Kingston Wharves Limited

Financial Statements
31 December 2017

Kingston Wharves Limited
Index
31 December 2017

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 the 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 2017, 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 2017;
- 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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott, B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore

Our audit approach

Our 2017 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year with the exception of management's revaluation exercise on freehold land, plant and buildings. Given the judgements and estimates required to account for this exercise and the size of the revaluation surplus recorded, this has become a new key audit matter for our audit in 2017. In addition, as a result of a decrease in risk due to the reduction in value of the intangible assets, we did not consider the assessment of the carrying values, included in our 2016 report, to require highlighting as a key audit matter in the current year's report.

Audit scope

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.

The financially significant components of the Group are all located in Jamaica with the accounting records of all entities maintained at the same location. A single audit team was responsible for the audits of all of the financially significant components of the Group.

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
Valuation of freehold land, plant and buildings *Refer to notes 2 (d) and 15 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments and estimates.* Freehold land and plant and buildings totalling \$7.3 billion and \$12.6 billion for the Group and \$4.9 billion and \$10.0 billion for the Company standing alone are held at fair value within	We assessed the competency and capabilities of the external valuers and concluded that they hold the requisite professional qualifications and experience to carry out reliable valuations of the Group's and

property, plant and equipment on the Group and Company statements of financial position respectively. These balances are material to the financial statements of the Group and Company as a whole representing in aggregate 67.5% of the Group's and 62.3% of the Company's total assets at year end.

The Group's valuation policy for freehold land, plant and buildings allows for triennial valuations by external independent valuation experts who were engaged in the current year to perform a revaluation exercise.

We focused on this area:

- as the fair value in respect of land and property valuation is by its nature subjective with significant judgement applied including the determination of 'highest and best' use, assumptions about contractors' charges, labour rates, material costs, professional fees, market rents and the impact of market forces on transactions; and
- due to the quantum/size of revaluation gains that directly impact the Group and Company statements of comprehensive income.

Company's freehold land, plant and buildings.

We obtained confirmations of independence from the external valuers.

We inspected the final valuation reports and agreed the fair value to the Group's and Company's accounting records noting no material exceptions. We recalculated the revaluation gains by reference to the valuation reports and the accounting records noting no material exceptions.

For a sample of external valuations:

- We compared the current valuations for plant and building with the previously completed ones to determine whether useful lives and ages of properties were consistent.
- With the assistance of our own independent expert, we reviewed the valuations and performed an independent assessment of the assumptions that underpin the valuations as well as determined whether the valuations are within an acceptable range.

We considered the carrying value in the financial statements in relation to the report provided by our independent expert. No material exceptions were noted.

As a result of the procedures above we did not propose any adjusting entries to the values recorded by management for the fair values and the revaluation surplus recorded.

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

We evaluated 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

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 2017, the values for the post-employment benefits in the statement of financial position for the Group and Company totalled $1,175 million (assets) or 4.0% and 4.9% of total assets and $358 million (liabilities) 5.6% and 6.3% of total liabilities, respectively.

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 this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we 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 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 the 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 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 Peter Williams.

Chartered Accountants
1 March 2018
Kingston, Jamaica

Kingston Wharves Limited

Group Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Revenue		6,369,238	5,409,801
Direct costs		(3,310,521)	(2,897,704)
Gross Profit		3,058,717	2,512,097
Other operating income	8	31,029	196,642
Administration expenses		(1,063,061)	(1,033,488)
Operating Profit		2,026,685	1,675,251
Finance costs	9	(134,923)	(186,408)
Profit before Income Tax		1,891,762	1,488,843
Income tax expense	10	(244,266)	(176,056)
Net Profit for Year		1,647,496	1,312,787
Other Comprehensive Income			
Item that may be reclassified to profit or loss			
Changes in fair value of available-for-sale investments		-	41,948
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefits		131,848	269,906
Deferred tax effect on re-measurements of post-employment benefits		(14,648)	(28,583)
De-recognition of revaluation surplus on disposal of property plant and equipment		-	(8,046)
Deferred tax effect on de-recognition of revaluation surplus		-	575
Surplus on revaluation of property, plant and equipment		3,487,486	-
Deferred tax effect on revaluation surplus		(226,595)	-
Effect of change in tax rate on deferred taxation on revaluation surplus		(21,605)	(39,662)
Total other comprehensive income, net of taxes		3,356,486	236,138
Total Comprehensive Income for Year		5,003,982	1,548,925
Net Profit Attributable to:			
Equity holders of the company	11	1,628,538	1,293,480
Non-controlling interest	12	18,958	19,307
		1,647,496	1,312,787
Total Comprehensive Income Attributable to:			
Equity holders of the company		4,985,024	1,529,618
Non-controlling interest	12	18,958	19,307
		5,003,982	1,548,925
Earnings per stock unit for profit attributable to the equity holders of the company during the year	13	$1.14	$0.90

