



**Kingston Wharves Limited**

**Financial Statements  
31 December 2013**

# Kingston Wharves Limited

Index

31 December 2013

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## ***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 1 to 69, which comprise the consolidated statement of financial position as at 31 December 2013 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 2013 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.

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**Members of Kingston Wharves Limited  
Independent Auditors' Report  
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***Opinion***

In our opinion, the consolidated financial statements of Kingston Wharves Limited and its subsidiaries, and the financial statements of Kingston Wharves Limited standing alone give a true and fair view of the financial position of Kingston Wharves Limited and its subsidiaries and Kingston Wharves Limited standing alone as at 31 December 2013, 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  
1 March 2014  
Kingston, Jamaica

# Kingston Wharves Limited

## Group Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|   | Note | 2013<br>\$'000     | Restated<br>2012<br>\$'000 |
|---|------|--------------------|----------------------------|
| <b>Revenue</b>  |      | 4,232,408          | 3,670,177                  |
| Direct costs  |      | <u>(2,428,476)</u> | <u>(2,118,034)</u>         |
| <b>Gross Profit</b>   |      | 1,803,932          | 1,552,143                  |
| Other operating income  | 8    | 488,902            | 309,420                    |
| Administration expenses   |      | <u>(815,792)</u>   | <u>(785,896)</u>           |
| <b>Operating Profit</b>   |      | 1,477,042          | 1,075,667                  |
| Finance costs   | 9    | <u>(325,746)</u>   | <u>(266,330)</u>           |
| <b>Profit before Income Tax</b>   |      | 1,151,296          | 809,337                    |
| Income tax expense  | 10   | <u>(304,322)</u>   | <u>(252,863)</u>           |
| <b>Net Profit for Year</b>  |      | <u>846,974</u>     | <u>556,474</u>             |
| <b>Other Comprehensive Income</b>   |      |                    |                            |
| <b>Items that will not be reclassified to profit or loss</b>  |      |                    |                            |
| Re-measurements of post-employment benefits   |      | (38,114)           | (41,476)                   |
| Deferred tax effect on other comprehensive income   |      | 9,528              | 10,369                     |
| Total other comprehensive income, net of taxes  |      | <u>(28,586)</u>    | <u>(31,107)</u>            |
| <b>Total Comprehensive Income for Year</b>  |      | <u>818,388</u>     | <u>525,367</u>             |
| <b>Net Profit Attributable to:</b>  |      |                    |                            |
| Equity holders of the company   | 11   | 839,255            | 550,203                    |
| Non-controlling interest  | 12   | <u>7,719</u>       | <u>6,271</u>               |
|   |      | <u>846,974</u>     | <u>556,474</u>             |
| <b>Total Comprehensive Income Attributable to:</b>  |      |                    |                            |
| Equity holders of the company   |      | 810,669            | 519,096                    |
| Non-controlling interest  | 12   | <u>7,719</u>       | <u>6,271</u>               |
|   |      | <u>818,388</u>     | <u>525,367</u>             |
| <b>Earnings per stock unit for profit attributable to the equity holders of the company during the year</b> | 13   | <u>\$0.59</u>      | <u>\$0.41</u>              |

# Kingston Wharves Limited

## Group Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|  | Note | 2013<br>\$'000    | Restated<br>2012<br>\$'000 | Restated<br>2011<br>\$'000 |
|--|------|-------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                                  |      |                   |                            |                            |
| <b>Non-current Assets</b>                      |      |                   |                            |                            |
| Property, plant and equipment                  | 15   | 11,981,800        | 11,841,077                 | 12,116,385                 |
| Intangible assets                              | 16   | 98,172            | 3,116                      | 3,773                      |
| Recoverable from The Port Authority of Jamaica | 18   | -                 | 3,101                      | 23,187                     |
| Due from related party                         | 21   | 81,291            | -                          | -                          |
| Deferred income tax assets                     | 29   | 1,122             | 1,261                      | 1,128                      |
| Retirement benefit asset                       | 19   | 653,321           | 612,710                    | 579,660                    |
|  |      | <u>12,815,706</u> | <u>12,461,265</u>          | <u>12,724,133</u>          |
| <b>Current Assets</b>                          |      |                   |                            |                            |
| Inventories                                    | 20   | 137,902           | 30,026                     | 23,275                     |
| Trade and other receivables                    | 22   | 586,285           | 782,881                    | 480,894                    |
| Taxation recoverable                           |      | 16,872            | 11,850                     | 64,750                     |
| Short term investments                         | 23   | 2,099,333         | 2,984,835                  | 1,033,894                  |
| Cash and bank                                  | 23   | 1,060,566         | 115,823                    | 42,761                     |
|  |      | <u>3,900,958</u>  | <u>3,925,415</u>           | <u>1,645,574</u>           |
| <b>Total Assets</b>                            |      | <u>16,716,664</u> | <u>16,386,680</u>          | <u>14,369,707</u>          |

# Kingston Wharves Limited

## Group Statement of Financial Position (Continued)

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|  | Note | 2013<br>\$'000    | Restated<br>2012<br>\$'000 | Restated<br>2011<br>\$'000 |
|--|------|-------------------|----------------------------|----------------------------|
| <b>EQUITY</b>  |      |                   |                            |                            |
| <b>Stockholders' Equity</b>                                |      |                   |                            |                            |
| (attributable to equity holders of the company)            |      |                   |                            |                            |
| Share capital  | 24   | 2,079,398         | 2,079,398                  | 291,648                    |
| Capital reserves   | 25   | 7,177,601         | 7,165,022                  | 6,716,356                  |
| Asset replacement/rehabilitation and depreciation reserves | 26   | 215,391           | 215,168                    | 214,796                    |
| Retained earnings  |      | <u>3,217,003</u>  | <u>2,676,572</u>           | <u>2,313,447</u>           |
|  |      | 12,689,393        | 12,136,160                 | 9,536,247                  |
| <b>Non-controlling Interest</b>                            | 12   | <u>59,534</u>     | <u>51,815</u>              | <u>45,544</u>              |
|  |      | <u>12,748,927</u> | <u>12,187,975</u>          | <u>9,581,791</u>           |
| <b>LIABILITIES</b>   |      |                   |                            |                            |
| <b>Non-current Liabilities</b>                             |      |                   |                            |                            |
| Borrowings   | 27   | 1,498,689         | 1,581,508                  | 1,953,538                  |
| Deferred income tax liabilities                            | 29   | 1,299,521         | 1,333,236                  | 1,814,745                  |
| Retirement benefit obligations                             | 19   | <u>179,944</u>    | <u>203,315</u>             | <u>175,054</u>             |
|  |      | <u>2,978,154</u>  | <u>3,118,059</u>           | <u>3,943,337</u>           |
| <b>Current Liabilities</b>                                 |      |                   |                            |                            |
| Trade and other payables                                   | 30   | 359,029           | 493,064                    | 395,262                    |
| Taxation   |      | 127,634           | 118,733                    | -                          |
| Borrowings   | 27   | <u>502,920</u>    | <u>468,849</u>             | <u>449,317</u>             |
|  |      | <u>989,583</u>    | <u>1,080,646</u>           | <u>844,579</u>             |
| <b>Total equity and liabilities</b>                        |      | <u>16,716,664</u> | <u>16,386,680</u>          | <u>14,369,707</u>          |

Approved for issue by the Board of Directors on 1 March 2014 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 2013**  
(expressed in Jamaican dollars unless otherwise indicated)

|  | Note | Attributable to equity holders of the company |                  |   |                   | Total             | Non-controlling Interest | Total Equity      |
|--|------|---|------------------|---|-------------------|-------------------|--------------------------|-------------------|
|  |      | Share Capital                                 | Capital Reserves | Asset Replacement/ Rehabilitation and Depreciation Reserves | Retained Earnings |                   |                          |                   |
|  |      | \$'000  | \$'000           | \$'000  | \$'000            | \$'000            | \$'000                   |                   |
| <b>Balance at 31 December 2011, as restated</b>  | 33   | 291,648                                       | 6,716,356        | 214,796   | 2,313,447         | 9,536,247         | 45,544                   | 9,581,791         |
| Total comprehensive income for the year  |      | -   | -                | -   | 519,096           | 519,096           | 6,271                    | 525,367           |
| 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)  | -                 | -                 | -                        | -                 |
| <b>Transactions with owners:</b>   |      |   |                  |   |                   |                   |                          |                   |
| Issue of shares  | 24   | 1,787,750                                     | -                | -   | -                 | 1,787,750         | -                        | 1,787,750         |
| Dividends  | 14   | -   | -                | -   | (143,020)         | (143,020)         | -                        | (143,020)         |
| <b>Balance at 31 December 2012, as restated</b>  | 33   | 2,079,398                                     | 7,165,022        | 215,168   | 2,676,572         | 12,136,160        | 51,815                   | 12,187,975        |
| Total comprehensive income for the year  |      | -   | -                | -   | 810,669           | 810,669           | 7,719                    | 818,388           |
| Transfer of net interest to asset replacement/rehabilitation and depreciation reserves | 26   | -   | -                | 223   | (223)             | -                 | -                        | -                 |
| 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)  | -                 | -                 | -                        | -                 |
| <b>Transactions with owners:</b>   |      |   |                  |   |                   |                   |                          |                   |
| Dividends  | 14   | -   | -                | -   | (257,436)         | (257,436)         | -                        | (257,436)         |
| <b>Balance at 31 December 2013</b>   |      | <b>2,079,398</b>                              | <b>7,177,601</b> | <b>215,391</b>  | <b>3,217,003</b>  | <b>12,689,393</b> | <b>59,534</b>            | <b>12,748,927</b> |



# Kingston Wharves Limited

## Group Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|   | Note | 2013<br>\$'000          | Restated<br>2012<br>\$'000 |
|---|------|-------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                       |      |                         |                            |
| Net profit  |      | 846,974                 | 556,474                    |
| Adjustments for:  |      |                         |                            |
| Amortisation  | 16   | 10,166                  | 1,258                      |
| Depreciation  | 15   | 330,496                 | 326,074                    |
| Foreign exchange adjustment on loans                              |      | 198,307                 | 114,947                    |
| Foreign exchange gains on operating activities                    |      | (319,191)               | (116,839)                  |
| Loss on disposal of property, plant and equipment                 |      | 617                     | 130                        |
| Retirement benefit asset  |      | (86,812)                | (63,870)                   |
| Retirement benefit obligations                                    |      | (15,284)                | 17,605                     |
| Interest income   | 8    | (84,634)                | (113,695)                  |
| Interest expense  | 9    | 127,439                 | 151,383                    |
| Taxation  | 10   | 304,322                 | 252,863                    |
|   |      | <u>1,312,400</u>        | <u>1,126,330</u>           |
| Changes in operating assets and liabilities:                      |      |                         |                            |
| Inventories   |      | (107,876)               | (6,751)                    |
| Trade and other receivables                                       |      | 175,458                 | (305,371)                  |
| Due from related party  |      | (81,291)                | -                          |
| Trade and other payables  |      | (127,125)               | 121,343                    |
| Recoverable from The Port Authority of Jamaica                    |      | 3,101                   | 20,086                     |
| Cash provided by operations                                       |      | <u>1,174,667</u>        | <u>955,637</u>             |
| Tax paid  |      | <u>(324,491)</u>        | <u>(116,416)</u>           |
| Net cash provided by operating activities                         |      | <u>850,176</u>          | <u>839,221</u>             |
| <b>Cash flows from investing activities</b>                       |      |                         |                            |
| Purchase of property, plant and equipment                         | 15   | (474,225)               | (51,567)                   |
| Purchase of intangible asset                                      |      | (105,222)               | (601)                      |
| Proceeds from sale of property, plant and equipment               |      | 2,389                   | 671                        |
| Short term deposits with maturity greater than 90 days            |      | 68,037                  | 39,729                     |
| Interest received   |      | 103,821                 | 121,477                    |
| Net cash (used in)/provided by investing activities               |      | <u>(405,200)</u>        | <u>109,709</u>             |
| <b>Cash flows from financing activities</b>                       |      |                         |                            |
| Dividends paid to equity holders of the company                   |      | (264,346)               | (166,170)                  |
| Interest paid   |      | (125,820)               | (150,724)                  |
| Loans received  |      | 250,000                 | -                          |
| Loans repaid  |      | (495,726)               | (459,263)                  |
| Issue of shares   |      | -                       | 1,787,750                  |
| Net cash (used in)/provided by financing activities               |      | <u>(635,892)</u>        | <u>1,011,593</u>           |
| Net (decrease)/increase in cash and cash equivalents              |      | (190,916)               | 1,960,523                  |
| Net cash and cash equivalents at beginning of year                |      | 2,847,720               | 774,756                    |
| Exchange adjustment on foreign currency cash and cash equivalents |      | 321,142                 | 112,441                    |
| <b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>               | 23   | <u><u>2,977,946</u></u> | <u><u>2,847,720</u></u>    |

# Kingston Wharves Limited

## Company Statement of Comprehensive Income

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|  | Note | 2013<br>\$'000     | Restated<br>2012<br>\$'000 |
|--|------|--------------------|----------------------------|
| <b>Revenue</b>   |      | 3,613,083          | 3,060,724                  |
| Direct expenses  |      | <u>(1,971,885)</u> | <u>(1,675,473)</u>         |
| <b>Gross Profit</b>  |      | 1,641,198          | 1,385,251                  |
| Other operating income                                       | 8    | 439,736            | 373,877                    |
| Administration expenses                                      |      | <u>(582,661)</u>   | <u>(573,619)</u>           |
| <b>Operating Profit</b>                                      |      | 1,498,273          | 1,185,509                  |
| Finance costs  | 9    | <u>(333,662)</u>   | <u>(277,947)</u>           |
| <b>Profit before Income Tax</b>                              |      | 1,164,611          | 907,562                    |
| Income tax expense   | 10   | <u>(308,785)</u>   | <u>(220,057)</u>           |
| <b>Net Profit for the Year</b>                               |      | <u>855,826</u>     | <u>687,505</u>             |
| <b>Other Comprehensive Income</b>                            |      |                    |                            |
| <b>Items that will not be reclassified to profit or loss</b> |      |                    |                            |
| Re-measurements of post-employment benefits                  |      | (38,114)           | (41,476)                   |
| Deferred tax effect on other comprehensive income            |      | <u>9,528</u>       | <u>10,369</u>              |
| Total other comprehensive income, net of taxes               |      | <u>(28,586)</u>    | <u>(31,107)</u>            |
| <b>Total Comprehensive Income for Year</b>                   |      | <u>827,240</u>     | <u>656,398</u>             |

