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 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.
- **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.

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 the Group has not yet adopted (continued)***

- **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 IFRS. 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.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a significant impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 31 December 2012

(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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 statement of financial position 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 31 December 2012

(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 statement of financial position 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 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 statement of financial position 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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 statement of financial position date. These are classified as non-current assets and comprise recoverable from The Port Authority of Jamaica in the statement of financial position. Loans and receivables included in current assets comprise trade and other receivables, group balances, cash and short-term investments in the statement of financial position.

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 statement of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 2012, trade receivables of \$437,149,000 (2011 - \$236,011,000) for the Group and \$210,986,000 (2011 - \$157,023,000) 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
31 - 60 days	171,141	126,151	128,556	94,456
Over 60 days	266,008	109,860	82,430	62,567
	<u>437,149</u>	<u>236,011</u>	<u>210,986</u>	<u>157,023</u>

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

As of 31 December 2012, trade receivables of \$9,377,000 (2011 - \$9,385,000) and \$3,482,000 (2011 - \$7,914,000) 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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
31 - 60 days	-	-	-	-
Over 60 days	9,377	9,385	3,482	7,914
	<u>9,377</u>	<u>9,385</u>	<u>3,482</u>	<u>7,914</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
At 1 January	9,385	23,202	7,914	12,914
Provision for impairment	5,743	7,576	-	7,051
Receivables written off during the year as uncollectible	(1,157)	(1,314)	-	-
Amounts recovered/reversed	(4,594)	(20,079)	(4,432)	(12,051)
At 31 December	<u>9,377</u>	<u>9,385</u>	<u>3,482</u>	<u>7,914</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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Top ten customers	617,798	419,189	366,949	279,291
Other	44,385	36,854	26,433	15,941
	662,183	456,043	393,382	295,232
Less: Provision for impairment	(9,377)	(9,385)	(3,482)	(7,914)
	<u>652,806</u>	<u>446,658</u>	<u>389,900</u>	<u>287,318</u>

(ii) Short term investments

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 31 December 2012

(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					Total
	Within 1	1 to 3	3 to 12	1 to 5	Over	
	Month	Months	Months	Years	5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012						
Long term loans	50,227	99,098	440,984	1,655,850	189,940	2,436,099
Trade and other payables	494,114	-	-	-	-	494,114
Bank overdrafts	2,948	-	-	-	-	2,948
Total financial liabilities	547,289	99,098	440,984	1,655,850	189,940	2,933,161
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

	The Company					Total
	Within 1	1 to 3	3 to 12	1 to 5	Over 5	
	Month	Months	Months	Years	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012						
Long term loans	52,868	104,259	463,238	1,681,200	188,488	2,490,053
Trade and other payables	436,043	-	-	-	-	436,043
Group companies	96,076	-	-	-	-	96,076
Bank overdrafts	2,948	-	-	-	-	2,948
Total financial liabilities	587,935	104,259	463,238	1,681,200	188,488	3,025,120
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

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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
	2012		
Financial Assets			
Short term investments	740,575	2,244,260	2,984,835
Trade and other receivables	390,133	378,482	768,615
Cash and bank	31,536	84,287	115,823
Total financial assets	1,162,244	2,707,029	3,869,273
Financial Liabilities			
Long term loans	523,816	1,522,543	2,046,359
Trade and other payables	476,182	17,932	494,114
Bank overdrafts	2,948	-	2,948
Total financial liabilities	1,002,946	1,540,475	2,543,421
Net financial position	159,298	1,166,554	1,325,852
	2011		
Financial Assets			
Short term investments	670,380	363,514	1,033,894
Trade and other receivables	188,158	277,806	465,964
Cash and bank	36,640	6,121	42,761
Total financial assets	895,178	647,441	1,542,619
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	(113,898)	(1,141,600)	(1,255,498)

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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
	2012		
Financial Assets			
Short term investments	284,090	2,165,388	2,449,478
Trade and other receivables	114,369	371,821	486,190
Group companies	169,446	-	169,446
Cash and bank	18,130	67,776	85,906
Total financial assets	586,035	2,604,985	3,191,020
Financial Liabilities			
Long term loans	571,332	1,522,543	2,093,875
Trade and other payables	418,365	17,678	436,043
Group companies	96,076	-	96,076
Bank overdrafts	2,948	-	2,948
Total financial liabilities	1,088,721	1,540,221	2,628,942
Net financial position	(502,686)	1,064,764	562,078
	2011		
Financial Assets			
Short term investments	120,264	314,918	435,182
Trade and other receivables	22,616	277,683	300,299
Group companies	66,064	-	66,064
Cash and bank	9,021	6,121	15,142
Total financial assets	217,965	598,722	816,687
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 overdraft	12,180	-	12,180
Total financial liabilities	1,083,969	1,789,041	2,873,010
Net financial position	(866,004)	(1,190,319)	(2,056,323)

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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% (2011 - 5%) appreciation and a 10% (2011 - 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
	2012 %	2012 \$'000	2011 %	2011 \$'000
The Group				
Currency:				
USD	+1	(11,666)	+1	11,416
USD	-10	116,655	-1	(11,416)
The Company				
USD	+1	(10,648)	+1	11,903
USD	-10	106,476	-1	(11,903)

