



Kingston Wharves Limited

**Financial Statements
31 December 2016**

Kingston Wharves Limited

Index

31 December 2016

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Independent auditor's report

To the Members of Kingston Wharves Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of Kingston Wharves Limited (the 'Company') and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2016, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

What we have audited

Kingston Wharves Limited's consolidated and stand-alone financial statements comprise:

- the Group and Company statements of financial position as at 31 December 2016;
- the Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the Key audit matter

Impairment assessment of intangible assets

See notes 2 (e) and 16 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.

The Group's and Company's Rights to Customer lists of \$231 million, included in intangible assets, represent approximately 1.0% of the Group and 1.2% of the Company's total assets at year end.

The assessment of the carrying value of these intangible assets involves judgement in relation to forecasting future cash flows and is sensitive to changes in growth, discount rates and other assumptions.

The existence of significant estimation uncertainty associated with valuing rights to customer contracts led us to direct specific audit focus and attention to this area.

We evaluated the method used by management to perform their annual intangible impairment assessment of each Cash Generating Unit and found it to be appropriate based on the requirements of the accounting standards. The method used and approach to developing assumptions was also compared to the prior year and found to be consistent.

With the assistance of our own valuations expert, we:

- evaluated and challenged the assumptions with reference to valuations of similar assets;
- compared the key assumptions to externally derived data including market expectations of investment return, projected economic growth and interest rates; and
- performed a sensitivity analysis to evaluate management's assessment of the planned growth rate in cash flows.



We further tested the mathematical accuracy of management's calculations.

As a result of the above audit procedures, the evidence we obtained corroborated management's assertion that the intangible assets were not impaired.

Valuation of retirement benefit assets and liabilities

See notes 2 (r) and 20 of the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements and estimates.

The cost of pension benefits and the present value of these benefits depend on a number of factors and assumptions. Due to the complexity of the balance, management appointed an external actuary to perform the valuations. The assumptions used in determining the assets for the pension benefits and the liabilities for the other post-employment benefits included:

- the expected long-term rate of return on the relevant plan assets
- the discount rate
- the expected rate of increase in medical costs in the case of post-employment medical benefits

Any changes in these assumptions will impact the valuation of the assets and liabilities recorded for pension and post-employment benefits.

This was an area of focus due to the numerous assumptions used, and that, as at 31 December 2016, the values for the post-employment benefits in the statement of financial position for the Group and Company totalled \$936 million and \$277 million or 4.0% and 4.9% of total assets and 5.6% and 6.5% of total liabilities, respectively.

We reviewed the valuation technique used to perform the valuation of retirement benefits and found it to be consistent with the requirements of IAS 19, Employee Benefits.

We assessed the competence and objectivity of the management appointed actuary, confirming that they are qualified and that there was no affiliation to the Group.

We checked the employee data submitted to the actuary against information maintained on the employees' personnel files maintained by the Group. We assessed and challenged the assumptions used by the actuary which included comparing them to externally derived data such as mortality tables from the Society of Actuaries, economic statistics from the Bank of Jamaica and the discount rate from the Institute of Chartered Accountants of Jamaica. We also confirmed certain assets of the plans with the custodian of these assets and recomputed their fair values by reference to readily available external data including quoted stock prices and yield curves.

Based on the procedures performed, we found the assumptions and computations to be in line with our expectations.



Other information

Management is responsible for the other information. The other information comprises the information presented in the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and 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 stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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 stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Leighton McKnight.

PricewaterhouseCoopers

Chartered Accountants
28 February 2017
Kingston, Jamaica

Kingston Wharves Limited

Group Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Revenue		5,409,801	4,672,884
Direct costs		<u>(2,897,704)</u>	<u>(2,525,895)</u>
Gross Profit		2,512,097	2,146,989
Other operating income	8	196,642	249,045
Administration expenses		<u>(1,033,488)</u>	<u>(823,978)</u>
Operating Profit		1,675,251	1,572,056
Finance costs	9	<u>(186,408)</u>	<u>(162,718)</u>
Profit before Income Tax		1,488,843	1,409,338
Income tax expense	10	<u>(176,056)</u>	<u>(141,879)</u>
Net Profit for Year		<u>1,312,787</u>	<u>1,267,459</u>
Other Comprehensive Income			
<i>Item that may be reclassified to profit or loss</i>			
Changes in fair value of available-for-sale investments		41,948	-
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of post-employment benefits		269,906	(142,142)
Deferred tax effect on re-measurements of post-employment benefits		(28,583)	13,731
De-recognition of revaluation surplus on disposal of property plant and equipment		(8,046)	(203,794)
Deferred tax effect on de-recognition of revaluation surplus		575	17,322
Effect of change in tax rate on deferred taxation on revaluation surplus		<u>(39,662)</u>	<u>(45,329)</u>
Total other comprehensive income, net of taxes		<u>236,138</u>	<u>(360,212)</u>
Total Comprehensive Income for Year		<u>1,548,925</u>	<u>907,247</u>
Net Profit Attributable to:			
Equity holders of the company	11	1,293,480	1,256,397
Non-controlling interest	12	<u>19,307</u>	<u>11,062</u>
		<u>1,312,787</u>	<u>1,267,459</u>
Total Comprehensive Income Attributable to:			
Equity holders of the company		1,529,618	896,185
Non-controlling interest	12	<u>19,307</u>	<u>11,062</u>
		<u>1,548,925</u>	<u>907,247</u>
Earnings per stock unit for profit attributable to the equity holders of the company during the year	13	<u>\$0.90</u>	<u>\$0.88</u>

Kingston Wharves Limited

Group Statement of Financial Position

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	18,085,443	16,644,894
Intangible assets	16	256,871	322,849
Investments	18	128,466	84,346
Due from related party	22	-	102,405
Deferred income tax assets	30	1,363	1,498
Retirement benefit asset	20	936,177	619,083
		<u>19,408,320</u>	<u>17,775,075</u>
Current Assets			
Inventories	21	303,994	203,049
Trade and other receivables	23	617,395	404,351
Taxation recoverable		16,253	9,200
Short term investments	24	2,830,027	2,687,739
Cash and bank	24	360,819	332,129
		<u>4,128,488</u>	<u>3,636,468</u>
Total Assets		<u><u>23,536,808</u></u>	<u><u>21,411,543</u></u>

Kingston Wharves Limited

Group Statement of Financial Position (Continued)

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
EQUITY			
Stockholders' Equity			
(attributable to equity holders of the company)			
Share capital	25	2,079,398	2,079,398
Other reserves	26	10,768,001	10,760,607
Asset replacement/rehabilitation and depreciation reserves	27	216,161	215,917
Retained earnings		<u>5,476,686</u>	<u>4,440,974</u>
		<u>18,540,246</u>	<u>17,496,896</u>
Non-controlling Interest	12	<u>96,565</u>	<u>77,258</u>
		<u>18,636,811</u>	<u>17,574,154</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	28	1,795,373	1,095,836
Long term liability	29	9,454	29,785
Deferred income tax liabilities	30	1,168,265	1,111,131
Retirement benefit obligations	20	<u>276,762</u>	<u>245,378</u>
		<u>3,249,854</u>	<u>2,482,130</u>
Current Liabilities			
Trade and other payables	31	1,002,529	735,090
Taxation		31,413	76,339
Borrowings	28	547,540	447,037
Current portion of long term liability	29	<u>68,661</u>	<u>96,793</u>
		<u>1,650,143</u>	<u>1,355,259</u>
Total equity and liabilities		<u>23,536,808</u>	<u>21,411,543</u>

Approved for issue by the Board of Directors on 23 February 2017 and signed on its behalf by:

Jeffrey Hall

Chairman

Alvin Henry

Director

Kingston Wharves Limited

Group Statement of Changes in Equity

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

Note	Attributable to equity holders of the company					Non-controlling Interest	Total Equity
	Share Capital	Other Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2014	2,079,398	10,979,829	215,668	3,683,366	16,958,261	66,196	17,024,457
Total comprehensive income for the year	-	(231,801)	-	1,127,986	896,185	11,062	907,247
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	27	-	-	249	(249)	-	-
Transfer to asset replacement/rehabilitation and depreciation reserves	27	-	-	12,579	(12,579)	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	27	-	12,579	(12,579)	-	-	-
Transactions with owners:							
Dividends	14	-	-	-	(357,550)	(357,550)	(357,550)
Balance at 31 December 2015	2,079,398	10,760,607	215,917	4,440,974	17,496,896	77,258	17,574,154
Total comprehensive income for the year	-	(5,185)	-	1,534,803	1,529,618	19,307	1,548,925
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	27	-	-	244	(244)	-	-
Transfer to asset replacement/rehabilitation and depreciation reserves	27	-	-	12,579	(12,579)	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	27	-	12,579	(12,579)	-	-	-
Transactions with owners:							
Dividends	14	-	-	-	(486,268)	(486,268)	(486,268)
Balance at 31 December 2016	2,079,398	10,768,001	216,161	5,476,686	18,540,246	96,565	18,636,811

Kingston Wharves Limited

Group Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Net profit		1,312,787	1,267,459
Adjustments for:			
Amortisation	16	108,770	82,570
Depreciation	15	468,541	407,817
Provision for impairment		5,000	15,000
Foreign exchange adjustment on loans		51,550	40,262
Foreign exchange gains on operating activities		(113,057)	(69,951)
Loss on disposal/write-off of property, plant and equipment		2,081	5,396
Retirement benefit asset		(35,764)	(57,460)
Retirement benefit obligations		19,960	19,992
Dividend received in kind		-	(84,346)
Interest income	8	(86,167)	(69,623)
Interest expense	9	134,858	122,456
Taxation	10	176,056	141,879
		<u>2,044,615</u>	<u>1,821,451</u>
Changes in operating assets and liabilities:			
Inventories		(100,945)	(15,629)
Trade and other receivables		(215,130)	176,795
Trade and other payables		147,481	85,978
Recoverable from The Port Authority of Jamaica		-	32,730
Cash provided by operations		<u>1,876,021</u>	<u>2,101,325</u>
Tax paid		(238,436)	(108,810)
Net cash provided by operating activities		<u>1,637,585</u>	<u>1,992,515</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,822,862)	(1,164,916)
Purchase of intangible asset	16	(42,792)	(37,498)
Purchase of investments		(2,172)	-
Proceeds from sale of property, plant and equipment		1,050	9,466
Short term deposits with maturity greater than three months		14,685	191,676
Restricted cash		(189,000)	-
Interest received		86,409	68,014
Net cash used in investing activities		<u>(1,954,682)</u>	<u>(933,258)</u>
Cash flows from financing activities			
Dividends paid to equity holders of the company		(414,773)	(286,092)
Interest paid		(137,193)	(119,324)
Loans received		1,275,250	-
Loans repaid		(524,425)	(428,893)
Net cash provided by/(used in) financing activities		<u>198,859</u>	<u>(834,309)</u>
Net (decrease)/increase in cash and cash equivalents		(118,238)	224,948
Net cash and cash equivalents at beginning of year		3,005,183	2,703,074
Exchange adjustment on foreign currency cash and cash equivalents		114,901	77,161
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	24	<u><u>3,001,846</u></u>	<u><u>3,005,183</u></u>

Total additions to property, plant and equipment per Note 15 include \$28,612,000 acquired within the Group.