Kingston Wharves Limited
Group Statement of Financial Position
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	22,886,762	18,085,443
Intangible assets	16	133,844	256,871
Investments	18	128,466	128,466
Deferred income tax assets	30	1,587	1,363
Retirement benefit asset	20	1,174,675	936,177
		24,325,334	19,408,320
Current Assets			
Inventories	21	345,729	303,994
Trade and other receivables	23	839,578	617,395
Taxation recoverable		17,097	16,253
Short term investments	24	3,573,360	2,830,027
Cash and bank	24	374,861	360,819
		5,150,625	4,128,488
Total Assets		29,475,959	23,536,808

Kingston Wharves Limited

Group Statement of Financial Position (Continued)

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
EQUITY			
Stockholders' Equity			
(attributable to equity holders of the company)			
Share capital	25	2,079,398	2,079,398
Other reserves	26	14,019,866	10,768,001
Asset replacement/rehabilitation and depreciation reserves	27	216,331	216,161
Retained earnings		6,666,199	5,476,686
		22,981,794	18,540,246
Non-controlling Interest	12	115,523	96,565
		23,097,317	18,636,811
LIABILITIES			
Non-current Liabilities			
Borrowings	28	2,385,038	1,795,373
Long term liability	29	-	9,454
Deferred income tax liabilities	30	1,407,914	1,168,265
Retirement benefit obligations	20	357,792	276,762
		4,150,744	3,249,854
Current Liabilities			
Trade and other payables	31	1,641,672	1,002,529
Taxation		61,819	31,413
Borrowings	28	503,094	547,540
Current portion of long term liability	29	21,313	68,661
		2,227,898	1,650,143
Total equity and liabilities		29,475,959	23,536,808

Approved for issue by the Board of Directors on 1 March 2018 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 2017

(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 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
Total comprehensive income for the year		-	3,239,286	-	1,745,738	4,985,024	18,958	5,003,982
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	27	-	-	170	(170)	-	-	-
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	-	-	-	(543,476)	(543,476)	-	(543,476)
Balance at 31 December 2017		2,079,398	14,019,866	216,331	6,666,199	22,981,794	115,523	23,097,317

Kingston Wharves Limited

Group Statement of Cash Flows

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Net profit		1,647,496	1,312,787
Adjustments for:			
Amortisation	16	108,367	108,770
Depreciation	15	534,718	468,541
Impairment loss		-	5,000
Foreign exchange adjustment on loans		(5,562)	51,550
Foreign exchange loss/(gains) on operating activities		90,191	(113,057)
Loss on disposal/write-off of property, plant and equipment		-	2,081
Retirement benefit asset		(46,670)	(35,764)
Retirement benefit obligations		21,050	19,960
Interest income	8	(86,629)	(86,167)
Interest expense	9	140,485	134,858
Taxation	10	244,266	176,056
		2,647,712	2,044,615
Changes in operating assets and liabilities:			
Inventories		(44,595)	(100,945)
Trade and other receivables		(225,719)	(215,130)
Trade and other payables		585,691	147,481
Cash provided by operations		2,963,089	1,876,021
Tax paid		(238,127)	(238,436)
Net cash provided by operating activities		2,724,962	1,637,585
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(1,845,691)	(1,822,862)
Purchase of intangible asset	16	(1,566)	(42,792)
Purchase of investments		-	(2,172)
Proceeds from sale of property, plant and equipment		-	1,050
Short term deposits with maturity greater than three months		-	14,685
Restricted cash		-	(189,000)
Interest received		80,868	86,409
Net cash used in investing activities		(1,766,389)	(1,954,682)
Cash flows from financing activities			
Dividends paid to equity holders of the company		(529,157)	(414,773)
Interest paid		(142,039)	(137,193)
Loans received		1,118,110	1,275,250
Loans repaid		(567,218)	(524,425)
Net cash (used in)/provided by financing activities		(120,304)	198,859
Net increase/(decrease) in cash and cash equivalents		838,269	(118,238)
Net cash and cash equivalents at beginning of year		3,001,846	3,005,183
Exchange adjustment on foreign currency cash and cash equivalents		(80,894)	114,901
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	24	3,759,221	3,001,846