(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 2012

(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	
	2012						
Assets							
Short term investments	556,016	2,178,829	249,990	-	-	-	2,984,835
Trade and other receivables	-	-	-	-	-	768,615	768,615
Cash and bank	72,004	-	-	-	-	43,819	115,823
Total financial assets	628,020	2,178,829	249,990	-	-	812,434	3,869,273
Liabilities							
Long term loans	38,406	77,051	349,396	1,404,169	174,405	2,932	2,046,359
Trade and other payables	-	-	-	-	-	494,114	494,114
Bank overdrafts	2,948	-	-	-	-	-	2,948
Total financial liabilities	41,354	77,051	349,396	1,404,169	174,405	497,046	2,543,421
Total interest repricing gap	586,666	2,101,778	(99,406)	(1,404,169)	(174,405)	315,388	1,325,852
	2011						
Assets							
Short term investments	492,894	541,000	-	-	-	-	1,033,894
Trade and other receivables	-	-	-	-	-	465,964	465,964
Cash and bank	33,862	-	-	-	-	8,899	42,761
Total financial assets	526,756	541,000	-	-	-	474,863	1,542,619
Liabilities							
Long term loans	41,166	74,288	321,706	1,833,270	117,313	2,932	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	117,313	398,194	2,798,117
Total interest repricing gap	473,410	466,712	(321,706)	(1,833,270)	(117,313)	76,669	(1,255,498)

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)**(c) Market risk (continued)****(ii) Interest rate risk (continued)**

	The Company						
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2012						
Assets							
Short term investments	342,446	2,107,032	-	-	-	-	2,449,478
Trade and other receivables	-	-	-	-	-	486,190	486,190
Group companies	-	-	-	-	-	169,446	169,446
Cash and bank	67,776	-	-	-	-	18,130	85,906
Total financial assets	410,222	2,107,032	-	-	-	673,766	3,191,020
Liabilities							
Long term loans	40,505	81,251	368,296	1,427,937	174,406	1,480	2,093,875
Trade and other payables	-	-	-	-	-	436,043	436,043
Group companies	-	-	-	-	-	96,076	96,076
Bank overdrafts	2,948	-	-	-	-	-	2,948
Total financial liabilities	43,453	81,251	368,296	1,427,937	174,406	533,599	2,628,942
Total interest repricing gap	366,769	2,025,781	(368,296)	(1,427,937)	(174,406)	140,167	562,078
	2011						
Assets							
Short term investments	224,740	210,442	-	-	-	-	435,182
Trade and other receivables	-	-	-	-	-	300,299	300,299
Group companies	-	-	-	-	-	66,064	66,064
Cash and bank	14,992	-	-	-	-	150	15,142
Total financial assets	239,732	210,442	-	-	-	366,513	816,687
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)	(32,406)	(2,056,323)

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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
				2012	2011	2012	2011
				\$'000	\$'000	\$'000	\$'000
Change in basis points							
2012	2012	2011	2011				
JMD	USD	JMD	USD				
+400	+250	+100	+50	35,536	6,365	6,512	13,025
-100	-50	-100	-50	(7,426)	(6,365)	(297)	(13,025)

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 statement of financial position) less bank overdraft. Total stockholders' equity is calculated as capital and reserves attributable to company's equity holders as shown in the consolidated statement of financial position.

During 2012, the Group's strategy, which was unchanged from 2011, was to maintain the gearing ratio no higher than 75%. The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012 \$'000	2011 \$'000
Total long term borrowings (Note 28)	2,046,359	2,390,675
Total stockholders' equity	12,138,428	9,508,154
Gearing ratio (%)	17	25

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 statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 2012 were 10% higher than management's estimates, the depreciation charge would decrease by \$17,039,000 (2011 - \$26,314,000).

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 \$4,756,000 lower or \$3,627,000 higher (Note 19). Variations in the other financial assumptions can cause material adjustments in the next financial year, if it is determined that actual experience differed from the estimate (Note 19).

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	3,059,286	245,344	365,547	-	-	3,670,177
Operating revenue from segments	1,438	4,273	73,553	1,940	(81,204)	-
Total revenue	3,060,724	249,617	439,100	1,940	(81,204)	3,670,177
Operating profit/(loss)	1,189,196	36,658	28,810	(59,701)	(115,609)	1,079,354
Interest expense	(163,000)	-	-	(559)	12,176	(151,383)
	1,026,196	36,658	28,810	(60,260)	(103,433)	927,971
Foreign exchange loss						(114,947)
Profit before income tax						813,024
Income tax expense						(257,296)
Profit before non-controlling interest						555,728
Non-controlling interest						(6,271)
Net profit attributable to equity holders of the company						549,457
Segment assets	11,928,142	982,542	349,956	2,894,800	(394,581)	15,760,859
Unallocated assets						607,028
Total assets						16,367,887
Segment liabilities	2,628,942	21,191	202,599	13,240	(322,551)	2,543,421
Unallocated liabilities						1,634,223
Total liabilities						4,177,644
Other segment items:						
Interest income (Note 8)	78,319	35,111	2,722	9,719	(12,176)	113,695
Capital expenditure (Note 15)	44,169	126	7,272	-	-	51,567
Amortisation (Note 16)	1,258	-	-	-	-	1,258
Depreciation (Note 15)	232,034	19,846	3,678	70,516	-	326,074

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Financial Information (Continued)

	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	9,752,963	1,120,882	180,408	2,955,365	(285,449)	13,724,169
Unallocated assets						592,238
Total assets						14,316,407
Segment liabilities	2,873,010	78,395	49,675	10,636	(213,599)	2,798,117
Unallocated liabilities						1,964,592
Total liabilities						4,762,709
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 2012