Kingston Wharves Limited

Company Statement of Comprehensive Income

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Revenue		4,768,731	4,115,986
Direct expenses		<u>(2,379,378)</u>	<u>(2,038,099)</u>
Gross Profit		2,389,353	2,077,887
Other operating income	8	495,498	183,128
Administration expenses		<u>(930,863)</u>	<u>(737,577)</u>
Operating Profit		1,953,988	1,523,438
Finance costs	9	<u>(189,280)</u>	<u>(168,248)</u>
Profit before Income Tax		1,764,708	1,355,190
Income tax expense	10	<u>(171,763)</u>	<u>(124,180)</u>
Net Profit for Year		<u>1,592,945</u>	<u>1,231,010</u>
Other Comprehensive Income			
<i>Item that may be reclassified to profit or loss</i>			
Changes in fair value of available-for-sale investments		27,768	-
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of post-employment benefits		269,906	(142,142)
Deferred tax effect on re-measurements of post-employment benefits		(28,583)	13,731
De-recognition of revaluation surplus on disposal of property, plant and equipment		(8,046)	(203,794)
Deferred tax effect on de-recognition of revaluation surplus		575	17,322
Effect of change in tax rate on deferred taxation on revaluation surplus		<u>(39,662)</u>	<u>(45,329)</u>
Total other comprehensive income, net of taxes		<u>221,958</u>	<u>(360,212)</u>
Total Comprehensive Income for Year		<u>1,814,903</u>	<u>870,798</u>

Kingston Wharves Limited

Company Statement of Financial Position

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	14,011,688	12,593,293
Intangible assets	16	256,871	322,849
Investments in subsidiaries	17	75,731	75,731
Investments	18	85,818	55,878
Due from related party	22	102,405	102,405
Retirement benefit asset	20	936,177	619,083
		<u>15,468,690</u>	<u>13,769,239</u>
Current Assets			
Inventories	21	292,090	195,056
Trade and other receivables	23	491,471	323,156
Group companies	22	376,906	21,233
Short term investments	24	2,048,456	2,056,746
Cash and bank	24	279,294	253,949
		<u>3,488,217</u>	<u>2,850,140</u>
Total assets		<u><u>18,956,907</u></u>	<u><u>16,619,379</u></u>

Kingston Wharves Limited


Company Statement of Financial Position (Continued)

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
EQUITY			
Stockholders' Equity			
Share capital	25	2,079,398	2,079,398
Other reserves	26	6,605,844	6,612,630
Asset replacement/rehabilitation and depreciation reserves	27	212,968	212,968
Retained earnings		<u>5,810,526</u>	<u>4,475,105</u>
		<u>14,708,736</u>	<u>13,380,101</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	28	1,793,921	1,094,384
Long term liability	29	9,454	29,785
Deferred income tax liabilities	30	584,765	492,339
Retirement benefit obligations	20	<u>276,762</u>	<u>245,378</u>
		<u>2,664,902</u>	<u>1,861,886</u>
Current Liabilities			
Trade and other payables	31	942,824	695,372
Group companies	22	5,984	74,138
Taxation payable		18,260	64,052
Borrowings	28	547,540	447,037
Current portion of long term liability	29	<u>68,661</u>	<u>96,793</u>
		<u>1,583,269</u>	<u>1,377,392</u>
Total equity and liabilities		<u><u>18,956,907</u></u>	<u><u>16,619,379</u></u>

Approved for issue by the Board of Directors on 23 February 2017 and signed on its behalf by:



 Jeffrey Hall Chairman



 Alvin Henry Director

Kingston Wharves Limited

Company Statement of Changes in Equity

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Other Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2014	2,079,398	6,831,852	212,968	3,742,635	12,866,853
Total comprehensive income for the year	-	(231,801)	-	1,102,599	870,798
Transfer to asset replacement/rehabilitation and depreciation reserves	27	-	12,579	(12,579)	-
Transfer from asset replacement/rehabilitation and depreciation reserves	27	12,579	(12,579)	-	-
Transactions with owners:					
Dividends	14	-	-	(357,550)	(357,550)
Balance at 31 December 2015	2,079,398	6,612,630	212,968	4,475,105	13,380,101
Total comprehensive income for the year	-	(19,365)	-	1,834,268	1,814,903
Transfer to asset replacement/rehabilitation and depreciation reserves	27	-	12,579	(12,579)	-
Transfer from asset replacement/rehabilitation and depreciation reserves	27	12,579	(12,579)	-	-
Transactions with owners:					
Dividends	14	-	-	(486,268)	(486,268)
Balance at 31 December 2016	2,079,398	6,605,844	212,968	5,810,526	14,708,736

Kingston Wharves Limited

Company Statement of Cash Flows

Year ended 31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Net profit		1,592,945	1,231,010
Adjustments for:			
Amortisation	16	108,770	82,570
Depreciation	15	364,265	306,053
Provision for impairment		5,000	15,000
Foreign exchange adjustment on long term loans		51,550	40,262
Foreign exchange gains		(90,042)	(57,684)
Loss on disposal/write-off of property, plant and equipment		2,940	6,681
Retirement benefit asset		(35,764)	(57,460)
Retirement benefit obligations		19,960	19,992
Dividend received in kind		-	(55,878)
Interest income	8	(58,755)	(43,015)
Interest expense	9	137,730	127,986
Taxation	10	171,763	124,180
		<u>2,270,362</u>	<u>1,739,697</u>
Changes in operating assets and liabilities:			
Inventories		(97,034)	(12,222)
Group companies		(352,992)	(288)
Trade and other receivables		(169,866)	154,934
Trade and other payables		127,494	85,130
Recoverable from The Port Authority of Jamaica		-	32,730
Cash provided by operations		<u>1,777,964</u>	<u>1,999,981</u>
Tax paid		<u>(192,799)</u>	<u>(73,211)</u>
Net cash provided by operating activities		<u>1,585,165</u>	<u>1,926,770</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(1,799,696)	(1,156,571)
Purchase of intangible asset	16	(42,792)	(37,498)
Purchase of investments		(2,172)	-
Proceeds from sale of property, plant and equipment		1,050	5,950
Short term deposits with maturity greater than three months		14,685	191,676
Restricted cash		(189,000)	-
Interest received		58,462	42,001
Net cash used in investing activities		<u>(1,959,463)</u>	<u>(954,442)</u>
Cash flows from financing activities			
Dividends paid to equity holders of the company		(414,773)	(286,092)
Interest paid		(178,000)	(121,545)
Loans received		1,275,250	-
Loans repaid		(524,425)	(428,893)
Net cash provided by/(used in) financing activities		<u>158,052</u>	<u>(836,530)</u>
Net (decrease)/increase in cash and cash equivalents		(216,246)	135,798
Net cash and cash equivalents at beginning of year		2,263,110	2,062,418
Exchange adjustment on foreign currency cash and cash equivalents		91,886	64,894
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	24	<u><u>2,138,750</u></u>	<u><u>2,263,110</u></u>

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

The company and its subsidiaries (the Group) are incorporated and domiciled in Jamaica. The principal activities of the company and its subsidiaries comprise the operation of public wharves, logistics services, security services and the rental of and repairs to 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 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, amendments and interpretations 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 adopted the following which are relevant to its operations:

- **Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative** (effective for annual periods beginning on or after 1 January 2016). The amendments do not require specific changes. However, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. Preparers should consider their financial statements in light of these clarifications and whether there is an opportunity to clarify or improve the disclosure. The order of the notes needs to balance understandability and comparability and changes should generally result from a specific change in facts and circumstances.
- **Amendments to IAS 27, 'Separate financial statements' on equity method**, (effective for annual periods beginning on or after 1 January 2016). These amendments allow entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- **Annual Improvements 2015**, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards.
 - IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
 - The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7.
 - The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise.

The adoption of the above amendments effective 1 January 2016 did not have any significant impact on the Group's financial statements.

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 2017 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.

- **Amendments to IAS 12, 'Income Taxes'**, (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 12 clarifying specifically how to account for deferred tax assets related to debt instruments measured at fair value as well as clarifying the guidance for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets.
- **Amendments to IAS 7, 'Statement of Cash Flows'**, (effective for annual periods beginning on or after 1 January 2017). In January 2016, the IASB published amendments to IAS 7 to improve information about an entity's financing activities. These amendments are part of the IASB initiative to improve presentation and disclosure in financial reports. The amendments require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes. The future adoption of these amendments will result in additional disclosure in the financial statements.

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that the Group has not yet adopted (continued)

- **IFRS 9, 'Financial Instruments'** (effective for annual periods beginning on or after 1 January 2018). 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.
- **IFRS 15, 'Revenue from contracts with customers'** (effective 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.
- **Amendments to IFRS 15, 'Revenue from contracts with customers'** (effective 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance.
- **IFRS 16, 'Leases'**, (effective for annual periods beginning on or after 1 January 2019). In January 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets.