# Kingston Wharves Limited

Company Statement of Financial Position

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|  | Note | 2013<br>\$'000           | Restated<br>2012<br>\$'000 | Restated<br>2011<br>\$'000 |
|--|------|--------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                                  |      |                          |                            |                            |
| <b>Non-current Assets</b>                      |      |                          |                            |                            |
| Property, plant and equipment                  | 15   | 8,852,592                | 8,625,550                  | 8,813,594                  |
| Intangible assets                              | 16   | 98,172                   | 3,116                      | 3,773                      |
| Investments in subsidiaries                    | 17   | 75,731                   | 75,731                     | 75,731                     |
| Recoverable from The Port Authority of Jamaica | 18   | -                        | 3,101                      | 23,187                     |
| Due from related party                         | 21   | 81,291                   | -                          | -                          |
| Retirement benefit asset                       | 19   | 653,321                  | 612,710                    | 579,660                    |
|  |      | <u>9,761,107</u>         | <u>9,320,208</u>           | <u>9,495,945</u>           |
| <b>Current Assets</b>                          |      |                          |                            |                            |
| Inventories                                    | 20   | 130,803                  | 22,392                     | 13,994                     |
| Trade and other receivables                    | 22   | 472,292                  | 493,422                    | 306,296                    |
| Group companies                                | 21   | 18,693                   | 169,446                    | 66,064                     |
| Taxation recoverable                           |      | -                        | -                          | 50,828                     |
| Short term investments                         | 23   | 1,480,273                | 2,449,478                  | 435,182                    |
| Cash and bank                                  | 23   | 1,006,759                | 85,906                     | 15,142                     |
|  |      | <u>3,108,820</u>         | <u>3,220,644</u>           | <u>887,506</u>             |
| <b>Total assets</b>                            |      | <u><u>12,869,927</u></u> | <u><u>12,540,852</u></u>   | <u><u>10,383,451</u></u>   |

# Kingston Wharves Limited

Company Statement of Financial Position (Continued)

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|  | Note | 2013<br>\$'000    | Restated<br>2012<br>\$'000 | Restated<br>2011<br>\$'000 |
|--|------|-------------------|----------------------------|----------------------------|
| <b>EQUITY</b>  |      |                   |                            |                            |
| <b>Stockholders' Equity</b>                                |      |                   |                            |                            |
| Share capital  | 24   | 2,079,398         | 2,079,398                  | 291,648                    |
| Capital reserves   | 25   | 3,992,736         | 3,980,157                  | 3,740,130                  |
| Asset replacement/rehabilitation and depreciation reserves | 26   | 212,968           | 212,968                    | 212,968                    |
| Retained earnings  |      | 3,069,880         | 2,512,655                  | 2,011,856                  |
|  |      | <u>9,354,982</u>  | <u>8,785,178</u>           | <u>6,256,602</u>           |
| <b>LIABILITIES</b>   |      |                   |                            |                            |
| <b>Non-current Liabilities</b>                             |      |                   |                            |                            |
| Borrowings   | 27   | 1,497,237         | 1,603,824                  | 2,001,054                  |
| Deferred income tax liabilities                            | 29   | 790,641           | 804,684                    | 1,078,785                  |
| Retirement benefit obligations                             | 19   | 179,944           | 203,315                    | 175,054                    |
|  |      | <u>2,467,822</u>  | <u>2,611,823</u>           | <u>3,254,893</u>           |
| <b>Current Liabilities</b>                                 |      |                   |                            |                            |
| Trade and other payables                                   | 30   | 317,432           | 434,993                    | 331,330                    |
| Group companies  | 21   | 77,112            | 96,076                     | 66,109                     |
| Taxation payable   |      | 125,891           | 118,733                    | -                          |
| Borrowings   | 27   | 526,688           | 494,049                    | 474,517                    |
|  |      | <u>1,047,123</u>  | <u>1,143,851</u>           | <u>871,956</u>             |
| <b>Total equity and liabilities</b>                        |      | <u>12,869,927</u> | <u>12,540,852</u>          | <u>10,383,451</u>          |

Approved for issue by the Board of Directors on 1 March 2014 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 2013

(expressed in Jamaican dollars unless otherwise indicated)

|   | Note | Share<br>Capital | Capital<br>Reserves | Asset<br>Replacement/<br>Rehabilitation<br>and Depreciation<br>Reserves | Retained<br>Earnings | Total            |
|---|------|------------------|---------------------|---|----------------------|------------------|
|   |      | \$'000           | \$'000              | \$'000  | \$'000               | \$'000           |
| <b>Balance at 31 December 2011, as restated</b>                           | 33   | 291,648          | 3,740,130           | 212,968   | 2,011,856            | 6,256,602        |
| Total comprehensive income for the year                                   |      | -                | -                   | -   | 656,398              | 656,398          |
| 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)  | -                    | -                |
| <b>Transactions with owners:</b>  |      |                  |                     |   |                      |                  |
| Issue of shares   | 24   | 1,787,750        | -                   | -   | -                    | 1,787,750        |
| Dividends   | 14   | -                | -                   | -   | (143,020)            | (143,020)        |
| <b>Balance at 31 December 2012, as restated</b>                           | 33   | 2,079,398        | 3,980,157           | 212,968   | 2,512,655            | 8,785,178        |
| Total comprehensive income for the year                                   |      | -                | -                   | -   | 827,240              | 827,240          |
| 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)  | -                    | -                |
| <b>Transactions with owners:</b>  |      |                  |                     |   |                      |                  |
| Dividends   | 14   | -                | -                   | -   | (257,436)            | (257,436)        |
| <b>Balance at 31 December 2013</b>  |      | <b>2,079,398</b> | <b>3,992,736</b>    | <b>212,968</b>  | <b>3,069,880</b>     | <b>9,354,982</b> |

# Kingston Wharves Limited

## Company Statement of Cash Flows

Year ended 31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

|   | Note | 2013<br>\$'000          | Restated<br>2012<br>\$'000 |
|---|------|-------------------------|----------------------------|
| <b>Cash flows from operating activities</b>                       |      |                         |                            |
| Net profit  |      | 855,826                 | 687,505                    |
| Adjustments for:  |      |                         |                            |
| Amortisation  | 16   | 10,166                  | 1,258                      |
| Depreciation  | 15   | 235,505                 | 232,034                    |
| Foreign exchange adjustment on long term loans                    |      | 198,307                 | 114,947                    |
| Foreign exchange gains  |      | (305,282)               | (113,925)                  |
| Loss/(gain) on disposal of property, plant and equipment          |      | 1,229                   | (474)                      |
| Retirement benefit asset  |      | (86,812)                | (63,870)                   |
| Retirement benefit obligations                                    |      | (15,284)                | 17,605                     |
| Interest income   | 8    | (51,076)                | (78,319)                   |
| Interest expense  | 9    | 135,355                 | 163,000                    |
| Taxation  | 10   | 308,785                 | 220,057                    |
|   |      | <u>1,286,719</u>        | <u>1,179,818</u>           |
| Changes in operating assets and liabilities:                      |      |                         |                            |
| Inventories   |      | (108,411)               | (8,398)                    |
| Group companies   |      | 47,407                  | (72,493)                   |
| Trade and other receivables                                       |      | 16,188                  | (182,311)                  |
| Trade and other payables  |      | (110,651)               | 127,204                    |
| Recoverable from The Port Authority of Jamaica                    |      | 3,101                   | 20,086                     |
| Cash provided by operations                                       |      | <u>1,134,353</u>        | <u>1,063,906</u>           |
| Tax paid  |      | <u>(306,142)</u>        | <u>(86,780)</u>            |
| Net cash provided by operating activities                         |      | <u>828,211</u>          | <u>977,126</u>             |
| <b>Cash flows from investing activities</b>                       |      |                         |                            |
| Purchase of property, plant and equipment                         | 15   | (465,350)               | (44,169)                   |
| Purchase of intangible asset                                      |      | (105,222)               | (601)                      |
| Proceeds from sale of property, plant and equipment               |      | 1,574                   | 653                        |
| Interest received   |      | 54,067                  | 73,504                     |
| Net cash (used in)/provided by investing activities               |      | <u>(514,931)</u>        | <u>29,387</u>              |
| <b>Cash flows from financing activities</b>                       |      |                         |                            |
| Dividends paid to equity holders of the company                   |      | (264,346)               | (166,170)                  |
| Interest paid   |      | (130,645)               | (158,865)                  |
| Loans received  |      | 250,000                 | -                          |
| Loans repaid  |      | (520,926)               | (484,463)                  |
| Issue of shares   |      | -                       | 1,787,750                  |
| Net cash (used in)/provided by financing activities               |      | <u>(665,917)</u>        | <u>978,252</u>             |
| Net (decrease)/increase in cash and cash equivalents              |      | <u>(352,637)</u>        | <u>1,984,765</u>           |
| Net cash and cash equivalents at beginning of year                |      | 2,499,536               | 405,244                    |
| Exchange adjustment on foreign currency cash and cash equivalents |      | 307,233                 | 109,527                    |
| <b>NET CASH AND CASH EQUIVALENTS AT END OF YEAR</b>               | 23   | <u><u>2,454,132</u></u> | <u><u>2,499,536</u></u>    |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Principal Activities

The company and its subsidiaries (the Group) are incorporated and domiciled in Jamaica. The principal activities of the company and its subsidiaries comprise the operation of public wharves, security services and the provision and installation of cold storage facilities.

The wharfage rates and penal charges billed to customers by the company are subject to regulation by the Port Authority of Jamaica. The tariff rate structure which was approved by the Port Authority of Jamaica became effective in April 1998.

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

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

### 2. Summary of Significant Accounting Policies

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

#### (a) Basis of preparation

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain items of property, plant and equipment.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

Certain new accounting standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations. The pronouncements were effective from 1 January 2013, unless otherwise indicated.

- **Amendment to IAS 1, 'Financial statement presentation'** regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).
- **IAS 19, 'Employee benefits'** was revised in June 2011. The changes on the Group's accounting policies have been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/(asset).
- **Amendment to IFRS 7, 'Financial instruments: Disclosures'**, on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

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

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

- **IFRS 10, 'Consolidated financial statements'** builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- **IFRS 12, 'Disclosures of interests in other entities'** includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.
- **IFRS 13, 'Fair value measurement'**, 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, which are largely aligned between IFRS and US GAAP, 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 within IFRS.

*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 on or after 1 January 2014 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.

- **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.

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.



# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (b) Consolidation

##### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in 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.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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 2013

(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<br>by Parent | Holding<br>by Group | Financial<br>Year End |
|---|---|----------------------|---------------------|-----------------------|
| <u>Trading</u>                                      |   |                      |                     |                       |
| Harbour Cold Stores Limited                         | Provision and installation of cold storage facilities | 100%                 | 100%                | 31 December           |
| Security Administrators Limited                     | Security services                                     | 33 ⅓%                | 66 ⅔%               | 31 December           |
| Western Storage Limited                             | Property rental                                       | 100%                 | 100%                | 31 December           |
| Western Terminals Limited                           | Property rental                                       | 100%                 | 100%                | 31 December           |
| <u>Non-Trading</u>                                  |   |                      |                     |                       |
| Kingston Terminal Operators Limited                 | Dormant   | 100%                 | 100%                | 31 December           |
| <b>Sub-Subsidiaries</b>                             |   |                      |                     |                       |
| 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 2013

(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. The carrying amount of the replaced part is derecognised. All other 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 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (e) Intangible assets

Separately acquired rights and benefits under third party contracts with a finite useful life are shown at historical cost less subsequent amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the rights and benefits over their estimated useful lives of ten years.

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 largely independent 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. Foreign exchange gains and losses that relate to borrowings are presented in profit or loss with 'finance costs'.

#### (h) 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. 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 in profit or loss.

#### (i) Investments in subsidiaries

Investments by the company in subsidiaries are stated at cost.

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

**(j) 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.

**(k) 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.

**(l) 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.

**(m) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(n) 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.

**(o) 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. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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.

**(p) 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.

**(q) 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.

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (r) Employee benefits

##### Pension obligations

The Group participates in two retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the Group, taking into account the recommendations of qualified actuaries. The Group has a defined benefit and a defined contribution plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or 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 past service costs. 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 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the income statement.

The Group, through a subsidiary, also participates in a defined contribution plan whereby it pays contributions to a privately administered pension insurance plan on a contractual basis. Once the contributions have been paid, the subsidiary has no further payment obligations. The contributions are charged to the income statement in the period to which they relate.

##### Other retirement obligations

The Group provides post-employment health care and life insurance benefits to its retirees. The entitlement to these benefits is usually conditional 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 defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

##### Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fees are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fees are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

#### (t) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (u) Taxation

The tax expense comprises current and deferred income taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

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

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (v) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### **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.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

##### **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.



# Kingston Wharves Limited

## Notes to the Financial Statements

**31 December 2013**

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 2013

(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 choice of financial institution is based primarily on its high asset base, stability over the years and its strong overseas connections. 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.

#### **Worst case scenario of credit risk exposure**

The worst case scenario of the Group's and Company's exposure to credit risk is as follows:

|                        | The Group        |                  | The Company      |                  |
|------------------------|------------------|------------------|------------------|------------------|
|                        | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000   | 2012<br>\$'000   |
| Due from related party | 81,291           | -                | 81,291           | -                |
| Trade receivables      | 394,090          | 652,806          | 308,278          | 389,900          |
| Other receivables      | 176,016          | 115,809          | 155,812          | 96,290           |
| Group companies        | -                | -                | 18,693           | 169,446          |
| Short term investments | 2,099,333        | 2,984,835        | 1,480,273        | 2,449,478        |
| Cash and bank          | 1,060,566        | 115,823          | 1,006,759        | 85,906           |
|                        | <u>3,811,296</u> | <u>3,869,273</u> | <u>3,051,106</u> | <u>3,191,020</u> |

#### **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 2013, trade receivables of \$172,853,000 (2012 - \$437,149,000) for the Group and \$122,918,000 (2012 - \$210,986,000) 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    |                |
|--------------|----------------|----------------|----------------|----------------|
|              | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| 31 - 60 days | 136,285        | 171,141        | 99,515         | 128,556        |
| Over 60 days | 36,568         | 266,008        | 23,403         | 82,430         |
|              | <u>172,853</u> | <u>437,149</u> | <u>122,918</u> | <u>210,986</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

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

As of 31 December 2013, trade receivables of \$14,541,000 (2012 - \$9,377,000) and \$6,402,000 (2012 - \$3,482,000) 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    |                |
|--------------|----------------|----------------|----------------|----------------|
|              | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Over 60 days | 14,541         | 9,377          | 6,402          | 3,482          |

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

|  | The Group      |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| At 1 January   | 9,377          | 9,385          | 3,482          | 7,914          |
| Provision for impairment                                 | 10,093         | 5,743          | 6,402          | -              |
| Receivables written off during the year as uncollectible | (4,929)        | (1,157)        | (3,482)        | -              |
| Amounts recovered/reversed                               | -              | (4,594)        | -              | (4,432)        |
| At 31 December   | 14,541         | 9,377          | 6,402          | 3,482          |

Additionally, \$694,000 of trade receivables was written off directly for the Group and company.