(expressed in Jamaican dollars unless otherwise indicated)

6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Advertising and public relations	23,818	22,722	21,946	20,914
Amortisation (Note 16)	1,258	1,257	1,258	1,257
Auditors' remuneration	9,857	8,472	6,754	5,508
Bad debts	5,743	7,576	-	7,051
Bank charges	27,786	23,320	27,548	23,112
Claims	11,726	12,980	11,640	10,966
Cleaning and sanitation	15,258	13,908	13,175	11,448
Cost of inventories recognised as expense	27	22,398	-	-
Customs overtime	38,022	34,223	38,022	34,223
Depreciation (Note 15)	326,074	262,561	232,034	193,238
Directors' fees-				
Current year	32,710	20,655	32,518	20,463
Prior year	-	7,164	-	7,164
Equipment rental	64,419	103,816	64,419	103,816
Fuel	115,005	95,813	115,005	93,704
Information technology	64,404	56,069	59,623	51,072
Insurance	134,105	144,865	111,584	123,505
Irrecoverable General Consumption Tax	54,580	55,208	50,070	50,328
Legal and consultation expenses	41,642	47,343	34,647	46,107
Occupancy: property taxes, rent and lease	10,234	11,329	8,220	6,903
Repairs and maintenance	370,683	261,483	329,088	236,070
Security	57,193	74,325	65,992	31,867
Staff costs (Note 7)	1,087,146	959,737	720,478	618,760
Terminal transfers	71,010	63,424	71,010	63,424
Utilities	261,499	255,321	181,615	162,855
Other	76,044	55,442	48,759	34,729
	<u>2,900,243</u>	<u>2,621,411</u>	<u>2,245,405</u>	<u>1,958,484</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

7. Staff Costs

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	855,572	766,616	554,294	484,717
Payroll taxes – employer's contributions	89,532	75,106	56,503	45,408
Pension costs – defined benefit plan (Note 19)	(40,390)	(51,186)	(40,390)	(51,186)
Pension costs – defined contribution plan	3,064	2,522	-	-
Other retirement benefits (Note 19)	24,106	26,587	24,106	26,587
Meal and travelling allowances	68,456	65,154	68,171	63,765
Other	86,806	74,938	57,794	49,469
	<u>1,087,146</u>	<u>959,737</u>	<u>720,478</u>	<u>618,760</u>

8. Other Operating Income

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Dividends	-	-	100,000	163,333
Interest	113,695	65,623	78,319	25,235
Management fees	-	-	5,334	21,336
Bad debts recovered	4,594	20,079	4,432	12,051
Foreign exchange gains	116,839	3,685	113,925	3,570
Proceeds from insurance claims	71,394	-	71,394	-
Other	2,898	3,986	473	25
	<u>309,420</u>	<u>93,373</u>	<u>373,877</u>	<u>225,550</u>

9. Finance Costs

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Interest expense -				
Loans	151,383	155,227	163,000	170,061
Foreign exchange losses	114,947	18,238	114,947	18,238
	<u>266,330</u>	<u>173,465</u>	<u>277,947</u>	<u>188,299</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

10. Income Tax Expense

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Current tax on profit for the year	288,049	75,479	256,341	42,510
Prior year over provision	-	(142)	-	-
Deferred income tax (Note 29)	(30,753)	46,950	(31,851)	62,887
	<u>257,296</u>	<u>122,287</u>	<u>224,490</u>	<u>105,397</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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Profit before tax	<u>813,024</u>	<u>467,299</u>	<u>911,249</u>	<u>581,801</u>
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	271,007	155,766	303,750	193,933
Adjusted for the effects of:				
Income not subject to tax	-	-	(33,333)	(54,444)
Expenses not deductible for tax purposes	8,480	5,261	8,109	5,066
Change in rate for deferred income taxes	(8,156)	-	(41,032)	-
Special tax allowances	(8,828)	(43,953)	(8,828)	(43,953)
Prior year over provision	-	(142)	-	-
Other	(5,207)	5,355	(4,176)	4,795
Income tax expense	<u>257,296</u>	<u>122,287</u>	<u>224,490</u>	<u>105,397</u>

During the 2012/13 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities, from 33 $\frac{1}{3}$ % to 25%, effective 1 January 2013. The change in the tax rate was signed into law on 28 December 2012 and as such has been applied in determining the amounts for deferred taxation in these financial statements.

As further explained in Note 32, on 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% will be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013.

The surtax has not been applied in determining the amounts for taxation in these financial statements as it had not been enacted or substantively enacted at 31 December 2012. Had the surtax been recognised in the financial statements at 31 December 2012, there would have been an increase of \$161,088,000 in deferred tax liabilities in the statement of financial position and a decrease of \$24,619,000 in the deferred tax credit in the statement of comprehensive income.

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

11. Profit Attributable to Equity Holders of the Company

	2012 \$'000	2011 \$'000
(a) Net profit is dealt with as follows in the financial statements of:		
Holding company	686,759	476,404
Inter-group dividends from subsidiaries eliminated on consolidation	<u>(100,000)</u>	<u>(163,333)</u>
Adjusted net profit – holding company	586,759	313,071
Subsidiaries	<u>(37,302)</u>	<u>24,533</u>
	<u>549,457</u>	<u>337,604</u>
(b) Retained earnings are dealt with as follows in the financial statements of:		
Holding company	2,514,923	1,983,763
Subsidiaries	<u>163,917</u>	<u>301,591</u>
	<u>2,678,840</u>	<u>2,285,354</u>

12. Non-controlling Interest

The non-controlling interest is comprised as follows:

	2012 \$'000	2011 \$'000
At beginning of year	45,544	51,469
Share of net profit of subsidiary	6,271	7,408
Dividends	<u>-</u>	<u>(13,333)</u>
	<u>51,815</u>	<u>45,544</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.