There are no other standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a significant impact on the operations of the Group.

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

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 to direct the activities of 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 unless the transaction provides evidence of an impairment of the transferred asset. 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

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (continued) Subsidiaries (continued)

The subsidiaries, which are all incorporated and domiciled in Jamaica (except KWGHSL), are as follows:

	Principal Activities	Holding by Company	Holding by Group	Financial Year End
Harbour Cold Stores Limited	Rental of and repair services to cold storage facilities	100%	100%	31 December
Security Administrators Limited	Security services	33 ½%	66 ⅔%	31 December
Western Storage Limited	Property rental	100%	100%	31 December
Western Terminals Limited	Property rental	100%	100%	31 December
Kingston Wharves Group Holdings (St Lucia) Limited (KWGHSL)	Non-Trading	100%	100%	31 December
Kingston Terminal Operators Limited	Dormant	100%	100%	31 December
Jamaica Cooling Stores Limited	Non-Trading	-	100%	31 December
KW Logistics Limited	Non-Trading	-	100%	31 December
KW Stevedores 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 2016

(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	4% - 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

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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 two to 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 2016

(expressed in Jamaican dollars unless otherwise indicated)

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.

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

(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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(p) 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

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(q) 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.

(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 plan which is administered by trustees. 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 2016

(expressed in Jamaican dollars unless otherwise indicated)

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 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(v) Investments and other 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 and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition. Loans and receivables are subsequently carried at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date, in which case, they are included in current assets. Balances classified as available-for-sale include unquoted equity securities.

Gains and losses arising from changes in the fair value are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains or losses from investment securities included in other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Impairment of financial assets

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. In the case of equity investments classified as 'available-for-sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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.

Kingston Wharves Limited

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2. Summary of Significant Accounting Policies (Continued)

(v) Investments and other financial instruments (continued)

Impairment of financial assets (continued)

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.

If there is objective evidence of impairment of available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in the subsequent year.

Financial liabilities

The Group's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. They are included as trade and other payables, group company balances, bank overdrafts and long term loans on the statement of financial position.

3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

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

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

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3. Financial Risk Management (Continued)

(a) Credit risk

The Group is exposed to credit risk where a party to a financial instrument may fail to discharge an obligation and causes the Group 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.

Maximum exposure to credit risk

The maximum exposure of the Group and Company to credit risk is as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Due from related party	-	102,405	102,405	102,405
Investments	128,466	84,346	85,818	55,878
Trade receivables	509,855	365,014	401,039	303,178
Other receivables	89,370	30,915	76,794	16,920
Group companies	-	-	376,906	21,233
Short term investments	2,830,027	2,687,739	2,048,456	2,056,746
Cash and bank	360,819	332,129	279,294	253,949
	<u>3,918,537</u>	<u>3,602,548</u>	<u>3,370,712</u>	<u>2,810,309</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 2016, trade receivables of \$204,782,000 (2015 - \$106,697,000) for the Group and \$182,983,000 (2015 - \$93,922,000) 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
31 - 60 days	142,448	83,149	134,443	74,421
Over 60 days	62,334	23,548	48,540	19,501
	<u>204,782</u>	<u>106,697</u>	<u>182,983</u>	<u>93,922</u>

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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 2016, trade receivables of \$33,527,000 (2015 - \$23,421,000) and \$19,153,000 (2015 - \$10,016,000) 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Over 60 days	33,527	23,421	19,153	10,016

Movement in the provision for impairment of receivables

Trade and other receivables

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At 1 January	23,421	15,556	10,016	8,143
Provision for impairment	13,673	10,246	12,609	4,234
Amounts recovered	(3,567)	(2,381)	(3,472)	(2,361)
At 31 December	33,527	23,421	19,153	10,016

The movement in the provision for the year included \$1,455,000 (2015 - \$3,849,000) and \$727,000 (2015 - \$2,742,000) for the Group and company respectively for related companies. These amounts are included in bad debt expense in profit or loss.

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.

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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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Top ten customers	490,743	344,145	376,112	275,287
Other	52,639	44,290	44,080	37,907
	543,382	388,435	420,192	313,194
Less: Provision for impairment	(33,527)	(23,421)	(19,153)	(10,016)
	<u>509,855</u>	<u>365,014</u>	<u>401,039</u>	<u>303,178</u>

(ii) Short term investments

The Group's short term investments comprise cash on deposit 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.

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial liabilities cash flows

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

	The Group					
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2016					
Borrowings	57,002	112,338	497,115	1,642,262	448,160	2,756,877
Long term liability	7,193	48,624	12,844	9,454	-	78,115
Trade and other payables	1,002,529	-	-	-	-	1,002,529
Total financial liabilities	1,066,724	160,962	509,959	1,651,716	448,160	3,837,521
	2015					
Borrowings	47,628	94,316	414,636	1,146,679	175,252	1,878,511
Long term liability	-	84,758	12,035	29,785	-	126,578
Trade and other payables	735,090	-	-	-	-	735,090
Total financial liabilities	782,718	179,074	426,671	1,176,464	175,252	2,740,179
	The Company					
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2016					
Borrowings	57,002	112,338	497,115	1,642,262	446,708	2,755,425
Long term liability	7,193	48,624	12,844	9,454	-	78,115
Trade and other payables	942,824	-	-	-	-	942,824
Group companies	5,984	-	-	-	-	5,984
Total financial liabilities	1,013,003	160,962	509,959	1,651,716	446,708	3,782,348
	2015					
Borrowings	47,628	94,316	414,636	1,146,679	173,800	1,877,059
Long term liability	-	84,758	12,035	29,785	-	126,578
Trade and other payables	695,372	-	-	-	-	695,372
Group companies	74,138	-	-	-	-	74,138
Total financial liabilities	817,138	179,074	426,671	1,176,464	173,800	2,773,147

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

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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.

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Notes to the Financial Statements

31 December 2016

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk

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

	The Group		
	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2016		
Financial Assets			
Investments	128,466	-	128,466
Short term investments	1,025,462	1,804,565	2,830,027
Trade and other receivables	477,188	122,037	599,225
Cash and bank	210,931	149,888	360,819
Total financial assets	1,842,047	2,076,490	3,918,537
Financial Liabilities			
Borrowings	1,822,404	520,509	2,342,913
Long term liability	-	78,115	78,115
Trade and other payables	921,628	80,901	1,002,529
Total financial liabilities	2,744,032	679,525	3,423,557
Net financial position	(901,985)	1,396,965	494,980
	2015		
Financial Assets			
Investments	84,346	-	84,346
Short term investments	1,139,733	1,548,006	2,687,739
Trade and other receivables	101,167	294,762	395,929
Cash and bank	170,756	161,373	332,129
Total financial assets	1,496,002	2,004,141	3,500,143
Financial Liabilities			
Borrowings	729,260	813,613	1,542,873
Long term liability	-	126,578	126,578
Trade and other payables	727,519	7,571	735,090
Total financial liabilities	1,456,779	947,762	2,404,541
Net financial position	39,223	1,056,379	1,095,602

Kingston Wharves Limited

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	The Company		
	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2016		
Financial Assets			
Investments	85,818	-	85,818
Short term investments	574,541	1,473,915	2,048,456
Trade and other receivables	355,796	122,037	477,833
Group companies	376,906	-	376,906
Cash and bank	170,848	108,446	279,294
Total financial assets	1,563,909	1,704,398	3,268,307
Financial Liabilities			
Borrowings	1,820,952	520,509	2,341,461
Long term liability	-	78,115	78,115
Trade and other payables	861,923	80,901	942,824
Group companies	5,984	-	5,984
Total financial liabilities	2,688,859	679,525	3,368,384
Net financial position	(1,124,950)	1,024,873	(100,077)
	2015		
Financial Assets			
Investments	55,878	-	55,878
Short term investments	748,416	1,308,330	2,056,746
Trade and other receivables	25,336	294,762	320,098
Group companies	21,233	-	21,233
Cash and bank	153,768	100,181	253,949
Total financial assets	1,004,631	1,703,273	2,707,904
Financial Liabilities			
Borrowings	727,808	813,613	1,541,421
Long term liability	-	126,578	126,578
Trade and other payables	687,801	7,571	695,372
Group companies	74,138	-	74,138
Total financial liabilities	1,489,747	947,762	2,437,509
Net financial position	(485,116)	755,511	270,395

Kingston Wharves Limited

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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% (2015 - 1%) appreciation and a 6% (2015 - 8%) 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 Currency Rate 2016 %	Effect on Profit before Taxation 2016 \$'000	Change in Currency Rate 2015 %	Effect on Profit before Taxation 2015 \$'000
The Group				
Currency:				
USD	+1	13,970	+1	10,564
USD	-6	(83,818)	-8	(84,510)
The Company				
USD	+1	10,249	+1	7,555
USD	-6	(61,492)	-8	(60,441)

(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.