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.

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### **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    |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Top ten customers              | 380,621        | 617,798        | 300,878        | 366,949        |
| Other                          | 28,010         | 44,385         | 13,802         | 26,433         |
|                                | 408,631        | 662,183        | 314,680        | 393,382        |
| Less: Provision for impairment | (14,541)       | (9,377)        | (6,402)        | (3,482)        |
|                                | <u>394,090</u> | <u>652,806</u> | <u>308,278</u> | <u>389,900</u> |

##### (ii) Short term investments

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

#### (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 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (b) Liquidity risk (continued)

##### *Financial liabilities cash flows*

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

|                                    | The Group          |                  |                   |                  |                 |                  |
|------------------------------------|--------------------|------------------|-------------------|------------------|-----------------|------------------|
|                                    | Within 1<br>Month  | 1 to 3<br>Months | 3 to 12<br>Months | 1 to 5<br>Years  | Over<br>5 Years | Total            |
|                                    | \$'000             | \$'000           | \$'000            | \$'000           | \$'000          | \$'000           |
|                                    | <b>2013</b>        |                  |                   |                  |                 |                  |
| Long term loans                    | 57,519             | 114,603          | 448,646           | 1,645,988        | 85,008          | 2,351,764        |
| Trade and other payables           | 359,029            | -                | -                 | -                | -               | 359,029          |
| <b>Total financial liabilities</b> | <b>416,548</b>     | <b>114,603</b>   | <b>448,646</b>    | <b>1,645,988</b> | <b>85,008</b>   | <b>2,710,793</b> |
|                                    | <b>2012</b>        |                  |                   |                  |                 |                  |
| Long term loans                    | 51,277             | 99,098           | 440,984           | 1,655,850        | 189,940         | 2,437,149        |
| Trade and other payables           | 493,064            | -                | -                 | -                | -               | 493,064          |
| Bank overdrafts                    | 2,948              | -                | -                 | -                | -               | 2,948            |
| <b>Total financial liabilities</b> | <b>547,289</b>     | <b>99,098</b>    | <b>440,984</b>    | <b>1,655,850</b> | <b>189,940</b>  | <b>2,933,161</b> |
|                                    | <b>The Company</b> |                  |                   |                  |                 |                  |
|                                    | Within 1<br>Month  | 1 to 3<br>Months | 3 to 12<br>Months | 1 to 5<br>Years  | Over<br>5 Years | Total            |
|                                    | \$'000             | \$'000           | \$'000            | \$'000           | \$'000          | \$'000           |
|                                    | <b>2013</b>        |                  |                   |                  |                 |                  |
| Long term loans                    | 59,881             | 119,234          | 466,998           | 1,645,989        | 83,556          | 2,375,658        |
| Trade and other payables           | 317,432            | -                | -                 | -                | -               | 317,432          |
| Group companies                    | 77,112             | -                | -                 | -                | -               | 77,112           |
| <b>Total financial liabilities</b> | <b>454,425</b>     | <b>119,234</b>   | <b>466,998</b>    | <b>1,645,989</b> | <b>83,556</b>   | <b>2,770,202</b> |
|                                    | <b>2012</b>        |                  |                   |                  |                 |                  |
| Long term loans                    | 53,918             | 104,259          | 463,238           | 1,681,200        | 188,488         | 2,491,103        |
| Trade and other payables           | 434,993            | -                | -                 | -                | -               | 434,993          |
| Group companies                    | 96,076             | -                | -                 | -                | -               | 96,076           |
| Bank overdrafts                    | 2,948              | -                | -                 | -                | -               | 2,948            |
| <b>Total financial liabilities</b> | <b>587,935</b>     | <b>104,259</b>   | <b>463,238</b>    | <b>1,681,200</b> | <b>188,488</b>  | <b>3,025,120</b> |

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

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

(c) **Market risk**

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

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

(i) **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is primarily exposed to such risks arising from its significant level of foreign currency borrowings. This is partially offset by its US dollar revenue transactions and its holdings in US dollar cash and other accounts.

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

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(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\$<br>J\$'000 | US\$<br>J\$'000 | Total<br>J\$'000 |
|                               | <b>2013</b>           |                 |                  |
| <b>Financial Assets</b>       |                       |                 |                  |
| Short term investments        | 677,066               | 1,422,267       | 2,099,333        |
| Trade and other receivables   | 243,833               | 326,273         | 570,106          |
| Cash and bank                 | 89,190                | 971,376         | 1,060,566        |
| Total financial assets        | 1,010,089             | 2,719,916       | 3,730,005        |
| <b>Financial Liabilities</b>  |                       |                 |                  |
| Long term loans               | 670,309               | 1,331,300       | 2,001,609        |
| Trade and other payables      | 335,815               | 23,214          | 359,029          |
| Total financial liabilities   | 1,006,124             | 1,354,514       | 2,360,638        |
| <b>Net financial position</b> | 3,965                 | 1,365,402       | 1,369,367        |
|                               | <b>2012</b>           |                 |                  |
| <b>Financial Assets</b>       |                       |                 |                  |
| 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        |
| <b>Financial Liabilities</b>  |                       |                 |                  |
| Long term loans               | 523,816               | 1,523,593       | 2,047,409        |
| Trade and other payables      | 476,182               | 16,882          | 493,064          |
| Bank overdrafts               | 2,948                 | -               | 2,948            |
| Total financial liabilities   | 1,002,946             | 1,540,475       | 2,543,421        |
| <b>Net financial position</b> | 159,298               | 1,166,554       | 1,325,852        |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(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\$<br>J\$'000 | US\$<br>J\$'000  | Total<br>J\$'000 |
|                               | <b>2013</b>           |                  |                  |
| <b>Financial Assets</b>       |                       |                  |                  |
| Short term investments        | 188,578               | 1,291,695        | 1,480,273        |
| Trade and other receivables   | 140,371               | 323,719          | 464,090          |
| Group companies               | 18,673                | 20               | 18,693           |
| Cash and bank                 | 64,572                | 942,187          | 1,006,759        |
| Total financial assets        | 412,194               | 2,557,621        | 2,969,815        |
| <b>Financial Liabilities</b>  |                       |                  |                  |
| Long term loans               | 692,625               | 1,331,300        | 2,023,925        |
| Trade and other payables      | 294,218               | 23,214           | 317,432          |
| Group companies               | 77,112                | -                | 77,112           |
| Total financial liabilities   | 1,063,955             | 1,354,514        | 2,418,469        |
| <b>Net financial position</b> | <b>(651,761)</b>      | <b>1,203,107</b> | <b>551,346</b>   |
|                               | <b>2012</b>           |                  |                  |
| <b>Financial Assets</b>       |                       |                  |                  |
| 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        |
| <b>Financial Liabilities</b>  |                       |                  |                  |
| Long term loans               | 571,332               | 1,523,593        | 2,094,925        |
| Trade and other payables      | 418,365               | 16,628           | 434,993          |
| Group companies               | 96,076                | -                | 96,076           |
| Bank overdraft                | 2,948                 | -                | 2,948            |
| Total financial liabilities   | 1,088,721             | 1,540,221        | 2,628,942        |
| <b>Net financial position</b> | <b>(502,686)</b>      | <b>1,064,764</b> | <b>562,078</b>   |



# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(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% (2012 - 1%) appreciation and a 15% (2012 - 10%) 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 direct impact on other comprehensive income or equity.

|                    | Change in<br>Currency Rate | Effect on<br>Profit before<br>Taxation | Change in<br>Currency Rate | Effect on<br>Profit before<br>Taxation |
|--------------------|----------------------------|--|----------------------------|--|
|                    | 2013<br>%                  | 2013<br>\$'000                         | 2012<br>%                  | 2012<br>\$'000                         |
| <b>The Group</b>   |                            |  |                            |  |
| <b>Currency:</b>   |                            |  |                            |  |
| USD                | +1                         | 13,654                                 | +1                         | 11,666                                 |
| USD                | -15                        | (204,810)                              | -10                        | (116,655)                              |
| <b>The Company</b> |                            |  |                            |  |
| USD                | +1                         | 12,031                                 | +1                         | 10,648                                 |
| USD                | -15                        | (180,466)                              | -10                        | (106,476)                              |

#### (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 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

|                                     | The Group                   |                            |                             |                        |                           |                                       | Total<br>\$'000  |
|-------------------------------------|-----------------------------|----------------------------|-----------------------------|------------------------|---------------------------|---------------------------------------|------------------|
|                                     | Within 1<br>Month<br>\$'000 | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5 Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 |                  |
|                                     | 2013                        |                            |                             |                        |                           |                                       |                  |
| <b>Assets</b>                       |                             |                            |                             |                        |                           |                                       |                  |
| Short term investments              | 1,145,952                   | 771,428                    | 181,953                     | -                      | -                         | -                                     | 2,099,333        |
| Trade and other receivables         | 10,585                      | -                          | -                           | -                      | -                         | 559,521                               | 570,106          |
| Cash and bank                       | 124,756                     | -                          | -                           | -                      | -                         | 935,810                               | 1,060,566        |
| <b>Total financial assets</b>       | <b>1,281,293</b>            | <b>771,428</b>             | <b>181,953</b>              | <b>-</b>               | <b>-</b>                  | <b>1,495,331</b>                      | <b>3,730,005</b> |
| <b>Liabilities</b>                  |                             |                            |                             |                        |                           |                                       |                  |
| Long term loans                     | 48,457                      | 91,228                     | 360,993                     | 1,417,890              | 77,440                    | 5,601                                 | 2,001,609        |
| Trade and other payables            | -                           | -                          | -                           | -                      | -                         | 359,029                               | 359,029          |
| <b>Total financial liabilities</b>  | <b>48,457</b>               | <b>91,228</b>              | <b>360,993</b>              | <b>1,417,890</b>       | <b>77,440</b>             | <b>364,630</b>                        | <b>2,360,638</b> |
| <b>Total interest repricing gap</b> | <b>1,232,836</b>            | <b>680,200</b>             | <b>(179,040)</b>            | <b>(1,417,890)</b>     | <b>(77,440)</b>           | <b>1,130,701</b>                      | <b>1,369,367</b> |
| <b>2012</b>                         |                             |                            |                             |                        |                           |                                       |                  |
| <b>Assets</b>                       |                             |                            |                             |                        |                           |                                       |                  |
| 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          |
| <b>Total financial assets</b>       | <b>628,020</b>              | <b>2,178,829</b>           | <b>249,990</b>              | <b>-</b>               | <b>-</b>                  | <b>812,434</b>                        | <b>3,869,273</b> |
| <b>Liabilities</b>                  |                             |                            |                             |                        |                           |                                       |                  |
| Long term loans                     | 39,456                      | 77,051                     | 349,396                     | 1,404,169              | 174,405                   | 2,932                                 | 2,047,409        |
| Trade and other payables            | -                           | -                          | -                           | -                      | -                         | 493,064                               | 493,064          |
| Bank overdrafts                     | 2,948                       | -                          | -                           | -                      | -                         | -                                     | 2,948            |
| <b>Total financial liabilities</b>  | <b>42,404</b>               | <b>77,051</b>              | <b>349,396</b>              | <b>1,404,169</b>       | <b>174,405</b>            | <b>495,996</b>                        | <b>2,543,421</b> |
| <b>Total interest repricing gap</b> | <b>585,616</b>              | <b>2,101,778</b>           | <b>(99,406)</b>             | <b>(1,404,169)</b>     | <b>(174,405)</b>          | <b>316,438</b>                        | <b>1,325,852</b> |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

|                                     | The Company                 |                            |                             |                        |                           |                                       | Total<br>\$'000  |
|-------------------------------------|-----------------------------|----------------------------|-----------------------------|------------------------|---------------------------|---------------------------------------|------------------|
|                                     | Within 1<br>Month<br>\$'000 | 1 to 3<br>Months<br>\$'000 | 3 to 12<br>Months<br>\$'000 | 1 to 5 Years<br>\$'000 | Over<br>5 Years<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 |                  |
|                                     | 2013                        |                            |                             |                        |                           |                                       |                  |
| <b>Assets</b>                       |                             |                            |                             |                        |                           |                                       |                  |
| Short term investments              | 716,901                     | 763,372                    | -                           | -                      | -                         | -                                     | 1,480,273        |
| Trade and other receivables         | 4,017                       | -                          | -                           | -                      | -                         | 460,073                               | 464,090          |
| Group companies                     | -                           | -                          | -                           | -                      | -                         | 18,693                                | 18,693           |
| Cash and bank                       | 94,748                      | -                          | -                           | -                      | -                         | 912,011                               | 1,006,759        |
| <b>Total financial assets</b>       | <b>815,666</b>              | <b>763,372</b>             | <b>-</b>                    | <b>-</b>               | <b>-</b>                  | <b>1,390,777</b>                      | <b>2,969,815</b> |
| <b>Liabilities</b>                  |                             |                            |                             |                        |                           |                                       |                  |
| Long term loans                     | 48,457                      | 97,168                     | 378,821                     | 1,417,890              | 77,440                    | 4,149                                 | 2,023,925        |
| Trade and other payables            | -                           | -                          | -                           | -                      | -                         | 317,432                               | 317,432          |
| Group companies                     | -                           | -                          | -                           | -                      | -                         | 77,112                                | 77,112           |
| <b>Total financial liabilities</b>  | <b>48,457</b>               | <b>97,168</b>              | <b>378,821</b>              | <b>1,417,890</b>       | <b>77,440</b>             | <b>398,693</b>                        | <b>2,418,469</b> |
| <b>Total interest repricing gap</b> | <b>767,209</b>              | <b>666,204</b>             | <b>(378,821)</b>            | <b>(1,417,890)</b>     | <b>(77,440)</b>           | <b>992,084</b>                        | <b>551,346</b>   |
| <b>2012</b>                         |                             |                            |                             |                        |                           |                                       |                  |
| <b>Assets</b>                       |                             |                            |                             |                        |                           |                                       |                  |
| 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           |
| <b>Total financial assets</b>       | <b>410,222</b>              | <b>2,107,032</b>           | <b>-</b>                    | <b>-</b>               | <b>-</b>                  | <b>673,766</b>                        | <b>3,191,020</b> |
| <b>Liabilities</b>                  |                             |                            |                             |                        |                           |                                       |                  |
| Long term loans                     | 41,555                      | 81,251                     | 368,296                     | 1,427,937              | 174,406                   | 1,480                                 | 2,094,925        |
| Trade and other payables            | -                           | -                          | -                           | -                      | -                         | 434,993                               | 434,993          |
| Group companies                     | -                           | -                          | -                           | -                      | -                         | 96,076                                | 96,076           |
| Bank overdrafts                     | 2,948                       | -                          | -                           | -                      | -                         | -                                     | 2,948            |
| <b>Total financial liabilities</b>  | <b>44,503</b>               | <b>81,251</b>              | <b>368,296</b>              | <b>1,427,937</b>       | <b>174,406</b>            | <b>532,549</b>                        | <b>2,628,942</b> |
| <b>Total interest repricing gap</b> | <b>365,719</b>              | <b>2,025,781</b>           | <b>(368,296)</b>            | <b>(1,427,937)</b>     | <b>(174,406)</b>          | <b>141,217</b>                        | <b>562,078</b>   |