	2012	2011
Net profit attributable to equity holders of the company (\$'000)	<u>549,457</u>	<u>337,604</u>
Weighted average number of ordinary stock units in issue (thousands)	<u>1,340,812</u>	<u>1,072,650</u>
Basic earnings per stock unit	<u>\$0.41</u>	<u>\$0.31</u>

14. Dividends

On 20 November 2012, the company declared a dividend of ten cents (\$0.10) per stock unit to registered holders on record as at 7 December 2012.

	2012 \$'000	2011 \$'000
Ordinary dividends, gross - 10 cents (2011 – 3 cents)	<u>143,020</u>	<u>32,179</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2012						
Cost or Valuation -							
At 31 December 2011	3,178,153	12,469,333	1,612,310	266,949	307,533	81,835	23,221
Additions	-	2,793	5,479	455	7,875	10,563	24,402
Transfers	-	15,488	-	-	2,494	-	(17,982)
Disposals	-	(1,155)	(1,408)	-	(86)	(1,769)	-
At 31 December 2012	3,178,153	12,486,459	1,616,381	267,404	317,816	90,629	29,641
Depreciation -							
At 31 December 2011	-	4,896,171	437,611	220,273	212,885	56,009	-
Charge for the year	-	217,413	80,899	9,837	15,111	2,814	-
Relieved on disposals	-	(748)	(1,209)	-	(70)	(1,590)	-
At 31 December 2012	-	5,112,836	517,301	230,110	227,926	57,233	-
Net Book Value -							
At 31 December 2012	3,178,153	7,373,623	1,099,080	37,294	89,890	33,396	29,641
	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
Additions	-	79	6,808	4,498	13,829	-	612,808
Transfers	29,415	50,402	512,767	-	12,707	179	(605,470)
Revaluation	415,581	4,848,298	-	-	-	-	-
Disposals	-	-	(2,967)	-	-	(2,618)	-
At 31 December 2011	3,178,153	12,469,333	1,612,310	266,949	307,533	81,835	23,221
Depreciation -							
At 31 December 2010	-	1,189,552	383,016	211,171	198,773	50,603	-
Charge for the year	-	175,113	56,946	9,102	14,112	7,288	-
On revaluation	-	3,531,506	-	-	-	-	-
Relieved on disposals	-	-	(2,351)	-	-	(1,882)	-
At 31 December 2011	-	4,896,171	437,611	220,273	212,885	56,009	-
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

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

15. Property, Plant and Equipment (Continued)

	The Company							Total \$'000
	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	
	2012							
Cost or Valuation -								
At 31 December 2011	2,091,153	8,190,832	1,589,653	18,682	296,285	69,012	23,221	12,278,838
Additions	-	724	4,490	455	7,464	6,634	24,402	44,169
Transfers	-	15,488	-	-	2,494	-	(17,982)	-
Disposal	-	-	-	-	-	(1,769)	-	(1,769)
At 31 December 2012	2,091,153	8,207,044	1,594,143	19,137	306,243	73,877	29,641	12,321,238
Depreciation -								
At 31 December 2011	-	2,782,907	423,295	7,708	205,176	46,158	-	3,465,244
Charge for the year	-	136,777	78,690	1,302	14,319	946	-	232,034
On disposal	-	-	-	-	-	(1,590)	-	(1,590)
At 31 December 2012	-	2,919,684	501,985	9,010	219,495	45,514	-	3,695,688
Net Book Value -								
At 31 December 2012	2,091,153	5,287,360	1,092,158	10,127	86,748	28,363	29,641	8,625,550
	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

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Cost	3,972,222	3,971,498	3,949,022	3,948,298
Accumulated depreciation	(637,226)	(572,747)	(625,322)	(561,335)
Net book value	<u>3,334,996</u>	<u>3,398,751</u>	<u>3,323,700</u>	<u>3,386,963</u>

16. Intangible Asset

	The Group and Company
	Computer Software
	\$'000
At Cost -	
At 31 December 2010 and 31 December 2011	6,288
Additions	601
At 31 December 2012	<u>6,889</u>
Amortisation	
At 31 December 2010	1,258
Amortisation charge for year	<u>1,257</u>
At 31 December 2011	2,515
Amortisation charge for year	<u>1,258</u>
At 31 December 2012	<u>3,773</u>
Net Book Value	
31 December 2012	<u>3,116</u>
31 December 2011	<u>3,773</u>

The total charge of \$1,258,000 (2011 - \$1,257,000) is included in administration expenses in profit or loss.

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

17. Investments in Subsidiaries

	2012	2011
	\$'000	\$'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 \$20,086,000 (2011 - \$16,956,000) was allocated to the reserve during the year. The current portion of the balance outstanding is not determined because wharfage revenues for 2013 are not known.