Total additions to property, plant and equipment in 2016 per Note 15 include $28,612,000 acquired within the Group.

Kingston Wharves Limited

Company Statement of Comprehensive Income

Year ended 31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Revenue		5,658,495	4,768,731
Direct expenses		(2,744,018)	(2,379,378)
Gross Profit		2,914,477	2,389,353
Other operating income	8	36,389	495,498
Administration expenses		(955,524)	(930,863)
Operating Profit		1,995,342	1,953,988
Finance costs	9	(134,923)	(189,280)
Profit before Income Tax		1,860,419	1,764,708
Income tax expense	10	(215,658)	(171,763)
Net Profit for Year		1,644,761	1,592,945
Other Comprehensive Income			
Item that may be reclassified to profit or loss			
Changes in fair value of available-for-sale investments		-	27,768
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefits		131,848	269,906
Deferred tax effect on re-measurements of post-employment benefits		(14,648)	(28,583)
De-recognition of revaluation surplus on disposal of property, plant and equipment		-	(8,046)
Deferred tax effect on de-recognition of revaluation surplus		-	575
Surplus on revaluation of property, plant and equipment		2,424,143	-
Deferred tax effect on revaluation surplus		(134,008)	-
Effect of change in tax rate on deferred taxation on revaluation surplus		(21,605)	(39,662)
Total other comprehensive income, net of taxes		2,385,730	221,958
Total Comprehensive Income for Year		4,030,491	1,814,903

Kingston Wharves Limited
Company Statement of Financial Position
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	17,843,784	14,011,688
Intangible assets	16	133,844	256,871
Investments in subsidiaries	17	75,731	75,731
Investments	18	85,818	85,818
Due from related party	22	102,405	102,405
Retirement benefit asset	20	1,174,675	936,177
		19,416,257	15,468,690
Current Assets			
Inventories	21	341,393	292,090
Trade and other receivables	23	662,809	491,471
Group companies	22	123,731	376,906
Short term investments	24	3,034,900	2,048,456
Cash and bank	24	302,697	279,294
		4,465,530	3,488,217
Total assets		23,881,787	18,956,907

Kingston Wharves Limited

Company Statement of Financial Position (Continued)
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
EQUITY			
Stockholders' Equity			
Share capital	25	2,079,398	2,079,398
Other reserves	26	8,886,953	6,605,844
Asset replacement/rehabilitation and depreciation reserves	27	212,968	212,968
Retained earnings		7,016,432	5,810,526
		18,195,751	14,708,736
LIABILITIES			
Non-current Liabilities			
Borrowings	28	2,383,586	1,793,921
Long term liability	29	-	9,454
Deferred income tax liabilities	30	759,508	584,765
Retirement benefit obligations	20	357,792	276,762
		3,500,886	2,664,902
Current Liabilities			
Trade and other payables	31	1,577,569	942,824
Group companies	22	29,479	5,984
Taxation payable		53,695	18,260
Borrowings	28	503,094	547,540
Current portion of long term liability	29	21,313	68,661
		2,185,150	1,583,269
Total equity and liabilities		23,881,787	18,956,907

Approved for issue by the Board of Directors on 1 March 2018 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 2017