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(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 direct impact on other comprehensive income or equity.

|                               |             |             |             |               | <b>The Group</b>     |                      |       |  |  |               | <b>The Company</b>   |                      |  |  |  |
|-------------------------------|-------------|-------------|-------------|---------------|----------------------|----------------------|-------|--|--|---------------|----------------------|----------------------|--|--|--|
|                               |             |             |             |               | <b>Effect on</b>     | <b>Effect on</b>     |       |  |  |               | <b>Effect on</b>     | <b>Effect on</b>     |  |  |  |
|                               |             |             |             |               | <b>Profit before</b> | <b>Profit before</b> |       |  |  |               | <b>Profit before</b> | <b>Profit before</b> |  |  |  |
|                               |             |             |             |               | <b>Taxation</b>      | <b>Taxation</b>      |       |  |  |               | <b>Taxation</b>      | <b>Taxation</b>      |  |  |  |
|                               |             |             |             | <b>2013</b>   | <b>2012</b>          |                      |       |  |  | <b>2013</b>   | <b>2012</b>          |                      |  |  |  |
|                               |             |             |             | <b>\$'000</b> | <b>\$'000</b>        |                      |       |  |  | <b>\$'000</b> | <b>\$'000</b>        |                      |  |  |  |
| <b>Change in basis points</b> |             |             |             |               |                      |                      |       |  |  |               |                      |                      |  |  |  |
| <b>2013</b>                   | <b>2013</b> | <b>2012</b> | <b>2012</b> |               |                      |                      |       |  |  |               |                      |                      |  |  |  |
| <b>JMD</b>                    | <b>USD</b>  | <b>JMD</b>  | <b>USD</b>  |               |                      |                      |       |  |  |               |                      |                      |  |  |  |
| +250                          | +200        | +400        | +250        | 4,895         | 35,536               | (11,040)             | 6,512 |  |  |               |                      |                      |  |  |  |
| -100                          | -50         | -100        | -50         | 1,466         | (7,426)              | (4,429)              | (297) |  |  |               |                      |                      |  |  |  |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(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 2013, the Group's strategy, which was unchanged from 2012, was to maintain the gearing ratio no higher than 75%. The gearing ratios at 31 December 2013 and 2012 were as follows:

|                                      | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
|--------------------------------------|----------------|----------------------------|
| Total long term borrowings (Note 28) | 1,998,940      | 2,046,359                  |
| Total stockholders' equity           | 12,689,393     | 12,136,160                 |
| Gearing ratio (%)                    | 15.8%          | 16.9%                      |

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 fair values of the long term receivables (due from related party and The Port Authority of Jamaica) could not be reliably determined as no reliable active market exists.
- (iii) The carrying values of long term loans closely approximate amortised cost, which is estimated to be their fair value as they attract terms and conditions available in the market for similar transactions.

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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#### 4. Critical Accounting Estimates and Assumptions in Applying Accounting Policies

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

##### **Key sources of estimation uncertainty**

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

##### **Depreciable assets**

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

##### **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 \$20,423,000 lower or \$25,625,000 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 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Segment Financial Information

The Chief Executive Officer is the Group's chief operating decision maker (CODM). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. 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<br>Operations | Cold Storage<br>Operations | Security<br>Operations | Other           | Eliminations    | Group             |
|---|------------------------|----------------------------|------------------------|-----------------|-----------------|-------------------|
| Year ended 31 December 2013                                     | \$'000                 | \$'000                     | \$'000                 | \$'000          | \$'000          | \$'000            |
| External operating revenue                                      | 3,604,476              | 191,485                    | 436,447                | -               | -               | 4,232,408         |
| Operating revenue from segments                                 | 8,607                  | 4,571                      | 54,791                 | 1,940           | (69,909)        | -                 |
| <b>Total revenue</b>  | <b>3,613,083</b>       | <b>196,056</b>             | <b>491,238</b>         | <b>1,940</b>    | <b>(69,909)</b> | <b>4,232,408</b>  |
| Operating profit/(loss)   | 1,498,273              | 16,159                     | 30,893                 | (59,838)        | (8,445)         | 1,477,042         |
| Interest expense  | (135,355)              | -                          | -                      | (529)           | 8,445           | (127,439)         |
|   | <b>1,362,918</b>       | <b>16,159</b>              | <b>30,893</b>          | <b>(60,367)</b> | <b>-</b>        | <b>1,349,603</b>  |
| Foreign exchange loss   |                        |                            |                        |                 |                 | (198,307)         |
| Profit before income tax  |                        |                            |                        |                 |                 | 1,151,296         |
| Income tax expense  |                        |                            |                        |                 |                 | (304,322)         |
| Profit before non-controlling interest                          |                        |                            |                        |                 |                 | 846,974           |
| Non-controlling interest  |                        |                            |                        |                 |                 | (7,719)           |
| <b>Net profit attributable to equity holders of the company</b> |                        |                            |                        |                 |                 | <b>839,255</b>    |
| Segment assets  | 12,216,606             | 976,458                    | 221,721                | 2,832,818       | (202,254)       | 16,045,349        |
| Unallocated assets  |                        |                            |                        |                 |                 | 671,315           |
| <b>Total assets</b>   |                        |                            |                        |                 |                 | <b>16,716,664</b> |
| Segment liabilities   | 2,418,470              | 8,323                      | 50,849                 | 13,220          | (130,224)       | 2,360,638         |
| Unallocated liabilities   |                        |                            |                        |                 |                 | 1,607,099         |
| <b>Total liabilities</b>  |                        |                            |                        |                 |                 | <b>3,967,737</b>  |
| <b>Other segment items:</b>                                     |                        |                            |                        |                 |                 |                   |
| Interest income (Note 8)  | 51,076                 | 29,668                     | 3,255                  | 9,080           | (8,445)         | 84,634            |
| Capital expenditure (Note 15)                                   | 465,350                | -                          | 8,875                  | -               | -               | 474,225           |
| Capital expenditure (Note 16)                                   | 105,222                | -                          | -                      | -               | -               | 105,222           |
| Amortisation (Note 16)  | 10,166                 | -                          | -                      | -               | -               | 10,166            |
| Depreciation (Note 15)  | 235,505                | 19,802                     | 4,674                  | 70,515          | -               | 330,496           |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 5. Segment Financial Information (Continued)

| Year ended 31 December 2012,<br>as restated                         | Terminal<br>Operations<br>\$'000 | Cold Storage<br>Operations<br>\$'000 | Security<br>Operations<br>\$'000 | Other<br>\$'000 | Eliminations<br>\$'000 | Group<br>\$'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)               | -                 |
| <b>Total revenue</b>  | <b>3,060,724</b>                 | <b>249,617</b>                       | <b>439,100</b>                   | <b>1,940</b>    | <b>(81,204)</b>        | <b>3,670,177</b>  |
| Operating profit/(loss)   | 1,185,509                        | 36,658                               | 28,810                           | (59,701)        | (115,609)              | 1,075,667         |
| Interest expense  | (163,000)                        | -                                    | -                                | (559)           | 12,176                 | (151,383)         |
|   | <b>1,022,509</b>                 | <b>36,658</b>                        | <b>28,810</b>                    | <b>(60,260)</b> | <b>(103,433)</b>       | <b>924,284</b>    |
| Foreign exchange loss   |                                  |                                      |                                  |                 |                        | (114,947)         |
| Profit before income tax  |                                  |                                      |                                  |                 |                        | 809,337           |
| Income tax expense  |                                  |                                      |                                  |                 |                        | (252,863)         |
| Profit before non-controlling interest                              |                                  |                                      |                                  |                 |                        | 556,474           |
| Non-controlling interest  |                                  |                                      |                                  |                 |                        | (6,271)           |
| <b>Net profit attributable to equity<br/>holders of the company</b> |                                  |                                      |                                  |                 |                        | <b>550,203</b>    |
| Segment assets  | 11,928,142                       | 982,542                              | 349,956                          | 2,894,800       | (394,581)              | 15,760,859        |
| Unallocated assets  |                                  |                                      |                                  |                 |                        | 625,821           |
| <b>Total assets</b>   |                                  |                                      |                                  |                 |                        | <b>16,386,680</b> |
| Segment liabilities   | 2,628,942                        | 21,191                               | 202,599                          | 13,240          | (322,551)              | 2,543,421         |
| Unallocated liabilities   |                                  |                                      |                                  |                 |                        | 1,655,284         |
| <b>Total liabilities</b>  |                                  |                                      |                                  |                 |                        | <b>4,198,705</b>  |
| <b>Other segment items:</b>   |                                  |                                      |                                  |                 |                        |                   |
| 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            |
| Capital expenditure (Note 16)                                       | 601                              | -                                    | -                                | -               | -                      | 601               |
| 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 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Expenses by Nature

Total direct and administration expenses:

|                                       | The Group        |                  | The Company      |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000   | 2012<br>\$'000   |
| Advertising and public relations      | 25,125           | 23,818           | 22,643           | 21,946           |
| Amortisation (Note 16)                | 10,166           | 1,258            | 10,166           | 1,258            |
| Auditors' remuneration                | 10,448           | 9,857            | 7,179            | 6,754            |
| Bad debts                             | 10,787           | 5,743            | 7,096            | -                |
| Bank charges                          | 27,915           | 27,786           | 27,843           | 27,548           |
| Claims                                | 28,394           | 11,726           | 26,318           | 11,640           |
| Cleaning and sanitation               | 19,525           | 15,258           | 9,925            | 13,175           |
| Customs overtime                      | 30,773           | 38,022           | 30,773           | 38,022           |
| Depreciation (Note 15)                | 330,496          | 326,074          | 235,505          | 232,034          |
| Directors' fees                       | 23,562           | 32,710           | 23,404           | 32,518           |
| Equipment rental                      | 103,388          | 64,419           | 103,388          | 64,419           |
| Fuel                                  | 159,659          | 115,005          | 157,335          | 115,005          |
| Information technology                | 68,159           | 64,404           | 65,773           | 59,623           |
| Insurance                             | 143,742          | 134,105          | 126,333          | 111,584          |
| Irrecoverable General Consumption Tax | 54,967           | 54,580           | 50,907           | 50,070           |
| Legal and consultation expenses       | 44,460           | 41,642           | 39,761           | 34,647           |
| Occupancy: property taxes and rent    | 10,404           | 10,234           | 10,426           | 8,220            |
| Repairs and maintenance               | 378,650          | 370,683          | 342,688          | 329,088          |
| Security                              | 28,424           | 57,193           | 47,464           | 65,992           |
| Staff costs (Note 7)                  | 1,284,048        | 1,090,833        | 852,892          | 724,165          |
| Terminal transfers                    | 96,436           | 71,010           | 96,436           | 71,010           |
| Utilities                             | 264,076          | 261,499          | 203,901          | 181,615          |
| Other                                 | 90,664           | 76,071           | 56,390           | 48,759           |
|                                       | <u>3,244,268</u> | <u>2,903,930</u> | <u>2,554,546</u> | <u>2,249,092</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 7. Staff Costs

|  | The Group        |                  | The Company    |                |
|--|------------------|------------------|----------------|----------------|
|  | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000 | 2012<br>\$'000 |
| Wages and salaries                             | 1,048,030        | 855,572          | 728,372        | 554,294        |
| Payroll taxes – employer's contributions       | 112,098          | 89,532           | 74,355         | 56,503         |
| Pension costs – defined benefit plan (Note 19) | (57,176)         | (37,317)         | (57,176)       | (37,317)       |
| Pension costs – defined contribution plan      | 8,007            | 3,064            | -              | -              |
| Other retirement benefits (Note 19)            | 5,778            | 24,106           | 5,778          | 24,106         |
| Meal and travelling allowances                 | 69,137           | 68,456           | 69,137         | 68,171         |
| Termination costs                              | 31,281           | -                | -              | -              |
| Other  | 66,893           | 87,420           | 32,426         | 58,408         |
|  | <u>1,284,048</u> | <u>1,090,833</u> | <u>852,892</u> | <u>724,165</u> |

### 8. Other Operating Income

|                                | The Group      |                | The Company    |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Dividends                      | -              | -              | -              | 100,000        |
| Interest                       | 84,634         | 113,695        | 51,076         | 78,319         |
| Management fees                | -              | -              | -              | 5,334          |
| Bad debts recovered            | 1,995          | 4,594          | 1,995          | 4,432          |
| Foreign exchange gains         | 319,191        | 116,839        | 305,283        | 113,925        |
| Proceeds from insurance claims | 82,611         | 71,394         | 82,611         | 71,394         |
| Other                          | 471            | 2,898          | (1,229)        | 473            |
|                                | <u>488,902</u> | <u>309,420</u> | <u>439,736</u> | <u>373,877</u> |

### 9. Finance Costs

|                         | The Group      |                | The Company    |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Interest expense -      |                |                |                |                |
| Loans                   | 127,439        | 151,383        | 135,355        | 163,000        |
| Foreign exchange losses | 198,307        | 114,947        | 198,307        | 114,947        |
|                         | <u>325,746</u> | <u>266,330</u> | <u>333,662</u> | <u>277,947</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 10. Income Tax Expense

|                                    | The Group      |                            | The Company    |                            |
|------------------------------------|----------------|----------------------------|----------------|----------------------------|
|                                    | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Current tax on profit for the year | 328,370        | 288,049                    | 313,300        | 256,341                    |
| Deferred income tax (Note 29)      | (24,048)       | (35,186)                   | (4,515)        | (36,284)                   |
|                                    | <u>304,322</u> | <u>252,863</u>             | <u>308,785</u> | <u>220,057</u>             |

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 30% (2012 - 33 $\frac{1}{3}$ %) as follows:

|  | The Group        |                            | The Company      |                            |
|--|------------------|----------------------------|------------------|----------------------------|
|  | 2013<br>\$'000   | Restated<br>2012<br>\$'000 | 2013<br>\$'000   | Restated<br>2012<br>\$'000 |
| Profit before tax  | <u>1,151,296</u> | <u>809,337</u>             | <u>1,164,611</u> | <u>907,562</u>             |
| Tax calculated at a tax rate of 30%<br>(2012 - 33 $\frac{1}{3}$ %) | 345,389          | 269,779                    | 349,383          | 302,521                    |
| Adjusted for the effects of:                                       |                  |                            |                  |                            |
| Income not subject to tax  | -                | -                          | -                | (33,333)                   |
| Expenses not deductible for tax purposes                           | 5,439            | 8,480                      | 5,352            | 8,109                      |
| Change in rate for deferred income taxes                           | (13,120)         | (7,904)                    | (13,639)         | (40,780)                   |
| Special tax allowances   | (32,452)         | (8,828)                    | (32,452)         | (8,828)                    |
| Other  | (934)            | (8,664)                    | 141              | (7,632)                    |
| Income tax expense   | <u>304,322</u>   | <u>252,863</u>             | <u>308,785</u>   | <u>220,057</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 was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2012 (Note 29).