	The Group and Company	
	2012	2011
	\$'000	\$'000
Balance at 1 January	23,187	40,143
16% of wharfage collections for year	(20,086)	(16,956)
Balance at 31 December	<u>3,101</u>	<u>23,187</u>
 This comprises:		
Donations and security related costs	1,000	1,000
Severance payments	2,101	22,187
	<u>3,101</u>	<u>23,187</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

19. Retirement Benefit Asset and Obligations

	The Group and Company	
	2012	2011
	\$'000	\$'000
Statement of financial position (asset)/obligations for:		
Pension benefits	(593,917)	(526,360)
Other retirement benefits	181,498	163,893
Statement of comprehensive income for (Note 7):		
Pension benefits	(40,390)	(51,186)
Other retirement benefits	24,106	26,587
	(16,284)	(24,599)

(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 2012.

Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 31 December 2011 revealed that the scheme was adequately funded as at that date.

The Group, through a subsidiary, participates in a defined contributory pension scheme which was established in May 2001 and is open to security personnel and administrative personnel contracted to the subsidiary. The scheme is administered by trustees. The scheme is funded by employer's contribution of 5% as well as contractor mandatory contributions of 5%. 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 statement of financial position are determined as follows:

	The Group and Company	
	2012	2011
	\$'000	\$'000
Fair value of plan assets	(1,603,570)	(1,540,840)
Present value of funded obligations	899,528	854,628
	(704,042)	(686,212)
Unrecognised actuarial gains	110,125	159,852
Asset in the statement of financial position	(593,917)	(526,360)

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(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 statement of financial position is as follows:

	The Group and Company	
	2012	2011
	\$'000	\$'000
At beginning of year	(526,360)	(453,342)
Amounts recognised in profit or loss (Note 7)	(40,390)	(51,186)
Contributions paid	(27,167)	(21,832)
At end of year	<u>(593,917)</u>	<u>(526,360)</u>

The amounts recognised in profit or loss are as follows:

	The Group and Company	
	2012	2011
	\$'000	\$'000
Current service cost	19,724	17,482
Interest cost	86,954	77,510
Expected return on plan assets	(146,587)	(138,490)
Net actuarial gain recognised in year	<u>(481)</u>	<u>(7,688)</u>
Included in staff costs (Note 7)	<u>(40,390)</u>	<u>(51,186)</u>

Of the total amount recognised in profit or loss, \$12,968,000 (2011 - \$9,662,000) and a credit of \$53,358,000 (2011 - \$60,848,000) were included in direct costs and administration expenses, respectively.

The actual return on plan assets was \$58,360,000 (2011 - \$161,041,000).

Expected contributions to post-employment benefit plans for the year ending 31 December 2012 are \$33,000,000.

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

	The Group and Company	
	2012	2011
	\$'000	\$'000
At beginning of year	(1,540,840)	(1,389,997)
Expected return on plan assets	(146,587)	(138,490)
Actuarial losses/(gains)	88,225	(22,551)
Contributions - total	(48,685)	(39,579)
Benefits paid	<u>44,317</u>	<u>49,777</u>
At end of year	<u>(1,603,570)</u>	<u>(1,540,840)</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

19. Retirement Benefit Asset and Obligations (Continued)**(a) Pension benefits (Continued)**

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

	The Group and Company	
	2012	2011
	\$'000	\$'000
At beginning of year	854,628	697,710
Interest cost	86,954	77,510
Current service cost	32,898	28,398
Voluntary contributions	8,344	6,831
Benefits paid	(44,317)	(49,777)
Actuarial (losses)/gains on obligations	(38,979)	93,956
At end of year	<u>899,528</u>	<u>854,628</u>

The principal actuarial assumptions used were as follows:

	The Group and Company	
	2012	2011
Discount rate	10.5%	10%
Expected return on plan assets	9.5%	9.5%
Future salary increases	6.5%	6%
Future pension increases	<u>4%</u>	<u>3.5%</u>

Plan assets are comprised as follows:

	The Group and Company			
	2012		2011	
	\$'000	%	\$'000	%
Quoted equities	289,733	18.1	297,202	19.3
Real estate	85,000	5.3	72,216	4.7
Government of Jamaica securities	946,513	59.0	961,129	62.4
Repurchase agreements	44,299	2.8	6,026	0.4
Corporate bonds and promissory notes	110,159	6.9	72,342	4.7
Leases	26,406	1.6	25,802	1.7
Other	101,460	6.3	106,123	6.9
	<u>1,603,570</u>	<u>100.0</u>	<u>1,540,840</u>	<u>100.0</u>

The pension plan assets include ordinary stock units of the company with a fair value of \$50,000,000 (2011 – \$59,200,000).

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 statement of financial position date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

	The Group and Company				
	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December					
Fair value of plan assets	(1,603,570)	(1,540,840)	(1,389,997)	(1,208,551)	(1,042,669)
Present value of defined benefit obligations	899,528	854,628	697,710	469,202	488,503
Surplus	<u>(704,042)</u>	<u>(686,212)</u>	<u>(692,287)</u>	<u>(739,349)</u>	<u>(554,166)</u>
Experience adjustments on plan assets	<u>(88,225)</u>	<u>22,551</u>	<u>27,223</u>	<u>30,772</u>	<u>(80,551)</u>
Experience adjustments on plan liabilities	<u>36,333</u>	<u>(59,731)</u>	<u>(48,831)</u>	<u>(75,402)</u>	<u>8,764</u>

The average expected remaining working life of the employees is 12 years (2011 – 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.

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 9.5% per year (2011 - 9%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 6.5% per year (2011 - 6%).