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	2016						
Assets							
Investments	-	-	-	-	-	128,466	128,466
Short term investments	1,599,201	1,230,826	-	-	-	-	2,830,027
Trade and other receivables	-	-	-	-	-	599,225	599,225
Cash and bank	151,093	-	-	-	-	209,726	360,819
Total financial assets	1,750,294	1,230,826	-	-	-	937,417	3,918,537
Liabilities							
Borrowings	-	296,594	1,011,580	778,040	251,347	5,352	2,342,913
Long term liability	-	-	-	-	-	78,115	78,115
Trade and other payables	-	-	-	-	-	1,002,529	1,002,529
Total financial liabilities		296,594	1,011,580	778,040	251,347	1,085,996	3,423,557
Total interest repricing gap	1,750,294	934,232	(1,011,580)	(778,040)	(251,347)	(148,579)	494,980
	2015						
Assets							
Investments	-	-	-	-	-	84,346	84,346
Short term investments	2,431,018	198,221	58,500	-	-	-	2,687,739
Trade and other receivables	-	-	-	-	-	395,929	395,929
Cash and bank	254,919	-	-	-	-	77,210	332,129
Total financial assets	2,685,937	198,221	58,500	-	-	557,485	3,500,143
Liabilities							
Borrowings	-	-	813,613	387,001	334,571	7,688	1,542,873
Long term liability	-	-	-	-	-	126,578	126,578
Trade and other payables	-	-	-	-	-	735,090	735,090
Total financial liabilities	-	-	813,613	387,001	334,571	869,356	2,404,541
Total interest repricing gap	2,685,937	198,221	(755,113)	(387,001)	(334,571)	(311,871)	1,095,602

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	2016						
Assets							
Investments	-	-	-	-	-	85,818	85,818
Short term investments	817,630	1,230,826	-	-	-	-	2,048,456
Trade and other receivables	-	-	-	-	-	477,833	477,833
Group companies	-	-	-	-	-	376,906	376,906
Cash and bank	151,093	-	-	-	-	128,201	279,294
Total financial assets	968,723	1,230,826	-	-	-	1,068,758	3,268,307
Liabilities							
Borrowings	-	296,593	1,011,580	778,040	251,348	3,900	2,341,461
Long term liability	-	-	-	-	-	78,115	78,115
Trade and other payables	-	-	-	-	-	942,824	942,824
Group companies	-	-	-	-	-	5,984	5,984
Total financial liabilities	-	296,593	1,011,580	778,040	251,348	1,030,823	3,368,384
Total interest repricing gap	968,723	934,233	(1,011,580)	(778,040)	(251,348)	37,935	(100,077)
2015							
Assets							
Investments	-	-	-	-	-	55,878	55,878
Short term investments	2,008,240	48,506	-	-	-	-	2,056,746
Trade and other receivables	-	-	-	-	-	320,098	320,098
Group companies	-	-	-	-	-	21,233	21,233
Cash and bank	220,377	-	-	-	-	33,572	253,949
Total financial assets	2,228,617	48,506	-	-	-	430,781	2,707,904
Liabilities							
Borrowings	-	-	813,613	387,001	334,571	6,236	1,541,421
Long term liability	-	-	-	-	-	126,578	126,578
Trade and other payables	-	-	-	-	-	695,372	695,372
Group companies	-	-	-	-	-	74,138	74,138
Total financial liabilities	-	-	813,613	387,001	334,571	902,324	2,437,509
Total interest repricing gap	2,228,617	48,506	(813,613)	(387,001)	(334,571)	(471,543)	270,395

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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.

	The Group				The Company			
	Effect on Profit before Taxation		Effect on Profit before Taxation		Effect on Profit before Taxation		Effect on Profit before Taxation	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000		\$'000		\$'000		\$'000	
Change in basis points								
	2016	2016	2015	2015				
	JMD	USD	JMD	USD				
	+100	+100	+100	+100	10,588	17,933	2,764	11,278
	-100	-50	-100	-50	(3,418)	(13,455)	2,545	(8,307)

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

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3. Financial Risk Management (Continued)

(d) Capital management (continued)

During 2016, the Group's strategy, which was unchanged from 2015, was to maintain the gearing ratio no higher than 75%. The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 \$'000	2015 \$'000
Total long term borrowings (Note 28)	2,340,492	1,538,117
Total stockholders' equity	18,540,246	17,496,896
Gearing ratio (%)	12.62%	8.79%

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

(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.

Financial instruments 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. At the reporting date, the Group and company had only Level 2 financial instruments which are defined as:

- those with fair value measurements that are derived from inputs other than quoted prices that are observable for the asset or liability either directly (that is as prices) or indirectly, (that is, derived from prices).

At 31 December 2016, instruments included within this level comprised available-for-sale unquoted equities which totalled \$128,466,000 (2015 - 84,346,000) and \$ 85,818,000 (2015 - 55,878,000) for the Group and company, respectively.

During the year, management revised its assessment on the fair value of unquoted equities held at the start of the year. Based on the inputs available to re-measure the financial instrument (recent sales), management has transferred the asset from Level 3 to Level 2.

	<u>The Group</u>		<u>The Company</u>	
	Level 2 \$'000	Level 3 \$'000	Level 2 \$'000	Level 3 \$'000
Balance at start of year	-	84,346	-	55,878
Transfer between levels	84,346	(84,346)	55,878	(55,878)
Additions	2,172	-	2,172	-
Unrealised fair value gains	41,948	-	27,768	-
Balance at end of year	<u>128,466</u>	<u>-</u>	<u>85,818</u>	<u>-</u>

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3. Financial Risk Management (Continued)

(e) Fair Value of Financial Instruments (continued)

The following methods and assumptions have been used in determining fair values for instruments not re-measured at fair value after initial recognition

- (i) The carrying values less any impairment provision 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 and other accounts receivables, trade and other accounts payables, related companies balances and short term investments.
- (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 for these assets.
- (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.

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.

The company was granted free zone status in December 2013, resulting in an income tax rate which is variable and based on approved methodology, and which is 10.59% (2015 – 9.65%) (Note 10).

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4. Critical Accounting Estimates and Assumptions in Applying Accounting Policies (Continued)

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 \$45,997,000 lower or \$35,591,000 higher (Note 20). 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 20).

Impairment assessment of intangible assets

The Group and Company test annually whether Rights to Customer lists included in intangible assets has suffered any impairment, in accordance with the accounting policy stated in Note 2(f). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates. In determining the value in use, management has made certain assumptions regarding revenue growth rate, projected cash flows and discount rates.

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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 and stevedoring of vessels.
- (b) Logistics and Ancillary Services - Operation of warehousing and logistics facilities, security services, rental of and repairs to cold storage facilities and property rental.

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

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

	Terminal Operations	Logistics and Ancillary Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2016				
External operating revenue	4,172,483	1,237,318	-	5,409,801
Operating revenue from segments	9,535	69,243	(78,778)	-
Total revenue	<u>4,182,018</u>	<u>1,306,561</u>	<u>(78,778)</u>	<u>5,409,801</u>
Operating profit	1,644,833	387,762	(357,344)	1,675,251
Interest expense	(107,458)	(30,793)	3,393	(134,858)
	<u>1,537,375</u>	<u>356,969</u>	<u>(353,951)</u>	<u>1,540,393</u>
Foreign exchange loss				(51,550)
Profit before income tax				1,488,843
Income tax expense				(176,056)
Profit before non-controlling interest				1,312,787
Non-controlling interest				(19,307)
Net profit attributable to equity holders of the company				<u>1,293,480</u>
Segment assets	20,341,823	2,741,269	(500,077)	22,583,015
Unallocated assets				953,793
Total assets				<u>23,536,808</u>
Segment liabilities	3,163,765	687,838	(428,046)	3,423,557
Unallocated liabilities				1,476,440
Total liabilities				<u>4,899,997</u>
Other segment items:				
Interest income (Note 8)	58,755	30,805	(3,393)	86,167
Capital expenditure (Note 15)	1,170,424	681,050	-	1,851,474
Capital expenditure (Note 16)	42,792	-	-	42,792
Amortisation (Note 16)	108,770	-	-	108,770
Depreciation and impairment	416,829	56,712	-	473,541

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5. Segment Financial Information (Continued)

	Terminal Operations	Logistics and Ancillary Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2015				
External operating revenue	3,594,747	1,078,137	-	4,672,884
Operating revenue from segments	8,769	62,980	(71,749)	-
Total revenue	3,603,516	1,141,117	(71,749)	4,672,884
Operating profit	1,253,294	324,861	(6,099)	1,572,056
Interest expense	(94,804)	(33,751)	6,099	(122,456)
	1,158,490	291,110	-	1,449,600
Foreign exchange loss				(40,262)
Profit before income tax				1,409,338
Income tax expense				(141,879)
Profit before non-controlling interest				1,267,459
Non-controlling interest				(11,062)
Net profit attributable to equity holders of the company				1,256,397
Segment assets	18,363,714	2,594,821	(176,773)	20,781,762
Unallocated assets				629,781
Total assets				21,411,543
Segment liabilities	2,103,779	405,505	(104,743)	2,404,541
Unallocated liabilities				1,432,848
Total liabilities				3,837,389
Other segment items:				
Interest income (Note 8)	43,015	26,608	-	69,623
Capital expenditure (Note 15)	745,242	419,674	-	1,164,916
Capital expenditure (Note 16)	37,498	-	-	37,498
Amortisation (Note 16)	82,570	-	-	82,570
Depreciation and impairment	360,772	62,045	-	422,817

Revenues of approximately \$1,783,843,000 (2015 – \$1,510,768,000) were earned from two customers. The revenues are attributable to the Terminal Operations segment.