(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 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
Total comprehensive income for the year		-	2,268,530	-	1,761,961	4,030,491
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	-	-	-	(543,476)	(543,476)
Balance at 31 December 2017		2,079,398	8,886,953	212,968	7,016,432	18,195,751

Kingston Wharves Limited
Company Statement of Cash Flows
Year ended 31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Net profit		1,644,761	1,592,945
Adjustments for:			
Amortisation	16	108,367	108,770
Depreciation	15	428,687	364,265
Impairment loss		-	5,000
Foreign exchange adjustment on long term loans		(5,562)	51,550
Foreign exchange loss/(gains)		73,743	(90,042)
Loss on disposal/write-off of property, plant and equipment		-	2,940
Retirement benefit asset		(46,670)	(35,764)
Retirement benefit obligations		21,050	19,960
Interest income	8	(73,036)	(58,755)
Interest expense	9	140,485	137,730
Taxation	10	215,658	171,763
		2,507,483	2,270,362
Changes in operating assets and liabilities:			
Inventories		(49,303)	(97,034)
Group companies		276,670	(352,992)
Trade and other receivables		(174,514)	(169,866)
Trade and other payables		581,293	127,494
Cash provided by operations		3,141,629	1,777,964
Tax paid		(175,741)	(192,799)
Net cash provided by operating activities		2,965,888	1,585,165
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(1,836,640)	(1,799,696)
Purchase of intangible asset	16	(1,566)	(42,792)
Purchase of investments		-	(2,172)
Proceeds from sale of property, plant and equipment		-	1,050
Short term deposits with maturity greater than three months		-	14,685
Restricted cash		-	(189,000)
Interest received		66,915	58,462
Net cash used in investing activities		(1,771,291)	(1,959,463)
Cash flows from financing activities			
Dividends paid to equity holders of the company		(529,157)	(414,773)
Interest paid		(142,039)	(178,000)
Loans received		1,118,110	1,275,250
Loans repaid		(567,218)	(524,425)
Net cash (used in)/provided by financing activities		(120,304)	158,052
Net increase/(decrease) in cash and cash equivalents		1,074,293	(216,246)
Net cash and cash equivalents at beginning of year		2,138,750	2,263,110
Exchange adjustment on foreign currency cash and cash equivalents		(64,446)	91,886
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	24	3,148,597	2,138,750

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(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, stevedoring, logistics services and security services.

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 was located at the Kingport Building, Third Street, Newport West, Kingston. Subsequent to the year end, the registered office was changed to the Total Logistics Facility, 195 Second 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:

- ***Amendments to IAS 12, 'Income Taxes,*** (effective for annual periods beginning on or after 1 January 2017). In January 2017, 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 2017, 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 Group has provided the additional disclosures in these financial statements.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretations to existing standards have been issued which are mandatory for the Group's accounting periods beginning 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. Unless stated otherwise, the impact of the changes is still being assessed by management.

- **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 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

  Management is in the process of assessing the impact of IFRS 9 on the Group. An implementation team headed by the Group Chief Financial Officer was created to oversee the implementation project. The project involves impact assessment to determine the key potential areas of impact and to develop a plan to address the implementation of the standard, conversion assessment to focus on key areas of impact identified and quantify what changes to the financial statements may be required and embedding the new accounting standard into the existing reporting structure.

  Currently management has completed impact assessment and key decisions around the transition approach, practical expedients and data and system needs are currently being reviewed by management. Based on the impact assessment of the effects of applying the new standard, management does not expect any significant impact on the Group's financial statements.

- **IFRS 15, 'Revenue from contracts with customers'** (effective 1 January 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. 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. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. While the standard is effective for annual periods beginning on or after 1 January 2018, earlier application is permitted.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)asis of preparation (continued)

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

- **IFRS 15, 'Revenue from contracts with customers' (continued)**
  Management is in the process of assessing the impact of IFRS 15 on the Group. An implementation team headed by the Group Chief Financial Officer was created to oversee the implementation of the standard. This involves impact assessment to determine the key potential areas of impact and development of a plan to address the implementation of the standard, conversion assessment to focus on key areas of impact identified and quantification of what changes to the financial statements may be required and embedding the new accounting standard into the existing reporting structure.