The amounts recognised in the statement of financial position were determined as follows:

	The Group and Company	
	2012	2011
	\$'000	\$'000
Present value of obligations	203,315	175,054
Unrecognised actuarial losses	(21,817)	(11,161)
Liability in the statement of financial position	<u>181,498</u>	<u>163,893</u>

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

	The Group and Company	
	2012	2011
	\$'000	\$'000
At beginning of year	163,893	143,014
Amounts recognised profit or loss (Note 7)	24,106	26,587
Contributions paid	(6,501)	(5,708)
	<u>181,498</u>	<u>163,893</u>

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

	The Group and Company	
	2012	2011
	\$'000	\$'000
Present value at start of year	175,054	171,370
Interest cost	17,810	19,246
Current service cost	6,296	6,483
Benefits paid	(6,501)	(5,708)
Actuarial losses/(gains) on obligations	10,656	(16,337)
Present value at end of year	<u>203,315</u>	<u>175,054</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

19. Retirement Benefit Asset and Obligations (Continued)**(b) Other retirement benefits (continued)**

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

	The Group and Company	
	2012	2011
	\$'000	\$'000
Current service cost	6,296	6,483
Interest cost	17,810	19,246
Net actuarial losses recognised	-	858
Included in staff costs (Note 7)	<u>24,106</u>	<u>26,587</u>

The total charge of \$24,106,000 (2011 - \$26,587,000) is included in administration expenses.

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

	The Group and Company	
	Increase	Decrease
	\$'000	\$'000
Effect on the aggregate of the current service cost and interest cost	4,756	(3,627)
Effect on the defined benefit obligation	<u>32,936</u>	<u>(25,861)</u>

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

	The Group and Company				
	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December					
Present value of obligations	<u>203,315</u>	<u>175,054</u>	<u>171,370</u>	<u>140,464</u>	<u>159,279</u>
Experience adjustments	<u>(11,350)</u>	<u>17,436</u>	<u>(3,253)</u>	<u>47,420</u>	<u>(39,460)</u>

20. Inventories

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Refrigerated products	-	27	-	-
Refrigeration equipment	6,090	7,625	-	-
Fuel	644	1,803	644	1,803
Spares	<u>23,292</u>	<u>13,820</u>	<u>21,748</u>	<u>12,191</u>
	<u>30,026</u>	<u>23,275</u>	<u>22,392</u>	<u>13,994</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiaries	-	-	12,221	27,773
Companies controlled by directors/members or related by virtue of common directorships	1,793,100	1,515,620	1,490,549	1,202,312
	<u>1,793,100</u>	<u>1,515,620</u>	<u>1,502,770</u>	<u>1,230,085</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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Companies controlled by directors/members or related by virtue of common directorships	51,635	17,283	40,338	5,732

(iii) Other income - dividends

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiaries	-	-	100,000	163,333

(iv) Purchases of goods and services

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiaries	-	-	55,341	60,524
Companies controlled by directors/members or related by virtue of common directorships	152,534	129,442	150,751	128,403
	<u>152,534</u>	<u>129,442</u>	<u>206,092</u>	<u>188,927</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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiaries	-	-	11,617	14,903

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Related Party Transactions and Balances (Continued)

(b) Year-end balances with related parties:

(i) Due from related companies

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiaries	-	-	169,446	66,064
Companies controlled by directors/members or related by virtue of common directorships (Note 22)	587,383	357,965	349,121	263,729
	<u>587,383</u>	<u>357,965</u>	<u>518,567</u>	<u>329,793</u>

(ii) Due to related companies

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiaries	-	-	96,076	66,109
Companies controlled by directors/members and related by virtue of common directorships (Note 30)	213,901	89,686	213,901	89,284
	<u>213,901</u>	<u>89,686</u>	<u>309,977</u>	<u>155,393</u>

Included in the amount due to subsidiaries is \$32,900,000 (2011 - \$32,900,000), representing funds being held on deposit for a subsidiary (Note 23).

(iii) Short term investments

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Companies controlled by directors/members or related by virtue of common directorships	<u>1,530,790</u>	<u>291,130</u>	<u>1,286,727</u>	<u>86,305</u>

These investments currently attract interest at rates between 3.25% and 5.80% per annum (2011 - 3.50% and 6.30%) and have an average maturity of ninety (90) days (Note 23).

(iv) Bank balances

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Companies controlled by directors/members or related by virtue of common directorships	<u>103,984</u>	<u>40,310</u>	<u>80,837</u>	<u>13,392</u>

The bank balances with related parties comprise foreign currency savings accounts which currently attract interest of 0.75% - 1.2% (2011 - 0.7%) per annum (Note 23).

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

21. Related Party Transactions and Balances (Continued)

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

(v) Borrowings

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Subsidiaries – long term loans	-	-	48,968	74,168
Companies controlled by directors/members or related by virtue of common directorships – bank overdraft	-	2,348	-	2,348
Companies controlled by directors/members or related by virtue of common directorships – long term loans	91,545	102,932	90,093	101,480
	<u>91,545</u>	<u>105,280</u>	<u>139,061</u>	<u>177,996</u>

(c) Key management compensation:

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Salaries and other short term employee benefits	55,879	62,874	42,648	44,913
Payroll taxes – employer's contributions	4,791	5,341	3,680	3,844
Pension benefits	5,588	4,153	4,265	3,520
Other	5,794	4,810	3,898	3,533
	<u>72,052</u>	<u>77,178</u>	<u>54,491</u>	<u>55,810</u>
Directors' emoluments –				
Fees				
Current year	32,710	20,655	32,518	20,463
Prior year	-	7,164	-	7,164
Management remuneration (included in salaries above)	<u>19,367</u>	<u>23,092</u>	<u>19,367</u>	<u>23,092</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