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6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Advertising and public relations	28,267	28,308	27,094	26,970
Amortisation (Note 16)	108,770	82,570	108,770	82,570
Auditors' remuneration	14,583	13,788	9,561	8,961
Bad debts	10,106	7,865	9,137	1,873
Bank charges	34,264	28,684	33,838	28,390
Claims	23,940	8,386	15,777	8,393
Cleaning and sanitation	33,560	22,400	20,676	22,338
Customs overtime	41,612	35,008	41,612	35,008
Depreciation (Note 15)	468,541	407,817	364,265	306,053
Directors' fees	18,003	17,425	17,328	16,488
Equipment rental	108,787	103,693	108,787	103,693
Fuel	142,907	135,835	142,907	135,835
Information technology	77,759	102,625	74,522	101,930
Insurance	148,907	152,447	137,931	139,352
Irrecoverable General Consumption Tax	8,889	8,737	3,800	4,006
Legal and consultation expenses	67,763	44,782	63,020	43,552
Occupancy: property taxes and rent	8,867	11,983	11,461	11,119
Provision for impairment of PPE	5,000	15,000	5,000	15,000
Repairs and maintenance	468,265	283,123	446,454	281,529
Security	166,616	80,672	56,613	58,526
Staff costs (Note 7)	1,579,043	1,369,265	1,261,226	984,745
Terminal transfers	22,871	48,803	22,871	48,803
Utilities	181,984	192,082	176,454	186,943
Other	161,888	148,575	151,137	123,599
	<u>3,931,192</u>	<u>3,349,873</u>	<u>3,310,241</u>	<u>2,775,676</u>

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7. Staff Costs

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Wages and salaries	1,142,747	1,086,662	892,331	771,130
Payroll taxes – employer's contributions	123,734	119,875	94,419	84,363
Pension costs – defined benefit plan (Note 20)	(20,489)	(29,954)	(20,489)	(29,954)
Pension costs – defined contribution plan	5,586	6,240	-	-
Other retirement benefits (Note 20)	29,319	28,549	29,319	28,549
Meal and travelling allowances	62,277	64,233	58,092	52,818
Termination costs	105,855	282	105,855	282
Other	130,014	93,378	101,699	77,557
	<u>1,579,043</u>	<u>1,369,265</u>	<u>1,261,226</u>	<u>984,745</u>

8. Other Operating Income

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Dividends	1,612	84,346	349,047	55,879
Interest	86,167	69,623	58,755	43,015
Foreign exchange gains	113,057	69,951	90,042	57,684
Management fees	-	-	2,221	2,500
Proceeds from insurance claims	-	21,932	-	21,932
Other	(4,194)	3,193	(4,567)	2,118
	<u>196,642</u>	<u>249,045</u>	<u>495,498</u>	<u>183,128</u>

9. Finance Costs

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest expense	134,858	122,456	137,730	127,986
Foreign exchange losses	51,550	40,262	51,550	40,262
	<u>186,408</u>	<u>162,718</u>	<u>189,280</u>	<u>168,248</u>

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10. Income Tax Expense

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current tax on profit for the year	189,640	167,877	150,089	128,131
Prior year over provision	(3,183)	(11,944)	(3,082)	(11,944)
Deferred income tax (Note 30)	(10,401)	(14,054)	24,756	7,993
	<u>176,056</u>	<u>141,879</u>	<u>171,763</u>	<u>124,180</u>

The tax on profit differs from the theoretical amount that would arise using a basic statutory rate of 10.59% (2015 – 9.65%) as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit before tax	<u>1,488,843</u>	<u>1,409,338</u>	<u>1,764,708</u>	<u>1,355,190</u>
Tax calculated at a tax rate of 10.59% (2015 – 9.65%)	157,669	136,001	186,883	130,776
Adjusted for the effects of:				
Income not subject to tax	(1,264)	(12,509)	(36,964)	(5,392)
Income taxed at higher rate	8,486	8,311	-	-
Expenses not deductible for tax purposes	15,422	9,477	6,430	390
Change in rate for deferred income taxes	8,735	18,821	8,735	18,821
Prior year over provision	(3,183)	(11,944)	(3,082)	(11,944)
Other	(9,809)	(6,278)	9,761	(8,471)
Income tax expense	<u>176,056</u>	<u>141,879</u>	<u>171,763</u>	<u>124,180</u>

The company was granted free zone status under the Jamaica Export Free Zones Act effective December 2013, resulting in income tax being charged on applicable profits at zero for export activities and 25% for non-export activities. This resulted in an effective statutory rate of 10.59% (2015 – 9.65%). This rate has also been applied in determining the amounts for deferred taxation for the company in these financial statements (Note 30).

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11. Profit Attributable to Equity Holders of the Company

	2016 \$'000	2015 \$'000
(a) Net profit is dealt with as follows in the financial statements of:		
Holding company	1,592,945	1,231,010
Inter-group dividends from subsidiaries eliminated on consolidation	<u>(348,000)</u>	<u>-</u>
Adjusted net profit – holding company	1,244,945	1,231,010
Subsidiaries	<u>48,535</u>	<u>25,387</u>
	<u>1,293,480</u>	<u>1,256,397</u>
(b) Retained earnings are dealt with as follows in the financial statements of:		
Holding company	5,810,526	4,475,105
Subsidiaries	<u>(333,840)</u>	<u>(34,131)</u>
	<u>5,476,686</u>	<u>4,440,974</u>

12. Non-controlling Interest

	2016 \$'000	2015 \$'000
At beginning of year	77,258	66,196
Share of net profit of subsidiary	<u>19,307</u>	<u>11,062</u>
	<u>96,565</u>	<u>77,258</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.

	2016	2015
Net profit attributable to equity holders of the company (\$'000)	<u>1,293,480</u>	<u>1,256,397</u>
Number of ordinary stock units in issue (thousands)	<u>1,430,200</u>	<u>1,430,200</u>
Basic earnings per stock unit	<u>\$0.90</u>	<u>\$0.88</u>

14. Dividends

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

	2016 \$'000	2015 \$'000
Ordinary dividends, gross - 34 cents (2015 – 25 cents)	<u>486,268</u>	<u>357,550</u>

In December 2016, the company declared a dividend of 20 cents per share which is payable on 19 January 2017 to shareholders on record at 23 December 2016 (Notes 31 and 35) which is included in the total dividend above.

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15. Property, Plant and Equipment

	The Group							
	Freehold Land	Plant and Buildings	Machinery and Equipment	Cold Room and Air Conditioning Equipment	Furniture and Fixtures	Motor Vehicles	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2016							
Cost or Valuation -								
At 31 December 2015	4,731,771	16,050,950	2,385,176	267,404	384,188	190,805	775,672	24,785,966
Additions	110,250	43,718	23,032	-	7,922	4,712	1,661,840	1,851,474
Transfers	233,904	1,020	860,220	-	-	8,082	(1,000,821)	102,405
Disposals	-	(54,986)	(20,237)	-	(186,438)	(18,835)	-	(280,496)
At 31 December 2016	5,075,925	16,040,702	3,248,191	267,404	205,672	184,764	1,436,691	26,459,349
Depreciation -								
At 31 December 2015	-	6,775,277	728,897	259,320	282,341	95,237	-	8,141,072
Charge for the year	-	288,984	141,589	2,001	14,999	20,968	-	468,541
Relieved on disposals	-	(16,966)	(18,468)	-	(181,439)	(18,834)	-	(235,707)
At 31 December 2016	-	7,047,295	852,018	261,321	115,901	97,371	-	8,373,906
Net Book Value -								
At 31 December 2016	5,075,925	8,993,407	2,396,173	6,083	89,771	87,393	1,436,691	18,085,443
	2015							
Cost or Valuation -								
At 31 December 2014	4,697,005	16,684,829	1,886,406	267,404	378,473	176,523	221,200	24,311,840
Additions	-	18,218	34,548	-	5,755	21,504	1,084,891	1,164,916
Transfers	34,766	29,262	465,639	-	752	-	(530,419)	-
Disposals	-	(681,359)	(1,417)	-	(792)	(7,222)	-	(690,790)
At 31 December 2015	4,731,771	16,050,950	2,385,176	267,404	384,188	190,805	775,672	24,785,966
Depreciation -								
At 31 December 2014	-	6,963,649	635,192	249,514	260,337	81,697	-	8,190,389
Charge for the year	-	277,354	85,839	9,806	16,004	18,814	-	407,817
Provision for impairment	-	-	9,000	-	6,000	-	-	15,000
Relieved on disposals	-	(465,726)	(1,134)	-	-	(5,274)	-	(472,134)
At 31 December 2015	-	6,775,277	728,897	259,320	282,341	95,237	-	8,141,072
Net Book Value -								
At 31 December 2015	4,731,771	9,275,673	1,656,279	8,084	101,847	95,568	775,672	16,644,894

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15. Property, Plant and Equipment (Continued)

	The Company							Total
	Freehold Land	Plant and Buildings	Machinery and Equipment	Cold Room and Air Conditioning Equipment	Furniture and Fixtures	Motor Vehicles	Work in Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	2016							
Cost or Valuation -								
At 31 December 2015	3,124,771	10,621,192	2,356,962	19,137	370,803	174,811	775,672	17,443,348
Additions	110,250	-	19,982	-	7,624	-	1,661,840	1,799,696
Transfers	131,499	1,020	860,220	-	-	8,082	(1,000,821)	-
Disposals	-	(11,000)	(20,237)	-	(186,438)	(17,226)	-	(234,901)
At 31 December 2016	3,366,520	10,611,212	3,216,927	19,137	191,989	165,667	1,436,691	19,008,143
Depreciation -								
At 31 December 2015	-	3,780,769	698,823	12,823	271,488	86,152	-	4,850,055
Charge for the year	-	190,730	139,367	1,266	14,504	18,398	-	364,265
Relieved on disposal	-	(733)	(18,468)	-	(181,439)	(17,225)	-	(217,865)
At 31 December 2016	-	3,970,766	819,722	14,089	104,553	87,325	-	4,996,455
Net Book Value -								
At 31 December 2016	3,366,520	6,640,446	2,397,205	5,048	87,436	78,342	1,436,691	14,011,688
	2015							
Cost or Valuation -								
At 31 December 2014	3,090,005	11,255,242	1,859,137	19,137	365,497	159,790	221,200	16,970,008
Additions	-	18,047	32,186	-	5,346	16,101	1,084,891	1,156,571
Transfers	34,766	29,262	465,639	-	752	-	(530,419)	-
Disposals	-	(681,359)	-	-	(792)	(1,080)	-	(683,231)
At 31 December 2015	3,124,771	10,621,192	2,356,962	19,137	370,803	174,811	775,672	17,443,348
Depreciation -								
At 31 December 2014	-	4,057,834	606,379	11,552	250,119	69,924	-	4,995,808
Charge for the year	-	188,661	83,444	1,271	15,369	17,308	-	306,053
Provision for impairment	-	-	9,000	-	6,000	-	-	15,000
Relieved on disposal	-	(465,726)	-	-	-	(1,080)	-	(466,806)
At 31 December 2015	-	3,780,769	698,823	12,823	271,488	86,152	-	4,850,055
Net Book Value -								
At 31 December 2015	3,124,771	6,840,423	1,658,139	6,314	99,315	88,659	775,672	12,593,293

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15. Property, Plant and Equipment (Continued)

- (a) Freehold land of the Group was revalued as at 31 December 2014 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 2014 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 26).