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.

These changes have been applied in determining the amounts for current income taxation in these financial statements.

During the year, the Government of Jamaica continued its reform of taxes. As a result of this, The Fiscal Incentives Act dated 20 December 2013 was signed into law. Under this Act the tax rate for large unregulated companies was reduced from 30% to 25% effective 1 January 2014. As such this rate was applied in determining the amounts for deferred taxation in the financial statements for the year ended 31 December 2013 (Note 29).

# Kingston Wharves Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

|   | <b>2013</b><br><b>\$'000</b> | <b>Restated</b><br><b>2012</b><br><b>\$'000</b> |
|---|------------------------------|---|
| (a) Net profit is dealt with as follows in the financial statements of:         |                              |   |
| Holding company   | 855,826                      | 687,505   |
| Inter-group dividends from subsidiaries eliminated on consolidation             | -                            | (100,000)                                       |
| Adjusted net profit – holding company   | 855,826                      | 587,505   |
| Subsidiaries  | (16,571)                     | (37,302)  |
|   | <u>839,255</u>               | <u>550,203</u>                                  |
| (b) Retained earnings are dealt with as follows in the financial statements of: |                              |   |
| Holding company   | 3,069,880                    | 2,512,655                                       |
| Subsidiaries  | 147,123                      | 163,917   |
|   | <u>3,217,003</u>             | <u>2,676,572</u>                                |

### 12. Non-controlling Interest

The non-controlling interest is comprised as follows:

|                                   | <b>2013</b><br><b>\$'000</b> | <b>2012</b><br><b>\$'000</b> |
|-----------------------------------|------------------------------|------------------------------|
| At beginning of year              | 51,815                       | 45,544                       |
| Share of net profit of subsidiary | 7,719                        | 6,271                        |
|                                   | <u>59,534</u>                | <u>51,815</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.

|  | <b>2013</b>      | <b>Restated</b><br><b>2012</b> |
|--|------------------|--------------------------------|
| Net profit attributable to equity holders of the company (\$'000)    | <u>839,255</u>   | <u>550,203</u>                 |
| Weighted average number of ordinary stock units in issue (thousands) | <u>1,430,200</u> | <u>1,340,812</u>               |
| Basic earnings per stock unit  | <u>\$0.59</u>    | <u>\$0.41</u>                  |

### 14. Dividends

During the year, the company declared dividends to registered holders on record as follows.

|                                      | <b>2013</b><br><b>\$'000</b> | <b>2012</b><br><b>\$'000</b> |
|--------------------------------------|------------------------------|------------------------------|
| Ordinary dividends, gross - 10 cents | 143,020                      | 143,020                      |
| Ordinary dividends, gross - 8 cents  | 114,416                      | -                            |
|                                      | <u>257,436</u>               | <u>143,020</u>               |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Property, Plant and Equipment

|                       | The Group                  |                                  |   |   |  |                             |                               | Total<br>\$'000 |
|-----------------------|----------------------------|----------------------------------|---|---|--|-----------------------------|-------------------------------|-----------------|
|                       | Freehold<br>Land<br>\$'000 | Plant and<br>Buildings<br>\$'000 | Machinery<br>and<br>Equipment<br>\$'000 | Cold Room<br>and Air<br>Conditioning<br>Equipment<br>\$'000 | Furniture<br>and<br>Fixtures<br>\$'000 | Motor<br>Vehicles<br>\$'000 | Work In<br>Progress<br>\$'000 |                 |
|                       | 2013                       |                                  |   |   |  |                             |                               |                 |
| Cost or Valuation -   |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2012   | 3,178,153                  | 12,486,459                       | 1,616,381                               | 267,404   | 317,816                                | 90,629                      | 29,641                        | 17,986,483      |
| Additions             | -                          | 432                              | 9,454                                   | -   | 10,839                                 | 12,422                      | 441,078                       | 474,225         |
| Transfers             | -                          | 10,297                           | 259,714                                 | -   | 16,559                                 | 67,695                      | (354,265)                     | -               |
| Disposals             | -                          | (340)                            | (33,429)                                | -   | -                                      | (2,528)                     | -                             | (36,297)        |
| At 31 December 2013   | 3,178,153                  | 12,496,848                       | 1,852,120                               | 267,404   | 345,214                                | 168,218                     | 116,454                       | 18,424,411      |
| Depreciation -        |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2012   | -                          | 5,112,836                        | 517,301                                 | 230,110   | 227,926                                | 57,233                      | -                             | 6,145,406       |
| Charge for the year   | -                          | 219,230                          | 73,278                                  | 10,333  | 16,698                                 | 10,957                      | -                             | 330,496         |
| Relieved on disposals | -                          | (136)                            | (30,627)                                | -   | -                                      | (2,528)                     | -                             | (33,291)        |
| At 31 December 2013   | -                          | 5,331,930                        | 559,952                                 | 240,443   | 244,624                                | 65,662                      | -                             | 6,442,611       |
| Net Book Value -      |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2013   | 3,178,153                  | 7,164,918                        | 1,292,168                               | 26,961  | 100,590                                | 102,556                     | 116,454                       | 11,981,800      |
|                       | 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                        | 17,939,334      |
| Additions             | -                          | 2,793                            | 5,479                                   | 455   | 7,875                                  | 10,563                      | 24,402                        | 51,567          |
| Transfers             | -                          | 15,488                           | -                                       | -   | 2,494                                  | -                           | (17,982)                      | -               |
| Revaluation           |                            |                                  |   |   |  |                             |                               |                 |
| Disposals             | -                          | (1,155)                          | (1,408)                                 | -   | (86)                                   | (1,769)                     | -                             | (4,418)         |
| At 31 December 2012   | 3,178,153                  | 12,486,459                       | 1,616,381                               | 267,404   | 317,816                                | 90,629                      | 29,641                        | 17,986,483      |
| Depreciation -        |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2011   | -                          | 4,896,171                        | 437,611                                 | 220,273   | 212,885                                | 56,009                      | -                             | 5,822,949       |
| Charge for the year   | -                          | 217,413                          | 80,899                                  | 9,837   | 15,111                                 | 2,814                       | -                             | 326,074         |
| Relieved on disposals | -                          | (748)                            | (1,209)                                 | -   | (70)                                   | (1,590)                     | -                             | (3,617)         |
| At 31 December 2012   | -                          | 5,112,836                        | 517,301                                 | 230,110   | 227,926                                | 57,233                      | -                             | 6,145,406       |
| Net Book Value -      |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2012   | 3,178,153                  | 7,373,623                        | 1,099,080                               | 37,294  | 89,890                                 | 33,396                      | 29,641                        | 11,841,077      |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

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

|                     | The Company                |                                  |   |   |  |                             |                               | Total<br>\$'000 |
|---------------------|----------------------------|----------------------------------|---|---|--|-----------------------------|-------------------------------|-----------------|
|                     | Freehold<br>Land<br>\$'000 | Plant and<br>Buildings<br>\$'000 | Machinery<br>and<br>Equipment<br>\$'000 | Cold Room<br>and Air<br>Conditioning<br>Equipment<br>\$'000 | Furniture<br>and<br>Fixtures<br>\$'000 | Motor<br>Vehicles<br>\$'000 | Work in<br>Progress<br>\$'000 |                 |
|                     | 2013                       |                                  |   |   |  |                             |                               |                 |
| Cost or Valuation - |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2012 | 2,091,153                  | 8,207,044                        | 1,594,143                               | 19,137  | 306,243                                | 73,877                      | 29,641                        | 12,321,238      |
| Additions           | -                          | -                                | 5,395                                   | -   | 9,701                                  | 9,176                       | 441,078                       | 465,350         |
| Transfers           | -                          | 10,297                           | 259,714                                 | -   | 16,559                                 | 67,695                      | (354,265)                     | -               |
| Disposal            | -                          | -                                | (33,311)                                | -   | -                                      | -                           | -                             | (33,311)        |
| At 31 December 2013 | 2,091,153                  | 8,217,341                        | 1,825,941                               | 19,137  | 332,503                                | 150,748                     | 116,454                       | 12,753,277      |
| Depreciation -      |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2012 | -                          | 2,919,684                        | 501,985                                 | 9,010   | 219,495                                | 45,514                      | -                             | 3,695,688       |
| Charge for the year | -                          | 147,320                          | 62,860                                  | 1,271   | 15,610                                 | 8,444                       | -                             | 235,505         |
| On disposal         | -                          | -                                | (30,508)                                | -   | -                                      | -                           | -                             | (30,508)        |
| At 31 December 2013 | -                          | 3,067,004                        | 534,337                                 | 10,281  | 235,105                                | 53,958                      | -                             | 3,900,685       |
| Net Book Value -    |                            |                                  |   |   |  |                             |                               |                 |
| At 31 December 2013 | 2,091,153                  | 5,150,337                        | 1,291,604                               | 8,856   | 97,398                                 | 96,790                      | 116,454                       | 8,852,592       |
|                     | 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       |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(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).

The property, plant and equipment that, subsequent to initial recognition, are measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The levels are as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The items of property, plant and equipment of the Group and the company shown at revalued amounts are included in Level 2. There were no transfers between levels for both years.

- (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      |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000   | 2012<br>\$'000   |
| Cost                     | 3,989,983        | 3,979,686        | 3,946,812        | 3,936,515        |
| Accumulated depreciation | <u>(716,423)</u> | <u>(642,960)</u> | <u>(699,835)</u> | <u>(627,376)</u> |
| Net book value           | <u>3,273,560</u> | <u>3,336,726</u> | <u>3,246,977</u> | <u>3,309,139</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

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### 16. Intangible Assets

|                              | The Group and Company       |  |                 |
|------------------------------|-----------------------------|--|-----------------|
|                              | Computer Software<br>\$'000 | Rights to Customer Contracts<br>\$'000 | Total<br>\$'000 |
| At Cost -                    |                             |  |                 |
| At 31 December 2011          | 6,288                       | -                                      | 6,288           |
| Additions                    | 601                         | -                                      | 601             |
| At 31 December 2012          | 6,889                       | -                                      | 6,889           |
| Additions                    | 664                         | 104,558                                | 105,222         |
| At 31 December 2013          | 7,553                       | 104,558                                | 112,111         |
| Amortisation                 |                             |  |                 |
| At 31 December 2011          | 2,515                       | -                                      | 2,515           |
| Amortisation charge for year | 1,258                       | -                                      | 1,258           |
| At 31 December 2012          | 3,773                       | -                                      | 3,773           |
| Amortisation charge for year | 1,453                       | 8,713                                  | 10,166          |
| At 31 December 2013          | 5,226                       | 8,713                                  | 13,939          |
| Net Book Value               |                             |  |                 |
| 31 December 2013             | 2,327                       | 95,845                                 | 98,172          |
| 31 December 2012             | 3,116                       | -                                      | 3,116           |

During the year the Group acquired the stevedoring operations of an operator at Port Bustamante.

The total charge of \$10,166,000 (2012 - \$1,258,000) is included in administration expenses in profit or loss.



# Kingston Wharves Limited

## Notes to the Financial Statements

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### 17. Investments in Subsidiaries

|                                     | 2013<br>\$'000 | 2012<br>\$'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 \$19,016,000 (2012 - \$20,086,000) was allocated to the reserve during the year.

|   | <u>The Group and Company</u> |                |
|---|------------------------------|----------------|
|   | 2013<br>\$'000               | 2012<br>\$'000 |
| Balance at 1 January                      | 3,101                        | 23,187         |
| 16% of wharfage collections for year      | (19,016)                     | (20,086)       |
| Transferred to accounts payable (Note 30) | 15,915                       | -              |
| Balance at 31 December                    | <u>-</u>                     | <u>3,101</u>   |
| <br>This comprises:                       |                              |                |
| Donations and security related costs      | -                            | 1,000          |
| Severance payments                        | -                            | 2,101          |
|   | <u>-</u>                     | <u>3,101</u>   |

# Kingston Wharves Limited

## Notes to the Financial Statements

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### 19. Retirement Benefit Asset and Obligations

|  | <u>The Group and Company</u> |                            |
|--|------------------------------|----------------------------|
|  | 2013<br>\$'000               | Restated<br>2012<br>\$'000 |
| Statement of financial position (asset)/obligations for: |                              |                            |
| Pension benefits   | (653,321)                    | (612,710)                  |
| Other retirement benefits                                | 179,944                      | 203,315                    |
| Profit or loss for (Note 7):                             |                              |                            |
| Pension benefits   | (57,176)                     | (37,317)                   |
| Other retirement benefits                                | 5,778                        | 24,106                     |
| Remeasurements for:                                      |                              |                            |
| Pension benefits   | 46,201                       | 30,820                     |
| Other retirement benefits                                | (8,087)                      | 10,656                     |
|  | <u>38,114</u>                | <u>41,476</u>              |

#### (a) Pension benefits

The Group has established two pension schemes covering all permanent employees, a defined benefit plan and a defined contribution plan. The assets of the funded plans are held independently of the Group's assets in separate trustee administered funds.

##### Defined benefit plan

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 2013.

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.

##### Defined contribution plan

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.