  Currently management has completed impact assessment and key decisions around the transition approach, practical expedients and data and system needs are currently being reviewed. Based on the impact assessment of the effects of applying the new standard management does not expect any significant impact on the financial statements.

- **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 2017, 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.

- **IFRIC 22,' Foreign currency transactions and advance consideration'**, (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- **IFRIC 23, 'Uncertainty over income tax treatments'** (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

  The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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)

- **Annual improvements to IFRS 2015 - 2017 Cycle – Amendments to IAS 12 and IAS 23** (effective for annual periods beginning on or after 1 January 2019). The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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.

(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.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

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.

The subsidiaries, which are all incorporated and domiciled in Jamaica (except KWGHSLL), 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 ⅓%	66 ⅔%	31 December
Western Storage Limited	Property rental	100%	100%	31 December
Western Terminals Limited	Property rental	100%	100%	31 December
KWL Group Holdings (St Lucia) Limited (KWGHSLL)	Non-Trading	100%	100%	31 December
Kingston Terminal Operators Limited	Dormant	100%	100%	31 December
Newport Stevedoring Services Limited (formerly Jamaica Cooling Stores Limited)	Provision of contract labour	-	100%	31 December
Kingston Wharves Group 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.

2. Summary of Significant Accounting Policies (Continued)

(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 interest 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.

(d) Property, plant and equipment

Plant and buildings comprise mainly of 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 any 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%

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(d) Property, plant and equipment (continued)
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.

(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.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

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

(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
31 December 2017
(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.

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.

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.

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.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

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 and stability over the years. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Due from related party	-	-	102,405	102,405
Investments	128,466	128,466	85,818	85,818
Trade receivables	636,484	509,855	472,391	401,039
Other receivables	163,477	89,370	155,373	76,794
Group companies	-	-	123,731	376,906
Short term investments	3,573,360	2,830,027	3,034,900	2,048,456
Cash and bank	374,861	360,819	302,697	279,294
	4,876,648	3,918,537	4,277,315	3,370,712

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 2017, trade receivables of $371,044,000 (2016 - $204,782,000) for the Group and $287,598,000 (2016 - $182,983,000) 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
31 - 60 days	240,296	142,448	174,264	134,443
Over 60 days	130,748	62,334	113,334	48,540
	371,044	204,782	287,598	182,983

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

As of 31 December 2017, trade receivables of $59,816,000 (2016 - $33,527,000) and $42,450,000 (2016 - $19,153,000) 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Over 60 days	59,816	33,527	42,450	19,153

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	33,527	23,421	19,153	10,016
Provision for impairment	45,108	13,673	41,595	12,609
Amounts recovered	(18,819)	(3,567)	(18,298)	(3,472)
At 31 December	59,816	33,527	42,450	19,153

The movement in the provision for the year included $4,775,000 (2016 - $1,455,000) and $2,990,000 (2016 - $727,000) 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.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Concentrations of risk
(i) Trade receivables

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Top ten customers	597,384	490,743	427,647	376,112
Other	98,916	52,639	87,194	44,080
	696,300	543,382	514,841	420,192
Less: Provision for impairment	(59,816)	(33,527)	(42,450)	(19,153)
	636,484	509,855	472,391	401,039

(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.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

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

	The Group					
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
			2017			
Borrowings	71,173	140,762	520,511	2,414,967	534,315	3,681,728
Long term liability	21,313	-	-	-	-	21,313
Trade and other payables	1,641,672	-	-	-	-	1,641,672
Total financial liabilities	1,734,158	140,762	520,511	2,414,967	534,315	5,344,713
			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

	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
			2017			
Borrowings	71,173	140,762	520,511	2,414,967	532,863	3,680,276
Long term liability	21,313	-	-	-	-	21,313
Trade and other payables	1,577,569	-	-	-	-	1,577,569
Group companies	29,479	-	-	-	-	29,479
Total financial liabilities	1,699,534	140,762	520,511	2,414,967	532,863	5,308,637
			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