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 and 3. There were no transfers between levels. The following tables disclose the Group and company's non-financial assets carried at fair value:

		The Group		
		Fair Value measurements as at 31 December 2016 using		
		Significant other		
Categories	Date of revaluation	Quoted price in an active market	observable inputs (Level 2) \$'000	Significant other observable inputs (Level 3) \$'000
Freehold Land	Dec-14	-	5,075,925	-
Plant and Buildings	Dec-14	-	-	8,993,407
Total		-	5,075,925	8,993,407
		The Company		
Freehold Land	Dec-14	-	3,366,520	-
Plant and Buildings	Dec-14	-	-	6,640,446
Total		-	3,366,520	6,640,446

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15. Property, Plant and Equipment (Continued)

(a) continued

Level 2 fair values of land have been derived using the sales comparison approach and is comparable to sales of properties in close proximity and are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. The valuation techniques for Level 3 fair values of plant and buildings are disclosed in the tables below.

The valuation technique for Level 3 uses the current construction replacement cost (depreciable replacement cost) approach of the assets based on current rates for labour, material and contractors charges. It is also based on the location, age and condition of the plant and buildings.

Fair Value Measurements using significant unobservable inputs (Level 3)

	Group	Company
	Plant & Buildings	Plant & Buildings
	\$'000	\$'000
Opening balance at valuation	9,275,673	6,840,423
Additions	44,738	1,020
Disposals net of accumulated depreciation	(38,020)	(10,267)
Depreciation through profit or loss	(288,984)	(190,730)
Closing Balance	<u>8,993,407</u>	<u>6,640,446</u>

The Group

Description	Fair value at December 2016 \$'000	Valuation Technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value 2016 \$'000
Plant and Building	8,993,407	Depreciable Replacement Cost method	Labour, material and contractor's charges Remaining useful lives	None noted 1 year	The higher the cost of labour, material and contractors' charges, the higher the replacement cost If the estimates for the useful lives of the assets were higher or lower by one year, the value would higher by \$10,901 and lower by \$12,143.

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15. Property, Plant and Equipment (Continued)

(a) continued

The Company					
	Fair value at December 2016 \$'000	Valuation Technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value 2016 \$'000
Plant and Building	6,640,446	Depreciable Replacement Cost method	Labour, material and contractor's charges Remaining useful lives	None noted 1 year	The higher the cost of labour, material and contractors' charges, the higher the replacement cost If the estimates for the useful lives of the assets were higher or lower by one year, the value would higher by \$6,857 and lower by \$7,661.

- (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 \$1,040 million over certain premises and equipment owned by the company in keeping with the terms of certain loan agreements (Note 28).
- (c) During the year, the company completed a physical inspection of certain classes of assets. Arising from this exercise, an additional provision for impairment of \$5 million (2015 - \$15 million) was recorded in respect of certain assets.
- (d) The disposal of items of property, plant and equipment mainly comprise furniture and fixtures (2015 – the demolition of a warehouse).
- (e) Borrowing costs of \$11.7 million (2015 – nil) were capitalised in the year.
- (f) Included in property, plant and equipment are lands valuing \$102,405 which were funded by the Company and previously included in Due from Related Party (Note 22).
- (g) If freehold land, plant and buildings were stated on the historical cost basis, the amounts would be as follows:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cost	5,168,042	4,826,372	4,965,960	4,725,568
Accumulated depreciation	(833,233)	(806,795)	(805,265)	(785,785)
Net book value	<u>4,334,809</u>	<u>4,019,577</u>	<u>4,160,695</u>	<u>3,939,783</u>

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16. Intangible Assets

	The Group and Company		
	Computer Software \$'000	Rights to Customer Contracts \$'000	Total \$'000
At Cost -			
At 31 December 2014	24,330	423,667	447,997
Additions	746	36,752	37,498
At 31 December 2015	25,076	460,419	485,495
Additions	16,348	26,444	42,792
At 31 December 2016	41,424	486,863	528,287
Amortisation -			
At 31 December 2014	7,722	72,354	80,076
Amortisation charge for year	3,699	78,871	82,570
At 31 December 2015	11,421	151,225	162,646
Amortisation charge for year	4,015	104,755	108,770
At 31 December 2016	15,436	255,980	271,416
Net Book Value -			
31 December 2016	25,988	230,883	256,871
31 December 2015	13,655	309,194	322,849

The additions to 'Rights to Customer Contracts' during the year, related to the acquisition by Group of the stevedoring contracts of an operator at Port Bustamante. The amortisation period for the related contract is two years. Previously acquired contracts are amortised over two – ten years.

The total amortisation charge is included in direct expenses in profit or loss.

17. Investments in Subsidiaries

	2016 \$'000	2015 \$'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>

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18. Investments

	<u>The Group</u>		<u>The Company</u>	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Available-for-sale at fair value				
Unquoted equities in a related company	<u>128,466</u>	<u>84,346</u>	<u>85,818</u>	<u>55,878</u>

19. Recoverable from the Port Authority of Jamaica

The Port Authority of Jamaica (PAJ) 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.

	<u>The Group and Company</u>	
	2016 \$'000	2015 \$'000
Balance at 1 January	-	32,730
Allocation of 16% of wharfage collections	-	(32,730)
Severance payments	-	-
	<u>-</u>	<u>-</u>

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20. Retirement Benefit Asset and Obligations

	<u>The Group and Company</u>	
	2016 \$'000	2015 \$'000
Statement of financial position (asset)/obligations for:		
Pension benefits	(936,177)	(619,083)
Other retirement benefits	<u>276,762</u>	<u>245,378</u>
Profit or loss for (Note 7):		
Pension benefits	(20,489)	(29,954)
Other retirement benefits	<u>29,319</u>	<u>28,549</u>
Remeasurements for:		
Pension benefits	(281,330)	118,205
Other retirement benefits	<u>11,424</u>	<u>23,937</u>
	<u>(269,906)</u>	<u>142,142</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 three years preceding retirement. The scheme is funded by employee contributions at 5% and employer contribution of 5% of salary, as recommended by independent actuaries. Members may also make voluntary contribution of up to 5% of their earnings.

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 2016.

Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 31 December 2014 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.

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20. 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:

	<u>The Group and Company</u>	
	2016 \$'000	2015 \$'000
Fair value of plan assets	(2,588,704)	(2,166,696)
Present value of funded obligations	1,652,527	1,547,613
Surplus of funded plan	(936,177)	(619,083)
Limitation of asset due to uncertainty of obtaining economic benefits	-	-
Asset in the statement of financial position	<u>(936,177)</u>	<u>(619,083)</u>

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

	<u>The Group and Company</u>	
	2016 \$'000	2015 \$'000
Asset at beginning of year	(619,083)	(679,828)
Amounts recognised in statement of comprehensive income	(301,819)	88,251
Contributions paid	(15,275)	(27,506)
Asset at end of year	<u>(936,177)</u>	<u>(619,083)</u>

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

	<u>The Group and Company</u>	
	2016 \$'000	2015 \$'000
Balance at beginning of year	(2,166,696)	(1,824,731)
Interest income	(182,007)	(169,530)
Re-measurements -		
Return on plan assets, excluding amounts included in interest expense	(290,866)	(252,844)
Members' contributions	(28,086)	(25,188)
Employer's contributions	(15,275)	(27,506)
Benefits paid	94,237	133,103
Transfer in	(11)	-
Balance at end of year	<u>(2,588,704)</u>	<u>(2,166,696)</u>

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20. 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:

	The Group and Company	
	2016	2015
	\$'000	\$'000
Balance at beginning of year	1,547,613	1,144,903
Current service cost	64,892	45,975
Interest cost	132,718	107,354
Re-measurements -		
Loss from change in financial assumptions	6,954	168,925
Loss from change in experience assumptions	2,582	202,124
Members' contributions	12,810	11,435
Benefits paid	(94,237)	(133,103)
Transfer in	11	-
Gain on curtailment	(20,816)	-
Balance at end of year	<u>1,652,527</u>	<u>1,547,613</u>

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$900,692,000 relating to active employees, \$51,063,000 relating to deferred members, \$697,736,000 relating to members in retirement and \$3,036,000 representing other liabilities.

The amounts recognised in profit or loss are as follows:

	The Group and Company	
	2016	2015
	\$'000	\$'000
Current service cost	49,616	32,222
Interest income	(49,289)	(62,176)
Gain on curtailment	(20,816)	-
Total, included in staff costs (Note 7)	<u>(20,489)</u>	<u>(29,954)</u>

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20. Retirement Benefit Asset and Obligations (Continued)

(a) Pension benefits (continued)

Plan assets are comprised as follows:

	The Group and Company			
	2016		2015	
	\$'000	%	\$'000	%
Quoted securities:				
Equity securities	934,911	36.1%	672,837	31.1
Government of Jamaica securities	1,043,682	40.3%	1,084,012	50.0
Corporate bonds and promissory notes	155,883	6.1%	108,631	5.0
Repurchase agreements	213,652	8.3%	43,992	2.0
Leases	11,433	0.4%	16,065	0.7
Real estate	99,561	3.8%	97,050	4.5
Other	129,582	5.0%	144,109	6.7
	<u>2,588,704</u>	<u>100.0</u>	<u>2,166,696</u>	<u>100.0</u>

The pension plan assets include ordinary stock units of the company with a fair value of \$240,000,000 (2015 - \$110,000,000).

Expected contributions to the post-employment plan for the year ending 31 December 2017 are \$3.2 million.

The significant actuarial assumptions used were as follows:

	2016	2015
Discount rate	9.00%	8.50%
Future salary increases	6.50%	5.50%
Expected pension increase	<u>4.50%</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:

	Impact on Post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(196,819)	247,903
Future salary increases	1%	31,342	(29,928)
Expected pension increase	1%	191,448	(158,022)
Life expectancy	1%	<u>27,504</u>	<u>(28,954)</u>

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20. Retirement Benefit Asset and Obligations (Continued)

(a) Pension benefits (continued)

Sensitivity (continued):

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 8% per year (2015 – 7%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 6.5% per year (2015 – 5.5%).