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

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

#### (a) Pension benefits (continued)

The defined benefit asset amounts recognised in the statement of financial position are determined as follows:

|   | <b>The Group and Company</b> |                          |
|---|------------------------------|--------------------------|
|   | <b>2013</b>                  | <b>Restated<br/>2012</b> |
|   | <b>\$'000</b>                | <b>\$'000</b>            |
| Fair value of plan assets   | (1,713,046)                  | (1,603,570)              |
| Present value of funded obligations                                   | 1,048,612                    | 916,494                  |
| Surplus of funded plan  | (664,434)                    | (687,076)                |
| Limitation of asset due to uncertainty of obtaining economic benefits | 11,113                       | 74,366                   |
| Asset in the statement of financial position                          | <u>(653,321)</u>             | <u>(612,710)</u>         |

Movements in the amounts recognised in the statement of financial position:

|   | <b>The Group and Company</b> |                          |
|---|------------------------------|--------------------------|
|   | <b>2013</b>                  | <b>Restated<br/>2012</b> |
|   | <b>\$'000</b>                | <b>\$'000</b>            |
| Asset at beginning of year                              | (612,710)                    | (579,660)                |
| Amounts recognised in statement of comprehensive income | (10,975)                     | (6,497)                  |
| Contributions paid                                      | (29,636)                     | (26,553)                 |
| Asset at end of year                                    | <u>(653,321)</u>             | <u>(612,710)</u>         |

The movement in the defined benefit asset recognised in the statement of financial position is as follows:

|  | <b>The Group and Company</b> |                          |
|--|------------------------------|--------------------------|
|  | <b>2013</b>                  | <b>Restated<br/>2012</b> |
|  | <b>\$'000</b>                | <b>\$'000</b>            |
| Balance at beginning of year   | (1,603,570)                  | (1,540,840)              |
| Interest income  | (168,017)                    | (154,303)                |
| Re-measurements -  |                              |                          |
| Return on plan assets, excluding amounts included in interest (expense)/income | 51,718                       | 95,943                   |
| Members' contributions   | (25,297)                     | (22,134)                 |
| Employer's contributions   | (29,636)                     | (26,553)                 |
| Benefits paid  | 67,985                       | 44,317                   |
| Transfers in   | (6,229)                      | -                        |
| Balance at end of year   | <u>(1,713,046)</u>           | <u>(1,603,570)</u>       |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(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 over the year is as follows:

|  | <b>The Group and Company</b> |                          |
|--|------------------------------|--------------------------|
|  | <b>2013</b>                  | <b>Restated<br/>2012</b> |
|  | <b>\$'000</b>                | <b>\$'000</b>            |
| Balance at beginning of year                     | 916,494                      | 854,628                  |
| Current service cost                             | 34,791                       | 32,898                   |
| Interest cost                                    | 96,706                       | 86,967                   |
| Re-measurements -                                |                              |                          |
| Loss/(gain) from change in financial assumptions | 67,724                       | (2,646)                  |
| Experience gains                                 | (2,179)                      | (19,636)                 |
| Members' contributions                           | 9,948                        | 8,600                    |
| Benefits paid                                    | (67,985)                     | (44,317)                 |
| Transfers in                                     | 6,229                        | -                        |
| Gain on curtailment                              | (13,116)                     | -                        |
| Balance at end of year                           | <u>1,048,612</u>             | <u>916,494</u>           |

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$461,587,000 relating to active employees, \$46,476,000 relating to deferred members, \$536,342,000 relating to members in retirement and \$4,207,000 representing other liabilities.

The movement on the effect of asset ceiling during the year is as follows:

|   | <b>The Group and Company</b> |                          |
|---|------------------------------|--------------------------|
|   | <b>2013</b>                  | <b>Restated<br/>2012</b> |
|   | <b>\$'000</b>                | <b>\$'000</b>            |
| Balance at beginning of year  | 74,366                       | 106,552                  |
| Interest (expense)/income   | 7,808                        | 10,655                   |
| Change in asset ceiling, excluding amounts included in interest expense | (71,061)                     | (42,841)                 |
|   | <u>11,113</u>                | <u>74,366</u>            |

The amounts recognised in profit or loss are as follows:

|   | <b>The Group and Company</b> |                          |
|---|------------------------------|--------------------------|
|   | <b>2013</b>                  | <b>Restated<br/>2012</b> |
|   | <b>\$'000</b>                | <b>\$'000</b>            |
| Current service cost                    | 19,443                       | 19,364                   |
| Interest expense/income                 | (63,503)                     | (56,681)                 |
| Gain on curtailment                     | (13,116)                     | -                        |
| Total, included in staff costs (Note 7) | <u>(57,176)</u>              | <u>(37,317)</u>          |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (a) Pension benefits (continued)

Plan assets are comprised as follows:

|                                      | <b>The Group and Company</b> |              |                  |              |
|--------------------------------------|------------------------------|--------------|------------------|--------------|
|                                      | <b>2013</b>                  |              | <b>2012</b>      |              |
|                                      | <b>\$'000</b>                | <b>%</b>     | <b>\$'000</b>    | <b>%</b>     |
| Quoted securities:                   |                              |              |                  |              |
| Equity securities                    | 314,711                      | 18.4         | 289,733          | 18.1         |
| Government of Jamaica securities     | 998,922                      | 58.3         | 946,513          | 59.0         |
| Corporate bonds and promissory notes | 85,309                       | 5.0          | 110,159          | 6.9          |
| Repurchase agreements                | 110,286                      | 6.4          | 44,299           | 2.8          |
| Leases                               | 19,995                       | 1.2          | 26,406           | 1.6          |
| Real estate                          | 85,000                       | 4.9          | 85,000           | 5.3          |
| Other                                | 98,823                       | 5.8          | 101,460          | 6.3          |
|                                      | <u>1,713,046</u>             | <u>100.0</u> | <u>1,603,570</u> | <u>100.0</u> |

The pension plan assets include ordinary stock units of the company with a fair value of \$60,600,000 (2012 - \$50,000,000).

Expected contributions to the post-employment plan for the year ending 31 December 2014 are \$24,438,000.

The significant actuarial assumptions used were as follows:

|                           | <b>2013</b>  | <b>2012</b>  |
|---------------------------|--------------|--------------|
| Discount rate             | 9.50%        | 10.5%        |
| Future salary increases   | 5.50%        | 6.50%        |
| Expected pension increase | <u>3.75%</u> | <u>4.00%</u> |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                           | <b>Impact on Post-employment obligations</b> |                               |                               |
|---------------------------|--|-------------------------------|-------------------------------|
|                           | <b>Change in Assumption</b>                  | <b>Increase in Assumption</b> | <b>Decrease in Assumption</b> |
|                           |  | <b>\$'000</b>                 | <b>\$'000</b>                 |
| Discount rate             | 1%   | Decrease by 10.3%             | Increase by 12.9%             |
| Future salary increases   | 1%   | Increase by 2.7%              | Decrease by 2.4%              |
| Expected pension increase | 1%   | <u>Increase by 8.9%</u>       | <u>Decrease by 7.4%</u>       |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (a) Pension benefits (continued)

Sensitivity (continued):

|                 | <b>Increase<br/>Assumption by One<br/>Year</b> | <b>Decrease<br/>Assumption by<br/>One Year</b> |
|-----------------|--|--|
|                 | <u>Increase by 1%</u>                          | <u>Decrease by 1%</u>                          |
| Life expectancy |  |  |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

#### (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 7.5% per year (2012 – 9.5%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 5.5% per year (2012 – 6.5%).

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

|                                       | <b>The Group and Company</b> |               |
|---------------------------------------|------------------------------|---------------|
|                                       | <b>Restated</b>              |               |
|                                       | <b>2013</b>                  | <b>2012</b>   |
|                                       | <b>\$'000</b>                | <b>\$'000</b> |
| Present value of unfunded obligations | 179,944                      | 203,315       |

Movement in the amounts recognised in the statement of financial position:

|   | <b>The Group and Company</b> |                |
|---|------------------------------|----------------|
|   | <b>Restated</b>              |                |
|   | <b>2013</b>                  | <b>2012</b>    |
|   | <b>\$'000</b>                | <b>\$'000</b>  |
| Liability at beginning of year                              | 203,315                      | 175,054        |
| Amounts recognised in the statement of comprehensive income | (2,309)                      | 34,762         |
| Contributions paid  | (21,062)                     | (6,501)        |
| Liability at end of year                                    | <u>179,944</u>               | <u>203,315</u> |

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

### (b) Other retirement benefits (continued)

The movement in the present value of the defined benefit obligation over the year is as follows:

|  | <b>The Group and Company</b> |                 |
|--|------------------------------|-----------------|
|  | <b>2013</b>                  | <b>Restated</b> |
|  | <b>\$'000</b>                | <b>2012</b>     |
|  |                              | <b>\$'000</b>   |
| Balance at beginning of year                       | 203,315                      | 175,054         |
| Current service cost                               | 8,077                        | 6,296           |
| Interest cost                                      | 20,299                       | 17,810          |
| Gain on curtailment                                | (22,598)                     | -               |
| Included in staff costs in profit or loss (Note 7) | 5,778                        | 24,106          |
| Re-measurements -                                  |                              |                 |
| Gain from change in financial assumptions          | (24,378)                     | (694)           |
| Experience losses                                  | 16,291                       | 11,350          |
| Total, included in other comprehensive income      | (8,087)                      | 10,656          |
| Benefits paid                                      | (21,062)                     | (6,501)         |
| Balance at end of year                             | 179,944                      | 203,315         |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                          | <b>Impact on Post-employment Obligations - Life</b>    |                                      |                                      |
|--------------------------|--|--------------------------------------|--------------------------------------|
|                          | <b>Change in Assumption</b>                            | <b>Increase in Assumption \$'000</b> | <b>Decrease in Assumption \$'000</b> |
| Discount rate            | 1%   | (1,903)                              | 2,273                                |
| Future salary increases  | 1%   | 788                                  | (710)                                |
|                          |  |                                      |                                      |
|                          | <b>Impact on Post-employment Obligations - Medical</b> |                                      |                                      |
|                          | <b>Change in Assumption</b>                            | <b>Increase in Assumption \$'000</b> | <b>Decrease in Assumption \$'000</b> |
| Discount rate            | 1%   | (20,423)                             | 25,625                               |
| Future medical cost rate | 1%   | 25,625                               | (20,423)                             |

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

### (c) Risks associated with pension plans and other post-employment plans

Through its defined benefit pension plans and post-employment medical plans, the company is exposed to a number of risks, the most significant of which are detailed below:

#### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the company intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds largely represent investments in Government of Jamaica securities.

However, the company believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the company's long term strategy to manage the plans efficiently. See below for more details on the company's asset-liability matching strategy.

#### Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

#### Inflation risk

Higher inflation will lead to higher liabilities (If there is a plan in place to cap this state). The majority of the plan's assets are either unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

#### Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The company has not changed the processes used to manage its risks from previous periods. The company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 consists of bonds and equities.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 5% of pensionable salaries for the employees and 10% for the company. The next triennial valuation is due to be completed as at 31 December 2014. The company considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.



# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

#### (c) Risks associated with pension plans and other post-employment plans (continued) Life expectancy (continued)

The weighted average duration of the defined benefit obligation for pension scheme is 13 years.

The weighted average duration of the defined benefit obligation for post employment medical and life insurance benefits is 15 years.

### 20. Inventories

|                         | The Group      |                | The Company    |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Refrigeration equipment | 5,583          | 6,090          | -              | -              |
| Fuel                    | 5,624          | 644            | 5,624          | 644            |
| Spares                  | 126,695        | 23,292         | 125,179        | 21,748         |
|                         | <u>137,902</u> | <u>30,026</u>  | <u>130,803</u> | <u>22,392</u>  |

### 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:

|  | The Group        |                  | The Company      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000   | 2012<br>\$'000   |
| <b>(i) Revenue earned from sales of services</b>   |                  |                  |                  |                  |
| Subsidiaries   | -                | -                | 8,606            | 12,221           |
| Companies controlled by directors/members or related by virtue of common directorships   | 2,258,840        | 1,793,100        | 1,881,883        | 1,490,549        |
|  | <u>2,258,840</u> | <u>1,793,100</u> | <u>1,890,489</u> | <u>1,502,770</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. |                  |                  |                  |                  |
| <b>(ii) Interest income earned</b>   |                  |                  |                  |                  |
| Companies controlled by directors/members or related by virtue of common directorships   | 38,445           | 51,635           | 36,303           | 40,338           |
| <b>(iii) Other income - dividends</b>  |                  |                  |                  |                  |
| Subsidiaries   | -                | -                | -                | 100,000          |
| <b>(iv) Purchases of goods and services</b>  |                  |                  |                  |                  |
| Subsidiaries   | -                | -                | 56,005           | 55,341           |
| Companies controlled by directors/members related by virtue of common directorships  | 173,069          | 152,534          | 173,069          | 150,751          |
|  | <u>173,069</u>   | <u>152,534</u>   | <u>229,074</u>   | <u>206,092</u>   |

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

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

(a) Transactions with related parties (continued)

|                          | The Group      |                | The Company    |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| <b>(v) Interest paid</b> |                |                |                |                |
| Subsidiaries             | -              | -              | 7,915          | 11,617         |

(b) Year-end balances with related parties:

|   | The Group      |                | The Company    |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| <b>(i) Due from related companies</b>   |                |                |                |                |
| Subsidiaries  | -              | -              | 18,693         | 169,446        |
| Companies controlled by directors/members<br>or related by virtue of common directorships |                |                |                |                |
| Long term   | 81,291         | -              | 81,291         | -              |
| Current (Note 22)   | 270,925        | 587,383        | 259,461        | 349,121        |
|   | <u>352,216</u> | <u>587,383</u> | <u>359,445</u> | <u>518,567</u> |

The long term amount receivable from a related company is interest free and has no fixed repayment terms. Management has however represented that the loan will not be called within the next twelve months.

**(ii) Due to related companies**

|   |               |                |                |                |
|---|---------------|----------------|----------------|----------------|
| Subsidiaries  | -             | -              | 77,112         | 96,076         |
| Companies controlled by directors/members<br>and related by virtue of common<br>directorships (Note 30) | 69,683        | 213,901        | 69,683         | 213,901        |
|   | <u>69,683</u> | <u>213,901</u> | <u>146,795</u> | <u>309,977</u> |

Included in the amount due to subsidiaries is \$32,900,000 (2012 - \$32,900,000), representing funds being held on deposit for a subsidiary (Note 23).

**(iii) Short term investments**

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Companies controlled by directors/members or<br>related by virtue of common directorships | <u>1,467,443</u> | <u>1,530,790</u> | <u>1,130,904</u> | <u>1,286,727</u> |
|---|------------------|------------------|------------------|------------------|

These investments currently attract interest at rates between 2.90% and 6.50% per annum (2012 – 3.25% and 5.80%) and have an average maturity of ninety (90) days (Note 23).