22. Trade and Other Receivables

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Trade receivables	662,183	456,043	393,382	295,232
Less: Provision for impairment	(9,377)	(9,385)	(3,482)	(7,914)
	652,806	446,658	389,900	287,318
Prepayments	14,266	14,930	7,232	5,997
Other	115,809	19,306	96,290	12,981
	<u>782,881</u>	<u>480,894</u>	<u>493,422</u>	<u>306,296</u>

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

23. Cash and Cash Equivalents

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Short term investments - deposits	2,984,835	1,033,894	2,449,478	435,182
Less : Short term investments with maturity periods in excess of 90 days	(249,990)	(289,719)	-	-
Less: Investments held for subsidiary (Note 21)	-	-	(32,900)	(32,900)
	2,734,845	744,175	2,416,578	402,282
Cash and bank	115,823	42,761	85,906	15,142
	2,850,668	786,936	2,502,484	417,424
Bank overdrafts (Note 27)	(2,948)	(12,180)	(2,948)	(12,180)
	<u>2,847,720</u>	<u>774,756</u>	<u>2,499,536</u>	<u>405,244</u>

The weighted average effective interest rate on short term deposits was 3.32% (2011 – 3.50%) per annum for United States dollar denominated deposits and 4.78% (2011 – 6.30%) per annum 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).

The bank overdraft attracts interest at 16.85% (2011 – 16.85%) per annum. Security for this facility is described in Note 28. The Group maintained another overdraft facility in 2011. That facility was unsecured and attracted interest at 16.25% per annum.

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

24. Share Capital

	Number of Stock Units '000	Ordinary Stock Units \$'000
At 31 December 2011	1,072,650	291,648
At 31 December 2012	1,430,200	2,079,398

The total authorised number of ordinary shares is 1,507,550,000 (2011 - 1,150,000,000) units. All issued shares are fully paid.

By Ordinary Resolution passed at an Extraordinary General Meeting of the company held on 29 March 2012, the company's share capital was increased by the issue of 357,550,000 ordinary shares and the newly issued shares were allotted to Jamaica Producers Group Limited for a total purchase price of \$1,787,750,000.

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

25. Capital Reserves

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unrealised surplus on revaluation of property, plant and equipment	8,036,654	8,036,654	4,389,851	4,389,851
Less: Deferred taxation	(1,308,265)	(1,744,352)	(682,344)	(909,792)
	6,728,389	6,292,302	3,707,507	3,480,059
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	269,023	256,444	269,023	256,444
Capitalisation of Depreciation Reserve	66	66	10	10
Arising on consolidation	3,419	3,419	-	-
	<u>7,165,022</u>	<u>6,716,356</u>	<u>3,980,157</u>	<u>3,740,130</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Asset Replacement/Rehabilitation Reserve	-	-	-	-
Depreciation Fund	215,168	214,796	212,968	212,968
	<u>215,168</u>	<u>214,796</u>	<u>212,968</u>	<u>212,968</u>

The movement in each category of reserves was as follows:

(a) Asset Replacement/Rehabilitation Reserve

	The Group and Company	
	2012	2011
	\$'000	\$'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	<u>-</u>	<u>-</u>

(b) Depreciation Fund

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
At beginning of year	214,796	214,796	212,968	212,968
Transfer from retained earnings (net interest)	372	-	-	-
At end of year	<u>215,168</u>	<u>214,796</u>	<u>212,968</u>	<u>212,968</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

26. Asset Replacement/Rehabilitation and Depreciation Reserves (Continued)**(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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Non-Current				
Long term loans (Note 28)	1,581,508	1,953,538	1,603,824	2,001,054
Current				
Bank overdrafts (Note 23)	2,948	12,180	2,948	12,180
Current portion of long term loans (Note 28)	464,851	437,137	490,051	462,337
	467,799	449,317	492,999	474,517
	<u>2,049,307</u>	<u>2,402,855</u>	<u>2,096,823</u>	<u>2,475,571</u>

28. Long Term Loans

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
(a) The Port Authority of Jamaica	1,480	1,480	1,480	1,480
(b) The Port Authority of Jamaica	1,452	1,452	-	-
(c) Harbour Cold Stores Limited	-	-	48,968	74,168
(d) Development Bank of Jamaica/First Global Bank Limited	176,855	232,096	176,855	232,096
(e) Development Bank of Jamaica/First Global Bank Limited	242,400	271,200	242,400	271,200
(f) Development Bank of Jamaica/CIBC FirstCaribbean International Bank (Jamaica)	13,016	17,604	13,016	17,604
(g) CIBC FirstCaribbean International Bank (Jamaica) Limited	160,061	247,999	160,061	247,999
(h) CIBC FirstCaribbean International Bank (Jamaica) Limited	-	15,427	-	15,427
(i) CIBC FirstCaribbean International Bank (Jamaica) Limited	-	4,359	-	4,359
(j) CIBC FirstCaribbean International Bank (Jamaica) Limited	1,362,482	1,499,058	1,362,482	1,499,058
(k) Kingston Portworkers Superannuation Fund	88,613	100,000	88,613	100,000
	2,046,359	2,390,675	2,093,875	2,463,391
Less: Current portion	(464,851)	(437,137)	(490,051)	(462,337)
	<u>1,581,508</u>	<u>1,953,538</u>	<u>1,603,824</u>	<u>2,001,054</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