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

	<u>The Group and Company</u>	
	2016	2015
	\$'000	\$'000
Present value of unfunded obligations	<u>276,762</u>	<u>245,378</u>

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

	<u>The Group and Company</u>	
	2016	2015
	\$'000	\$'000
Liability at beginning of year	245,378	201,449
Amounts recognised in the statement of comprehensive income	40,743	52,486
Contributions paid	<u>(9,359)</u>	<u>(8,557)</u>
Liability at end of year	<u>276,762</u>	<u>245,378</u>

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20. 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:

	The Group and Company	
	2016	2015
	\$'000	\$'000
Balance at beginning of year	245,378	201,449
Current service cost	12,234	8,966
Interest cost	21,319	19,583
Gain on curtailment	(4,234)	-
Included in staff costs in profit or loss (Note 7)	29,319	28,549
Re-measurements -		
Loss from change in financial assumptions	18,547	23,937
Experience losses	(7,123)	-
Total, included in other comprehensive income	11,424	23,937
Benefits paid	(9,359)	(8,557)
Balance at end of year	<u>276,762</u>	<u>245,378</u>

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

	Impact on Post-employment Obligations - Life		
	Change in Assumption	Increase in Assumption \$'000	Decrease in Assumption \$'000
Discount rate	1%	(2,545)	3,043
Future salary increases	1%	799	(758)

	Impact on Post-employment Obligations - Medical		
	Change in Assumption	Increase in Assumption \$'000	Decrease in Assumption \$'000
Discount rate	1%	(35,591)	45,997
Future medical cost rate	1%	45,997	(35,591)

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20. 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 trustees 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. The majority of the plan's assets are 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 2016 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 5% for the company. The next triennial valuation is due to be completed as at 31 December 2017. 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.

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20. 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 15 years. The weighted average duration of the defined benefit obligation for post-employment medical and life insurance benefits is 16 years.

21. Inventories

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Fuel	6,471	3,972	6,471	3,972
Operating supplies	297,523	199,077	285,619	191,084
	<u>303,994</u>	<u>203,049</u>	<u>292,090</u>	<u>195,056</u>

Operating supplies are shown net of provision for impairment of \$5,000,000 (2015 – nil).

22. 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(i) Revenue earned from sales of services				
Subsidiaries	-	-	4,842	8,268
Companies controlled by directors/members or related by virtue of common directorships	2,430,361	2,042,211	1,967,603	1,656,556
	<u>2,430,361</u>	<u>2,042,211</u>	<u>1,972,445</u>	<u>1,664,824</u>
Services provided to related parties are negotiated, as with non-related party customers, and are all at arms length.				
(ii) Other income				
Subsidiaries - dividends	-	-	348,000	-
Subsidiaries – management fees	-	-	2,221	-
Companies controlled by directors/members or related by virtue of common directorships - dividends	1,612	-	1,047	-
	<u>1,612</u>	<u>-</u>	<u>1,047</u>	<u>-</u>
(iii) Purchases of goods and services				
Subsidiaries	-	-	68,155	63,961
Companies controlled by directors/members related by virtue of common directorships	253,804	265,484	252,563	264,842
	<u>253,804</u>	<u>265,484</u>	<u>320,718</u>	<u>328,803</u>

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

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22. Related Party Transactions and Balances (Continued)

(a) Transactions (continued)

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(iv) Interest expense				
Subsidiaries	-	-	2,883	3,308
Companies controlled by directors/members or related by virtue of common directorships	3,195	-	3,195	-

(b) Year-end balances with related parties:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(i) Due from related companies				
Subsidiaries	-	-	376,906	21,233
Companies controlled by directors/members or related by virtue of common directorships				
Long term	-	102,405	102,405	102,405
Current (Note 23)	369,961	199,134	295,124	160,705
	<u>369,961</u>	<u>301,539</u>	<u>774,435</u>	<u>284,343</u>

The long term amount receivable for the Company from a related company is interest free and not due for repayment in twelve months. The amount for the Group was reclassified to property, plant and equipment (Note 15).

Provisions of \$6,573,000 (2015 - \$7,234,000) and \$4,223,000 (2015 - \$5,652,000) for the Group and company respectively are held against current accounts receivable from related parties.

(ii) Due to related companies

Subsidiaries	-	-	5,984	74,138
Companies controlled by directors/members or related by virtue of common directorships (Notes 29 and 31)	58,216	53,313	58,216	50,446
	<u>58,216</u>	<u>53,313</u>	<u>64,200</u>	<u>124,584</u>

At 31 December 2015, the amount due to subsidiaries included \$32,900,000, representing funds being held on deposit for a subsidiary (Note 24).

(iii) Bank balances

Companies controlled by directors/members or related by virtue of common directorships				
Short term investments - deposits	293,342	-	293,342	-
Cash and bank	36,408	11,310	36,408	11,310
	<u>329,750</u>	<u>11,310</u>	<u>329,750</u>	<u>11,310</u>

The 'cash and bank' balances with related parties are interest free based on the type of accounts held.

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22. Related Party Transactions and Balances (Continued)

(b) Year end balances (continued)

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(iv) Borrowings				
Companies controlled by directors/members or related by virtue of common directorships	<u>759,330</u>	<u>51,296</u>	<u>759,330</u>	<u>51,296</u>

(c) Key management compensation:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Salaries and other short term employee benefits	81,556	75,107	71,543	66,189
Payroll taxes – employer's contributions	5,093	5,241	4,589	4,298
Pension benefits	2,929	4,273	1,868	3,332
Other	<u>5,530</u>	<u>4,188</u>	<u>4,231</u>	<u>4,188</u>
	<u>95,108</u>	<u>88,809</u>	<u>82,231</u>	<u>78,007</u>
Directors' emoluments –				
Fees	18,003	17,425	17,328	16,488
Consultancy	<u>7,500</u>	<u>-</u>	<u>7,500</u>	<u>-</u>
Management remuneration (included in salaries above)	<u>35,518</u>	<u>33,918</u>	<u>35,518</u>	<u>33,918</u>

23. Trade and Other Receivables

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables	543,382	388,435	420,192	313,194
Less: Provision for impairment	<u>(33,527)</u>	<u>(23,421)</u>	<u>(19,153)</u>	<u>(10,016)</u>
	509,855	365,014	401,039	303,178
Prepayments	18,170	8,422	13,638	3,058
Other	<u>89,370</u>	<u>30,915</u>	<u>76,794</u>	<u>16,920</u>
	<u>617,395</u>	<u>404,351</u>	<u>491,471</u>	<u>323,156</u>

Trade receivables include amounts receivable from related parties (Note 22). The fair values for trade and other receivables approximates the carrying values.

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24. Cash and Cash Equivalents

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Short term investments - deposits	2,830,027	2,687,739	2,048,456	2,056,746
Less : Short term investments with maturity periods in excess of 3 months	-	(14,685)	-	(14,685)
Less: Investments held for subsidiary (Note 22)	-	-	-	(32,900)
Less: Restricted cash	(189,000)	-	(189,000)	-
	<u>2,641,027</u>	<u>2,673,054</u>	<u>1,859,456</u>	<u>2,009,161</u>
Cash and bank	<u>360,819</u>	<u>332,129</u>	<u>279,294</u>	<u>253,949</u>
	<u><u>3,001,846</u></u>	<u><u>3,005,183</u></u>	<u><u>2,138,750</u></u>	<u><u>2,263,110</u></u>

The weighted average effective interest rate on short term deposits was 1.48% (2015 – 1.74%) per annum for United States dollar denominated deposits and 5.17% (2015 – 5.72%) per annum for Jamaican dollar deposits. These short term deposits have an average maturity of 53 days.

The weighted average effective interest rate on short term deposits with maturity period in excess of three (3) months was 0.59% per annum for United States dollar denominated deposits and 4% for Jamaican dollar denominated investments. These short term deposits had an average maturity of 93 days.

Cash and bank and short term investments include amounts placed with related parties (Note 22). Cash at bank includes a United States dollar savings account and an interest earning current account. Interest is currently 0.15% (2015 – 0.25%) per annum and 3% (2015 – 1%) per annum respectively.

Restricted cash represents hypothecation of deposits to secure credit facilities (Note 28).

The Group has undrawn credit facilities via bank overdrafts of \$60 million and \$5 million which attract interest at 16.85% and 16.25% respectively. Security for the facilities is described in Note 28.

25. Share Capital

	Number of Stock Units '000	Ordinary Stock Units \$'000
Issued share capital at:		
31 December 2015	<u>1,430,200</u>	<u>2,079,398</u>
31 December 2016	<u>1,430,200</u>	<u>2,079,398</u>

The total authorised number of ordinary shares is 1,507,550,000 (2015 - 1,507,550,000) units. All issued shares are fully paid.

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

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26. Other Reserves

Other reserves comprise:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Capital reserves	10,726,053	10,760,607	6,578,076	6,612,630
Fair value reserve	41,948	-	27,768	-
	<u>10,768,001</u>	<u>10,760,607</u>	<u>6,605,844</u>	<u>6,612,630</u>

Capital Reserves

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unrealised surplus on revaluation of property, plant and equipment	11,452,700	11,460,746	6,695,082	6,703,128
Less: Deferred taxation	<u>(1,213,596)</u>	<u>(1,174,509)</u>	<u>(439,972)</u>	<u>(400,885)</u>
	10,239,104	10,286,237	6,255,110	6,302,243
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	319,339	306,760	319,339	306,760
Capitalisation of depreciation reserve	66	66	10	10
Arising on consolidation	<u>3,419</u>	<u>3,419</u>	<u>-</u>	<u>-</u>
	<u>10,726,053</u>	<u>10,760,607</u>	<u>6,578,076</u>	<u>6,612,630</u>

Fair Value Reserve

This represents unrealised surplus on revaluation of available-for-sale investments.