**(iv) Bank balances**

|   |               |                |               |               |
|---|---------------|----------------|---------------|---------------|
| Companies controlled by directors/members or<br>related by virtue of common directorships | <u>95,328</u> | <u>103,984</u> | <u>41,534</u> | <u>80,837</u> |
|---|---------------|----------------|---------------|---------------|

The bank balances with related parties comprise foreign currency savings accounts which currently attract interest of 0.25% - 0.75% (2012 – 0.75% to 1.2%) per annum (Note 23).

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

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

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

|  | The Group      |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| <b>(v) Borrowings</b>  |                |                |                |                |
| Subsidiaries – long term loans   | -              | -              | 23,768         | 48,968         |
| Companies controlled by directors/members<br>or related by virtue of common directorships<br>– long term loans | 93,172         | 91,545         | 91,720         | 90,093         |
|  | <u>93,172</u>  | <u>91,545</u>  | <u>115,488</u> | <u>139,061</u> |

(c) Key management compensation:

|   | The Group      |                | The Company    |                |
|---|----------------|----------------|----------------|----------------|
|   | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Salaries and other short term employee benefits         | 59,983         | 55,879         | 48,364         | 42,648         |
| Payroll taxes – employer's contributions                | 4,969          | 4,791          | 4,236          | 3,680          |
| Pension benefits  | 4,515          | 5,588          | 3,193          | 4,265          |
| Termination costs                                       | 10,482         | -              | -              | -              |
| Other   | 5,618          | 5,794          | 4,862          | 3,898          |
|   | <u>85,567</u>  | <u>72,052</u>  | <u>60,655</u>  | <u>54,491</u>  |
| Directors' emoluments –                                 |                |                |                |                |
| Fees  |                |                |                |                |
| Current year  | 23,562         | 32,710         | 23,404         | 32,518         |
| Management remuneration (included in<br>salaries above) | 25,336         | 19,367         | 25,336         | 19,367         |

### 22. Trade and Other Receivables

|                                | The Group      |                | The Company    |                |
|--------------------------------|----------------|----------------|----------------|----------------|
|                                | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Trade receivables              | 408,631        | 662,183        | 314,680        | 393,382        |
| Less: Provision for impairment | (14,541)       | (9,377)        | (6,402)        | (3,482)        |
|                                | 394,090        | 652,806        | 308,278        | 389,900        |
| Prepayments                    | 16,179         | 14,266         | 8,202          | 7,232          |
| Other                          | 176,016        | 115,809        | 155,812        | 96,290         |
|                                | <u>586,285</u> | <u>782,881</u> | <u>472,292</u> | <u>493,422</u> |

Trade receivables include amounts receivable from related parties (Note 21). The fair values for trade and other receivables equal the carrying values.

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

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### 23. Cash and Cash Equivalents

|   | The Group        |                  | The Company      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000   | 2012<br>\$'000   |
| Short term investments - deposits   | 2,099,333        | 2,984,835        | 1,480,273        | 2,449,478        |
| Less : Short term investments with maturity periods<br>in excess of 90 days | (181,953)        | (249,990)        | -                | -                |
| Less: Investments held for subsidiary (Note 21)                             | -                | -                | (32,900)         | (32,900)         |
|   | 1,917,380        | 2,734,845        | 1,447,373        | 2,416,578        |
| Cash and bank   | 1,060,566        | 115,823          | 1,006,759        | 85,906           |
|   | 2,977,946        | 2,850,668        | 2,454,132        | 2,502,484        |
| Bank overdraft (Note 27)  | -                | (2,948)          | -                | (2,948)          |
|   | <u>2,977,946</u> | <u>2,847,720</u> | <u>2,454,132</u> | <u>2,499,536</u> |

The weighted average effective interest rate on short term deposits was 2.93% (2012 – 3.32%) per annum for United States dollar denominated deposits and 6.49% (2012 – 4.78%) 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). Cash at bank includes an interest earning current account. Interest is currently 1% per annum.

The bank overdraft attracted interest at 16.25%.per annum. The Group has undrawn credit facilities via bank overdrafts totalling \$65 million. Security for the facilities is described in Note 28.

### 24. Share Capital

|                          | Number<br>of Stock<br>Units<br>'000 | Ordinary<br>Stock<br>Units<br>\$'000 |
|--------------------------|-------------------------------------|--------------------------------------|
| Issued share capital at: |                                     |                                      |
| At 31 December 2012      | 1,430,200                           | 2,079,398                            |
| At 31 December 2013      | 1,430,200                           | 2,079,398                            |

The total authorised number of ordinary shares is 1,507,550,000 (2012 - 1,507,550,000) 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.

# Kingston Wharves Limited

## Notes to the Financial Statements

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### 25. Capital Reserves

|  | The Group        |                  | The Company      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000   | 2012<br>\$'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)      | (1,308,265)      | (682,344)        | (682,344)        |
|  | 6,728,389        | 6,728,389        | 3,707,507        | 3,707,507        |
| 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          | -                | -                |
| Replacement Reserve                    | 281,602          | 269,023          | 281,602          | 269,023          |
| Capitalisation of Depreciation Reserve | 66               | 66               | 10               | 10               |
| Arising on consolidation               | 3,419            | 3,419            | -                | -                |
|  | <u>7,177,601</u> | <u>7,165,022</u> | <u>3,992,736</u> | <u>3,980,157</u> |

### 26. Asset Replacement/Rehabilitation and Depreciation Reserves

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

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

The requirement for these reserves became effective in 1998.

The Authority requires that both the Asset Replacement/Rehabilitation and the Depreciation Reserves be represented by a Fund consisting of cash, deposits or highly liquid securities. The net interest arising on such Funds should be transferred to the Asset Replacement/Rehabilitation and Depreciation Reserves, respectively. Amounts from these reserves are used for capital projects in accordance with guidelines set by The Port Authority of Jamaica.

The balance of the reserves comprises:

|                                  | The Group      |                | The Company    |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Asset Replacement/Rehabilitation |                |                |                |                |
| Reserve                          | -              | -              | -              | -              |
| Depreciation Fund                | 215,391        | 215,168        | 212,968        | 212,968        |
|                                  | <u>215,391</u> | <u>215,168</u> | <u>212,968</u> | <u>212,968</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

The movement in each category of reserves was as follows:

#### (a) Asset Replacement/Rehabilitation Reserve

|   | <u>The Group and Company</u> |                 |
|---|------------------------------|-----------------|
|   | 2013<br>\$'000               | 2012<br>\$'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 | <u>(12,579)</u>              | <u>(12,579)</u> |
| At end of year  | <u>-</u>                     | <u>-</u>        |

#### (b) Depreciation Fund

|  | <u>The Group</u> |                | <u>The Company</u> |                |
|--|------------------|----------------|--------------------|----------------|
|  | 2013<br>\$'000   | 2012<br>\$'000 | 2013<br>\$'000     | 2012<br>\$'000 |
| At beginning of year                           | 215,168          | 214,796        | 212,968            | 212,968        |
| Transfer from retained earnings (net interest) | <u>223</u>       | <u>372</u>     | <u>-</u>           | <u>-</u>       |
| At end of year                                 | <u>215,391</u>   | <u>215,168</u> | <u>212,968</u>     | <u>212,968</u> |

#### (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

|  | <u>The Group</u> |                  | <u>The Company</u> |                  |
|--|------------------|------------------|--------------------|------------------|
|  | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000     | 2012<br>\$'000   |
| Non-Current                                  |                  |                  |                    |                  |
| Long term loans (Note 28)                    | <u>1,498,689</u> | <u>1,581,508</u> | <u>1,497,237</u>   | <u>1,603,824</u> |
| Current                                      |                  |                  |                    |                  |
| Bank overdraft (Note 23)                     | -                | 2,948            | -                  | 2,948            |
| Current portion of long term loans (Note 28) | <u>502,920</u>   | <u>465,901</u>   | <u>526,688</u>     | <u>491,101</u>   |
|  | <u>502,920</u>   | <u>468,849</u>   | <u>526,688</u>     | <u>494,049</u>   |
|  | <u>2,001,609</u> | <u>2,050,357</u> | <u>2,023,925</u>   | <u>2,097,873</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 28. Long Term Loans

|  | The Group        |                  | The Company      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000   | 2012<br>\$'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  | -                | -                | 23,768           | 48,968           |
| (d) Development Bank of Jamaica/First Global Bank Limited                                | 114,701          | 176,855          | 114,701          | 176,855          |
| (e) Development Bank of Jamaica/First Global Bank Limited                                | 213,600          | 242,400          | 213,600          | 242,400          |
| (f) Development Bank of Jamaica/CIBC FirstCaribbean International Bank (Jamaica) Limited | 8,429            | 13,016           | 8,429            | 13,016           |
| (g) Development Bank of Jamaica/CIBC FirstCaribbean International Bank (Jamaica) Limited | 250,000          | -                | 250,000          | -                |
| (h) CIBC FirstCaribbean International Bank (Jamaica) Limited                             | 61,439           | 160,061          | 61,439           | 160,061          |
| (i) CIBC FirstCaribbean International Bank (Jamaica) Limited                             | 1,269,861        | 1,362,482        | 1,269,861        | 1,362,482        |
| (j) Kingston Portworkers Superannuation Fund   | 77,978           | 88,613           | 77,978           | 88,613           |
|  | <u>1,998,940</u> | <u>2,046,359</u> | <u>2,021,256</u> | <u>2,093,875</u> |
| Add: Interest payable  | <u>2,669</u>     | <u>1,050</u>     | <u>2,669</u>     | <u>1,050</u>     |
|  | <u>2,001,609</u> | <u>2,047,409</u> | <u>2,023,925</u> | <u>2,094,925</u> |
| Less: Current portion  | <u>(502,920)</u> | <u>(465,901)</u> | <u>(526,688)</u> | <u>(491,101)</u> |
|  | <u>1,498,689</u> | <u>1,581,508</u> | <u>1,497,237</u> | <u>1,603,824</u> |

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

# Kingston Wharves Limited

## Notes to the Financial Statements

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### 28. Long Term Loans (Continued)

- (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 granted by the Development Bank of Jamaica through CIBC FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. The interest rate is fixed at 8.25% and the loan is repayable over seven (7) years.
- (h) 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.
- (i) 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.
- (j) 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, bills of sale over certain pieces of machinery and assignment of insurance over these pieces of machinery. Security for the loan facilities with CIBC FirstCaribbean Bank (Jamaica) Limited (f)-(i) above and including the bank overdrafts (Notes 3 and 23) and guarantees (Note 32), 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, assignment of insurance proceeds and promissory notes stamped in the sums of \$32 million and US\$ 10 million. The facility with Kingston Portworkers Superannuation Fund is secured by mortgages over property owned by the Group and bill of sales over certain pieces of machinery (Note 15).



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### 29. Deferred Income Tax

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

|   | The Group        |                            | The Company    |                            |
|---|------------------|----------------------------|----------------|----------------------------|
|   | 2013<br>\$'000   | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Statement of financial position (assets)/liabilities for: |                  |                            |                |                            |
| Deferred income tax assets                                | (1,122)          | (1,261)                    | -              | -                          |
| Deferred income tax liabilities                           | 1,299,521        | 1,333,236                  | 790,641        | 804,684                    |
| Net deferred income tax liabilities                       | <u>1,298,399</u> | <u>1,331,975</u>           | <u>790,641</u> | <u>804,684</u>             |

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

|   | The Group        |                            | The Company    |                            |
|---|------------------|----------------------------|----------------|----------------------------|
|   | 2013<br>\$'000   | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Net liabilities at beginning of year                | 1,331,975        | 1,813,617                  | 804,684        | 1,078,785                  |
| Profit or loss (Note 10)                            | (24,048)         | (35,186)                   | (4,515)        | (36,284)                   |
| Other comprehensive income                          | (9,528)          | (10,369)                   | (9,528)        | (10,369)                   |
| Effect of change in tax rate on revaluation surplus | -                | (436,087)                  | -              | (227,448)                  |
| Net liabilities at end of year                      | <u>1,298,399</u> | <u>1,331,975</u>           | <u>790,641</u> | <u>804,684</u>             |

The deferred tax movement in the profit or loss comprises the following temporary differences:

|                                    | The Group       |                            | The Company    |                            |
|------------------------------------|-----------------|----------------------------|----------------|----------------------------|
|                                    | 2013<br>\$'000  | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Vacation leave accrual             | 254             | 1,971                      | 317            | 1,857                      |
| Other payables                     | -               | 277                        | -              | 24                         |
| Employee benefit obligations       | 3,821           | 10,186                     | 3,821          | 10,186                     |
| Unrealised foreign exchange losses | (17,645)        | 23,940                     | (17,645)       | 23,940                     |
| Interest payable                   | (666)           | 1,076                      | (666)          | 1,076                      |
| Property, plant and equipment      | (29,330)        | (42,924)                   | (7,681)        | (47,216)                   |
| Unrealised foreign exchange gains  | (3,669)         | 5,219                      | (3,615)        | 5,165                      |
| Interest receivable                | 1,485           | (2,594)                    | (748)          | 1,021                      |
| Retirement benefit asset           | 21,702          | (32,337)                   | 21,702         | (32,337)                   |
|                                    | <u>(24,048)</u> | <u>(35,186)</u>            | <u>(4,515)</u> | <u>(36,284)</u>            |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

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### 29. Deferred Income Tax (Continued)

The deferred tax movement in other comprehensive income comprises:

|                              | The Group      |                            | The Company    |                            |
|------------------------------|----------------|----------------------------|----------------|----------------------------|
|                              | 2013<br>\$'000 | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Employee benefit obligations | (11,550)       | (2,664)                    | (11,550)       | (2,664)                    |
| Retirement benefit asset     | 2,022          | (7,705)                    | 2,022          | (7,705)                    |
|                              | <u>(9,528)</u> | <u>(10,369)</u>            | <u>(9,528)</u> | <u>(10,369)</u>            |

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

|                                     | The Group        |                            | The Company    |                            |
|-------------------------------------|------------------|----------------------------|----------------|----------------------------|
|                                     | 2013<br>\$'000   | Restated<br>2012<br>\$'000 | 2013<br>\$'000 | Restated<br>2012<br>\$'000 |
| Deferred income tax assets -        |                  |                            |                |                            |
| Vacation leave accrual              | 4,646            | 4,900                      | 3,191          | 3,508                      |
| Other payables                      | 533              | 533                        | -              | -                          |
| Employee benefit obligations        | 44,986           | 50,829                     | 44,986         | 50,829                     |
| Unrealised foreign exchange losses  | 117,870          | 100,225                    | 117,870        | 100,225                    |
| Interest payable                    | 8,030            | 7,364                      | 8,030          | 7,364                      |
| Property, plant and equipment       | -                | 292                        | -              | -                          |
|                                     | <u>176,065</u>   | <u>164,143</u>             | <u>174,077</u> | <u>161,926</u>             |
| Deferred income tax liabilities -   |                  |                            |                |                            |
| Property, plant and equipment       | 1,298,175        | 1,327,797                  | 798,834        | 806,515                    |
| Unrealised foreign exchange gains   | 1,550            | 5,219                      | 1,550          | 5,165                      |
| Interest receivable                 | 11,409           | 9,924                      | 1,004          | 1,752                      |
| Retirement benefit asset            | 163,330          | 153,178                    | 163,330        | 153,178                    |
|                                     | <u>1,474,464</u> | <u>1,496,118</u>           | <u>964,718</u> | <u>966,610</u>             |
| Net deferred income tax liabilities | <u>1,298,399</u> | <u>1,331,975</u>           | <u>790,641</u> | <u>804,684</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    |                |
|--|------------------|------------------|----------------|----------------|
|  | 2013<br>\$'000   | 2012<br>\$'000   | 2013<br>\$'000 | 2012<br>\$'000 |
| Deferred income tax assets to be recovered -         |                  |                  |                |                |
| After more than 12 months                            | <u>162,856</u>   | <u>145,891</u>   | <u>162,856</u> | <u>151,054</u> |
| Deferred income tax liabilities to be extinguished - |                  |                  |                |                |
| After more than 12 months                            | <u>1,461,505</u> | <u>1,476,276</u> | <u>962,164</u> | <u>954,994</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

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### 30. Trade and Other Payables

|                                    | The Group      |                | The Company    |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2013<br>\$'000 | 2012<br>\$'000 | 2013<br>\$'000 | 2012<br>\$'000 |
| Trade payables                     | 103,387        | 78,705         | 67,386         | 61,218         |
| Dividends payable                  | 6,666          | 13,576         | 6,666          | 13,576         |
| Provision for 16% wharfage reserve | 15,915         | -              | 15,915         | -              |
| Other payables and accruals        | 233,061        | 400,783        | 227,465        | 360,199        |
|                                    | <u>359,029</u> | <u>493,064</u> | <u>317,432</u> | <u>434,993</u> |

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

### 31. Operating Lease

A subsidiary company has entered into an operating lease arrangement, with the subsidiary being the lessor.