28. Long Term Loans (Continued)

- (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 towards the partial cost of construction of a security wall. This interest-free and unsecured loan is repayable 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. After 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.
- (f) This represents a loan of \$32 million granted by the Development Bank of Jamaica through CIBC 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.
- (g) This represents a credit facility through CIBC 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.
- (h) This represented a US\$2.4 million loan through CIBC FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest was based on US six-month LIBOR plus 4.50% per year. The loan was repaid in the year.
- (i) This represented a US\$3.5 million loan facility through CIBC FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest was based on US six-month LIBOR plus 4.50% per year. The loan was repaid during the year.
- (j) This represents a credit facility of US\$26.6 million through CIBC 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.
- (k) 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 CIBC FirstCaribbean Bank (Jamaica) Limited (f)-(j) 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).

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

29. Deferred Income Tax

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 25% (2011- 33⅓%).

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Statement of financial position (assets)/liabilities for:				
Deferred income tax assets	(1,261)	(1,128)	-	-
Deferred income tax liabilities	1,333,992	1,800,699	805,440	1,064,739
Net deferred income tax liabilities	<u>1,332,731</u>	<u>1,799,571</u>	<u>805,440</u>	<u>1,064,739</u>

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

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Net liabilities at beginning of year	1,799,571	1,314,580	1,064,739	716,965
Stockholders' equity on revaluation	-	438,041	-	284,887
Effect of change in tax rate on revaluation surplus (Note 10)	(436,087)	-	(227,448)	-
Statement of comprehensive income (Note 10)	<u>(30,753)</u>	<u>46,950</u>	<u>(31,851)</u>	<u>62,887</u>
Net liabilities at end of year	<u>1,332,731</u>	<u>1,799,571</u>	<u>805,440</u>	<u>1,064,739</u>

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

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets -				
Vacation leave accrual	4,900	6,871	3,508	5,365
Other payables	533	786	-	-
Employee benefit obligations	45,374	54,654	45,374	54,654
Unrealised foreign exchange losses	100,225	124,165	100,225	124,165
Interest payable	7,364	8,440	7,364	8,440
Property, plant and equipment	292	16	-	-
	<u>158,688</u>	<u>194,932</u>	<u>156,471</u>	<u>192,624</u>
Deferred income tax liabilities -				
Property, plant and equipment	1,327,797	1,806,532	806,515	1,081,179
Unrealised foreign exchange gains	5,219	-	5,165	-
Interest receivable	9,924	12,518	1,752	731
Retirement benefit asset	148,479	175,453	148,479	175,453
	<u>1,491,419</u>	<u>1,994,503</u>	<u>961,911</u>	<u>1,257,363</u>
Net deferred income tax liabilities	<u>1,332,731</u>	<u>1,799,571</u>	<u>805,440</u>	<u>1,064,739</u>

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

29. Deferred Income Tax (Continued)

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

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Vacation leave accrual	1,971	609	1,857	606
Other payables	253	(252)	-	-
Employee benefit obligations	9,280	(6,982)	9,280	(6,982)
Unrealised foreign exchange losses	23,940	23,443	23,940	23,449
Tax losses	-	862	-	-
Interest payable	1,076	(1,284)	1,076	(1,284)
Property, plant and equipment	(42,924)	4,068	(47,216)	22,653
Unrealised foreign exchange gains	5,219	-	5,165	-
Interest receivable	(2,594)	2,147	1,021	106
Retirement benefit asset	(26,974)	24,339	(26,974)	24,339
	<u>(30,753)</u>	<u>46,950</u>	<u>(31,851)</u>	<u>62,887</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 statement of financial position include the following:

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets to be recovered -				
After more than 12 months	<u>145,891</u>	<u>178,835</u>	<u>145,599</u>	<u>178,819</u>
Deferred income tax liabilities to be extinguished -				
After more than 12 months	<u>1,476,276</u>	<u>1,981,985</u>	<u>954,994</u>	<u>1,256,632</u>

30. Trade and Other Payables

	The Group		The Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Trade payables	78,705	99,853	61,218	68,299
Dividends payable	13,576	36,726	13,576	36,726
Other payables and accruals	<u>401,833</u>	<u>258,683</u>	<u>361,249</u>	<u>226,305</u>
	<u>494,114</u>	<u>395,262</u>	<u>436,043</u>	<u>331,330</u>

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

KINGSTON WHARVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2012

(expressed in Jamaican dollars unless otherwise indicated)

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 statement of financial position 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 Events***Acquisition***

Subsequent to the year end, the Company acquired the operations of Shipping Services (Stevedoring) Limited, a stevedoring operator.

Change in tax rate

On 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% will be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013. This represents an addition to the 25% tax rate to be levied as at 1 January 2013. Based on Ministry Paper 15 of 2013 issued by the Ministry of Finance and Planning, "large unregulated companies" are to be defined as those companies with gross income equal to or greater than \$500,000,000, that are not regulated by the Financial Services Commission, the Bank of Jamaica, the Ministry of Finance and Planning or the Office of Utilities Regulation.



KINGSTON WHARVES LIMITED

KINGPORT BUILDING

Third Street | Newport West

P.O. Box 260 | Kingston 13 | Jamaica

Tel: 923-9211 | **Fax:** 923-5361

www.kingstonwharves.com.jm