27. 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.

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

The balance of the reserves comprises:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Asset Replacement/Rehabilitation Reserve	-	-	-	-
Depreciation Fund	216,161	215,917	212,968	212,968
	<u>216,161</u>	<u>215,917</u>	<u>212,968</u>	<u>212,968</u>

The movement in each category of reserves was as follows:

(a) Asset Replacement/Rehabilitation Reserve

	The Group and Company	
	2016 \$'000	2015 \$'000
At beginning of year	-	-
Transfers from profit or loss account during the year	12,579	12,579
Transfer to capital reserves - utilised for capital expansion	(12,579)	(12,579)
At end of year	<u>-</u>	<u>-</u>

(b) Depreciation Fund

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At beginning of year	215,917	215,668	212,968	212,968
Transfer from retained earnings (net interest)	244	249	-	-
At end of year	<u>216,161</u>	<u>215,917</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.

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28. Borrowings

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'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) Bank of Nova Scotia	615,000	-	615,000	-
(d) Development Bank of Jamaica/First Global Bank Limited	127,200	156,000	127,200	156,000
(e) The Shipping Association of Jamaica Property Limited	108,490	-	108,490	-
(f) Development Bank of Jamaica/CIBC FirstCaribbean International Bank (Jamaica) Limited	142,857	178,571	142,857	178,571
(g) CIBC FirstCaribbean International Bank (Jamaica) Limited	520,509	813,613	520,509	813,613
(h) CIBC FirstCaribbean International Bank (Jamaica) Limited	296,593	335,705	296,593	335,705
(i) CIBC FirstCaribbean International Bank (Jamaica) Limited	491,071	-	491,071	-
(j) Kingston Portworkers Superannuation Fund	35,840	51,296	35,840	51,296
	<u>2,340,492</u>	<u>1,538,117</u>	<u>2,339,040</u>	<u>1,536,665</u>
Add: Interest payable	2,421	4,756	2,421	4,756
	<u>2,342,913</u>	<u>1,542,873</u>	<u>2,341,461</u>	<u>1,541,421</u>
Less: Current portion	<u>(547,540)</u>	<u>(447,037)</u>	<u>(547,540)</u>	<u>(447,037)</u>
	<u>1,795,373</u>	<u>1,095,836</u>	<u>1,793,921</u>	<u>1,094,384</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 partial disbursement of a \$1.8 billion loan facility from The Bank of Nova Scotia for the financing of the company's Total Logistics Facility. The loan is repayable over a 7 year period with a 2 year moratorium on principal. Thereafter, principal is repayable in 19 quarterly instalments of J\$63,000,000.00 each and one final payment of J\$603,000,000.00. The interest rate varies over the life of the loan with rates initially fixed at 8.5% and capped at 9.5% for the remaining 4 years.
- (d) This represents a loan of \$288 million granted by the Development Bank of Jamaica through First Global Bank Limited. Interest rate is fixed at 9.75% per annum. The principal is repayable in one hundred and twenty monthly instalments of \$2,400,000.
- (e) This represents a loan facility of \$110 million from The Shipping Association of Jamaica Property Limited for financing of the company's capital projects. The interest rate is fixed at 7% and the loan is repayable over fifteen years.

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28. Borrowings (Continued)

- (f) 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.
- (g) 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. This loan was issued in 2006 and is scheduled to be repaid in June 2018.
- (h) This represents a loan facility from CIBC FirstCaribbean International Bank (Jamaica) Limited toward the company's capital expenditure program for the amount of \$352 million. The loan will be amortized over a ten year period at a fixed interest rate of 9.5% for the first two years and WATBY plus 2.5% thereafter. The loan facility also attracts a moratorium in the first year.
- (i) This represents a loan facility from CIBC FirstCaribbean International Bank (Jamaica) Limited toward the company's capital expenditure program for the amount of \$550 million. The loan will be amortized over a 7 year period and interest is currently computed based on six-month WATBY plus 2.5%; subject to a cap of 10.25% and is scheduled to be repaid in March 2023.
- (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) 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 International Bank (Jamaica) Limited (f)-(i) above and including the bank overdrafts (Notes 3 and 24) and guarantees (Note 33), 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 \$1.152 billion and mortgages over property owned by the Group of \$352 million. Undrawn facilities with this institution (excluding overdrafts (Note 24)) total \$150 million for capital expenditure.

The facility with Kingston Portworkers Superannuation Fund (j) is secured by mortgages over property owned by the Group and bill of sales over certain pieces of machinery (Note 15). The facility with The Shipping Association of Jamaica Property Company is secured by mortgages over property owned by the Group.

The Bank of Nova Scotia (BNS) facility (c) is secured by a debenture ranked pari passu with CIBC FirstCaribbean International Bank (Jamaica) Limited over the fixed and floating assets of the Company, together with a legal mortgage over land and buildings owned by the Group, hypothecation of deposits totalling \$189 million (Note 24) and supported by guarantees totalling \$1.8 billion from a subsidiary. Undrawn facilities from BNS include insurance premium financing of US\$1.5 million, unsecured revolving loan of \$4 million and bank overdraft (Note 24).

29. Long Term Liability

Long term liability represents amounts due to third parties in relation to stevedoring contracts acquired (Note 16). The amounts are interest free and are payable upon the achievement of stipulated conditions. This balance includes amounts payable to companies controlled by directors or related by virtue of common directorships.

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30. Deferred Income Tax

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 10.59% (2015 – 9.65%) for the company and 25% (2015- 25%) for the subsidiaries.

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Statement of financial position (assets)/liabilities for:				
Deferred income tax assets	(1,363)	(1,498)	-	-
Deferred income tax liabilities	1,168,265	1,111,131	584,765	492,339
	<u>1,166,902</u>	<u>1,109,633</u>	<u>584,765</u>	<u>492,339</u>

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred income tax assets -				
Vacation leave accrual	3,062	2,716	1,750	1,404
Other payables	640	509	-	163
Employee benefit obligations	29,309	23,704	29,309	23,704
Property, plant and equipment	130	265	-	-
Unrealised foreign exchange losses	227	276	227	-
Interest payable	256	3,789	256	3,789
	<u>33,624</u>	<u>31,259</u>	<u>31,542</u>	<u>29,060</u>
Deferred income tax liabilities -				
Property, plant and equipment	1,098,192	1,068,832	516,557	461,143
Unrealised foreign exchange gains	2,291	-	82	-
Interest receivable	902	12,256	527	452
Retirement benefit asset	99,141	59,804	99,141	59,804
	<u>1,200,526</u>	<u>1,140,892</u>	<u>616,307</u>	<u>521,399</u>
Net deferred income tax liabilities	<u>1,166,902</u>	<u>1,109,633</u>	<u>584,765</u>	<u>492,339</u>

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net liabilities at beginning of year	1,109,633	1,109,411	492,339	470,070
Profit or loss (Note 10)	(10,401)	(14,054)	24,756	7,993
Effect on re-measurements of post- employment benefits	28,583	(13,731)	28,583	(13,731)
Stockholders' equity on disposal of PPE	(575)	(17,322)	(575)	(17,322)
Effect of change in tax rate on previous years' revaluation surplus	39,662	45,329	39,662	45,329
Net liabilities at end of year	<u>1,166,902</u>	<u>1,109,633</u>	<u>584,765</u>	<u>492,339</u>

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30. Deferred Income Tax (Continued)

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

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Vacation leave accrual	(346)	307	(346)	195
Other payables	(131)	-	163	-
Employee benefit obligations	(4,395)	(4,269)	(4,395)	(4,269)
Unrealised foreign exchange losses	49	(276)	(227)	(163)
Interest payable	3,533	(708)	3,533	(708)
Property, plant and equipment	(9,592)	(26,884)	16,327	(213)
Unrealised foreign exchange gains	2,291	(427)	82	(427)
Interest receivable	(11,354)	4,765	75	140
Retirement benefit asset	9,544	13,438	9,544	13,438
	<u>(10,401)</u>	<u>(14,054)</u>	<u>24,756</u>	<u>7,993</u>

The deferred tax movement on the re-measurements of post-employment benefits in other comprehensive income comprises:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Retirement benefit asset	29,793	(11,419)	29,793	(11,419)
Employee benefit obligations	(1,210)	(2,312)	(1,210)	(2,312)
	<u>28,583</u>	<u>(13,731)</u>	<u>28,583</u>	<u>(13,731)</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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred income tax assets to be recovered -				
After more than 12 months	<u>29,439</u>	<u>23,704</u>	<u>29,881</u>	<u>23,704</u>
Deferred income tax liabilities to be extinguished -				
After more than 12 months	<u>1,197,333</u>	<u>1,128,636</u>	<u>615,698</u>	<u>520,947</u>

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31. Trade and Other Payables

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	102,825	78,967	83,151	65,448
Dividends payable	292,460	220,965	292,460	220,965
Provision for 16% wharfage reserve	45,176	20,820	45,176	20,820
Other payables and accruals	562,068	414,338	522,037	388,139
	<u>1,002,529</u>	<u>735,090</u>	<u>942,824</u>	<u>695,372</u>

Trade and other payables include amounts payable to related parties (Note 22).

32. Operating Lease

The group earned property rental income of \$52,607,000 (2015: \$32,531,000) under operating leases.

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

	2016 \$'000	2015 \$'000
No later than 1 year	35,965	30,000
Within 1 to 5 years	84,192	-
Over 5 years	35,419	-
	<u>155,576</u>	<u>30,000</u>

33. 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

The Group is contingently liable to its bankers in respect of guarantees in the ordinary course of business totalling approximately \$2.8 million.

34. Commitments

The Group and company had capital commitments at 31 December 2016 as follows:

Authorised and contracted for	<u>\$'000</u> <u>941,047</u>
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35. Subsequent Events

Subsequent to the year end, the company paid a dividend of 20 cents per share to shareholders on record on 23 December 2016 (Note 14).