The future minimum lease payments receivable under operating leases are as follows:

|   | 2013<br>\$'000 | 2012<br>\$'000 |
|---|----------------|----------------|
| No later than 1 year                        | 30,000         | -              |
| Later than 1 year and no later than 5 years | 22,500         | -              |
|   | <u>52,500</u>  | <u>-</u>       |

### 32. 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.

#### *Other*

The Group is contingently liable to its bankers in respect of guarantees in the ordinary course of business totalling approximately \$12.3 million.

# Kingston Wharves Limited

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### 33. Restatement

The consolidated financial statements were restated to reflect the effects of the adoption of IAS 19 (Revised), 'Employee Benefits' and the consequential adjustments to deferred income tax.

#### Reconciliation of equity at 31 December 2011

|                                     | The Group                  |                          |             |
|-------------------------------------|----------------------------|--------------------------|-------------|
|                                     | As<br>Previously<br>Stated | Effect of<br>Restatement | As Restated |
|                                     | \$'000                     | \$'000                   | \$'000      |
| <b>Non-Current Assets</b>           |                            |                          |             |
| Retirement benefit asset            | 526,360                    | 53,300                   | 579,660     |
| Other non-current assets            | 12,144,473                 | -                        | 12,144,473  |
|                                     | 12,670,833                 | 53,300                   | 12,724,133  |
| <b>Current Assets</b>               | 1,645,574                  | -                        | 1,645,574   |
| <b>Total Assets</b>                 | 14,316,407                 | 53,300                   | 14,369,707  |
| <b>Shareholders' Equity</b>         |                            |                          |             |
| Retained earnings                   | 2,285,354                  | 28,093                   | 2,313,447   |
| Other shareholders' equity          | 7,222,800                  | -                        | 7,222,800   |
|                                     | 9,508,154                  | 28,093                   | 9,536,247   |
| <b>Non-controlling Interest</b>     | 45,544                     | -                        | 45,544      |
|                                     | 9,553,698                  | 28,093                   | 9,581,791   |
| <b>Non-Current Liabilities</b>      |                            |                          |             |
| Deferred income tax liabilities     | 1,800,699                  | 14,046                   | 1,814,745   |
| Retirement benefit obligations      | 163,893                    | 11,161                   | 175,054     |
| Borrowings                          | 1,953,538                  | -                        | 1,953,538   |
|                                     | 3,918,130                  | 25,207                   | 3,943,337   |
| <b>Current Liabilities</b>          | 844,579                    | -                        | 844,579     |
| <b>Total Equity and Liabilities</b> | 14,316,407                 | 53,300                   | 14,369,707  |

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

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## 33. Restatement (Continued)

### Reconciliation of equity at 31 December 2011 (continued)

|                                     | The Company                |                          |                   |
|-------------------------------------|----------------------------|--------------------------|-------------------|
|                                     | As<br>Previously<br>Stated | Effect of<br>Restatement | As Restated       |
|                                     | \$'000                     | \$'000                   | \$'000            |
| <b>Non-Current Assets</b>           |                            |                          |                   |
| Retirement benefit asset            | 526,360                    | 53,300                   | 579,660           |
| Other non-current assets            | 8,916,285                  | -                        | 8,916,285         |
|                                     | <u>9,442,645</u>           | <u>53,300</u>            | <u>9,495,945</u>  |
| <b>Current Assets</b>               | 887,506                    | -                        | 887,506           |
| <b>Total Assets</b>                 | <u>10,330,151</u>          | <u>53,300</u>            | <u>10,383,451</u> |
| <b>Shareholders' Equity</b>         |                            |                          |                   |
| Retained earnings                   | 1,983,763                  | 28,093                   | 2,011,856         |
| Other shareholders' equity          | 4,244,746                  | -                        | 4,244,746         |
|                                     | <u>6,228,509</u>           | <u>28,093</u>            | <u>6,256,602</u>  |
| <b>Non-Current Liabilities</b>      |                            |                          |                   |
| Deferred income tax liabilities     | 1,064,739                  | 14,046                   | 1,078,785         |
| Retirement benefit obligations      | 163,893                    | 11,161                   | 175,054           |
| Borrowings                          | 2,001,054                  | -                        | 2,001,054         |
|                                     | <u>3,229,686</u>           | <u>25,207</u>            | <u>3,254,893</u>  |
| <b>Current Liabilities</b>          | 871,956                    | -                        | 871,956           |
| <b>Total Equity and Liabilities</b> | <u>10,330,151</u>          | <u>53,300</u>            | <u>10,383,451</u> |

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

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## 33. Restatement (Continued)

### Reconciliation of equity at 31 December 2012

|                                     | The Group                  |                          |                   |
|-------------------------------------|----------------------------|--------------------------|-------------------|
|                                     | As<br>Previously<br>Stated | Effect of<br>Restatement | As Restated       |
|                                     | \$'000                     | \$'000                   | \$'000            |
| <b>Non-Current Assets</b>           |                            |                          |                   |
| Retirement benefit asset            | 593,917                    | 18,793                   | 612,710           |
| Other non-current assets            | 11,848,555                 | -                        | 11,848,555        |
|                                     | <u>12,442,472</u>          | <u>18,793</u>            | <u>12,461,265</u> |
| <b>Current Assets</b>               | 3,925,415                  | -                        | 3,925,415         |
| <b>Total Assets</b>                 | <u>16,367,887</u>          | <u>18,793</u>            | <u>16,386,680</u> |
| <b>Shareholders' Equity</b>         |                            |                          |                   |
| Retained earnings                   | 2,678,840                  | (2,268)                  | 2,676,572         |
| Other shareholders' equity          | 9,459,588                  | -                        | 9,459,588         |
|                                     | <u>12,138,428</u>          | <u>(2,268)</u>           | <u>12,136,160</u> |
| <b>Non-controlling Interest</b>     | 51,815                     | -                        | 51,815            |
|                                     | <u>12,190,243</u>          | <u>(2,268)</u>           | <u>12,187,975</u> |
| <b>Non-Current Liabilities</b>      |                            |                          |                   |
| Deferred income tax liabilities     | 1,333,992                  | (756)                    | 1,333,236         |
| Retirement benefit obligations      | 181,498                    | 21,817                   | 203,315           |
| Borrowings                          | 1,581,508                  | -                        | 1,581,508         |
|                                     | <u>3,096,998</u>           | <u>21,061</u>            | <u>3,118,059</u>  |
| <b>Current Liabilities</b>          | 1,080,646                  | -                        | 1,080,646         |
| <b>Total Equity and Liabilities</b> | <u>16,367,887</u>          | <u>18,793</u>            | <u>16,386,680</u> |

# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 33. Restatement (Continued)

### Reconciliation of equity at 31 December 2012 (Continued)

|                                     | The Company                |                          |                   |
|-------------------------------------|----------------------------|--------------------------|-------------------|
|                                     | As<br>Previously<br>Stated | Effect of<br>Restatement | As Restated       |
|                                     | \$'000                     | \$'000                   | \$'000            |
| <b>Non-Current Assets</b>           |                            |                          |                   |
| Retirement benefit asset            | 593,917                    | 18,793                   | 612,710           |
| Other non-current assets            | 8,707,498                  | -                        | 8,707,498         |
|                                     | 9,301,415                  | 18,793                   | 9,320,208         |
| <b>Current Assets</b>               | 3,220,644                  | -                        | 3,220,644         |
| <b>Total Assets</b>                 | <u>12,522,059</u>          | <u>18,793</u>            | <u>12,540,852</u> |
| <b>Shareholders' Equity</b>         |                            |                          |                   |
| Retained earnings                   | 2,514,923                  | (2,268)                  | 2,512,655         |
| Other shareholders' equity          | 6,272,523                  | -                        | 6,272,523         |
|                                     | <u>8,787,446</u>           | <u>(2,268)</u>           | <u>8,785,178</u>  |
| <b>Non-Current Liabilities</b>      |                            |                          |                   |
| Deferred income tax liabilities     | 805,440                    | (756)                    | 804,684           |
| Retirement benefit obligations      | 181,498                    | 21,817                   | 203,315           |
| Borrowings                          | 1,603,824                  | -                        | 1,603,824         |
|                                     | <u>2,590,762</u>           | <u>21,061</u>            | <u>2,611,823</u>  |
| <b>Current Liabilities</b>          | <u>1,143,851</u>           | <u>-</u>                 | <u>1,143,851</u>  |
| <b>Total Equity and Liabilities</b> | <u>12,522,059</u>          | <u>18,793</u>            | <u>12,540,852</u> |

# Kingston Wharves Limited

## Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 33. Restatement (Continued)

#### Reconciliation of total comprehensive income for year ended 31 December 2012

|   | The Group                  |                          |             |
|---|----------------------------|--------------------------|-------------|
|   | As<br>Previously<br>Stated | Effect of<br>Restatement | As Restated |
|   | \$'000                     | \$'000                   | \$'000      |
| <b>Gross Profit</b>   | 1,552,143                  | -                        | 1,552,143   |
| Other operating income  | 309,420                    | -                        | 309,420     |
| Administration expenses   | (782,209)                  | (3,687)                  | (785,896)   |
| <b>Operating Profit</b>   | 1,079,354                  | (3,687)                  | 1,075,667   |
| Finance costs   | (266,330)                  | -                        | (266,330)   |
| <b>Profit before Income Tax</b>   | 813,024                    | (3,687)                  | 809,337     |
| Income tax expense  | (257,296)                  | 4,433                    | (252,863)   |
| <b>Net Profit for Year</b>  | 555,728                    | 746                      | 556,474     |
| <b>Other Comprehensive Income</b>   |                            |                          |             |
| <b>Items that will not be reclassified to profit or loss</b>  |                            |                          |             |
| Re-measurements of post-employment benefits   | -                          | (41,476)                 | (41,476)    |
| Deferred tax effects on other comprehensive income  | -                          | 10,369                   | 10,369      |
| Total other comprehensive income, net of taxes  | -                          | (31,107)                 | (31,107)    |
| <b>Total Comprehensive Income for Year</b>  | 555,728                    | (30,361)                 | 525,367     |
| <b>Net Profit Attributable to:</b>  |                            |                          |             |
| Equity holders of the company   | 549,457                    | 746                      | 550,203     |
| Non-controlling interest  | 6,271                      | -                        | 6,271       |
|   | 555,728                    | 746                      | 556,474     |
| <b>Total Comprehensive Income Attributable to:</b>  |                            |                          |             |
| Equity holders of the company   | 549,457                    | (30,361)                 | 519,096     |
| Non-controlling interest  | 6,271                      | -                        | 6,271       |
|   | 555,728                    | (30,361)                 | 525,367     |
| <b>Earnings per stock unit for profit attributable to the equity holders of the company during the year</b> | \$0.41                     | -                        | \$0.41      |



# Kingston Wharves Limited

Notes to the Financial Statements

31 December 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 33. Restatement (Continued)

Reconciliation of total comprehensive income for year ended 31 December 2012 (continued)

| The Company  |                            |                          |             |
|--|----------------------------|--------------------------|-------------|
| Note   | As<br>Previously<br>Stated | Effect of<br>Restatement | As Restated |
|  | \$'000                     | \$'000                   | \$'000      |
| <b>Gross Profit</b>  | 1,385,251                  | -                        | 1,385,251   |
| Other operating income                                       | 373,877                    | -                        | 373,877     |
| Administration expenses                                      | (569,932)                  | (3,687)                  | (573,619)   |
| <b>Operating Profit</b>                                      | 1,189,196                  | (3,687)                  | 1,185,509   |
| Finance costs  | (277,947)                  | -                        | (277,947)   |
| <b>Profit before Income Tax</b>                              | 911,249                    | (3,687)                  | 907,562     |
| Income tax expense   | (224,490)                  | 4,433                    | (220,057)   |
| <b>Net Profit for Year</b>                                   | 686,759                    | 746                      | 687,505     |
| <b>Other Comprehensive Income</b>                            |                            |                          |             |
| <b>Items that will not be reclassified to profit or loss</b> |                            |                          |             |
| Re-measurements of post-employment benefits                  | -                          | (41,476)                 | (41,476)    |
| Deferred tax effect on other comprehensive income            | -                          | 10,369                   | 10,369      |
| Total other comprehensive income, net of taxes               | -                          | (31,107)                 | (31,107)    |
| <b>Total Comprehensive Income for Year</b>                   | 686,759                    | (30,361)                 | 656,398     |

## 34. Subsequent Events

Subsequent to the year end, the Group acquired the stevedoring operations of an operator at Port Bustamante.