3. Financial Risk Management (Continued)

(c) Market risk

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

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

(i) Currency risk

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

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

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(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$	US$	Total
	J$'000	J$'000	J$'000
		2017	
Financial Assets			
Investments	128,466	-	128,466
Short term investments	1,566,567	2,006,793	3,573,360
Trade and other receivables	260,670	539,291	799,961
Cash and bank	220,084	154,777	374,861
Total financial assets	2,175,787	2,700,861	4,876,648
Financial Liabilities			
Borrowings	2,719,111	169,021	2,888,132
Long term liability	-	21,313	21,313
Trade and other payables	1,560,449	81,223	1,641,672
Total financial liabilities	4,279,560	271,557	4,551,117
Net financial position	(2,103,773)	2,429,304	325,531
		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

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(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$	**US$**	**Total**
	J$'000	**J$'000**	**J$'000**
		2017	
Financial Assets			
Investments	85,818	-	85,818
Short term investments	1,429,254	1,605,646	3,034,900
Trade and other receivables	111,137	516,627	627,764
Group companies	123,731	-	123,731
Cash and bank	196,831	105,866	302,697
Total financial assets	1,946,771	2,228,139	4,174,910
Financial Liabilities			
Borrowings	2,717,659	169,021	2,886,680
Long term liability	-	21,313	21,313
Trade and other payables	1,496,346	81,223	1,577, 569
Group companies	29,479	-	29,479
Total financial liabilities	4,243,484	271,557	4,515,041
Net financial position	(2,296,713)	1,956,582	(340,131)
		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)

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

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

Foreign currency sensitivity
The following tables indicate the currency to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% (2016 - 1%) appreciation and a 4% (2016 - 6%) 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 2017 %	Effect on Profit before Taxation 2017 $'000	Change in Currency Rate 2016 %	Effect on Profit before Taxation 2016 $'000
	The Group			
Currency:				
USD	+2	48,586	+1	13,970
USD	-4	(97,172)	-6	(83,818)
	The Company			
USD	+2	39,132	+1	10,249
USD	-4	(78,263)	-6	(61,492)

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

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

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

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

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

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

	The Group						
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
	2017						
Assets							
Investments	-	-	-	-	-	128,466	128,466
Short term investments	1,772,102	1,801,258	-	-	-	-	3,573,360
Trade and other receivables	-	-	-	-	-	799,961	799,961
Cash and bank	224,938	-	-	-	-	149,923	374,861
Total financial assets	1,997,040	1,801,258	-	-	-	1,078,350	4,876,648
Liabilities							
Borrowings	257,481	412,500	1,469,383	98,400	646,570	3,798	2,888,132
Long term liability	-	-	-	-	-	21,313	21,313
Trade and other payables	-	-	-	-	-	1,641,672	1,641,672
Total financial liabilities	257,481	412,500	1,469,383	98,400	646,570	1,666,783	4,551,117
Total interest repricing gap	1,739,559	1,388,758	(1,469,383)	(98,400)	(646,570)	(588,433)	325,531
	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

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

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

	The Company						
	Within 1 Month $'000	1 to 3 Months $'000	3 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
				2017			
Assets							
Investments	-	-	-	-	-	85,818	85,818
Short term investments	1,687,274	1,347,626	-	-	-	-	3,034,900
Trade and other receivables	-	-	-	-	-	627,764	627,764
Group companies	-	-	-	-	-	123,731	123,731
Cash and bank	171,879	-	-	-	-	130,818	302,697
Total financial assets	1,859,153	1,347,626	-	-	-	968,131	4,174,910
Liabilities							
Borrowings	257,481	412,500	1,469,383	98.400	646,570	2,346	2,886,680
Long term liability	-	-	-	-	-	21,313	21,313
Trade and other payables	-	-	-	-	-	1,577,569	1,577,569
Group companies	-	-	-	-	-	29,479	29,479
Total financial liabilities	257,481	412,500	1,469,383	98,400	646,570	1,630,707	4,515,041
Total interest repricing gap	1,601,672	935,126	(1,469,383)	(98,400)	(646,570)	(662,576)	(340,131)
				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)

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)
Interest rate sensitivity

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

The Group's interest rate risk arises mainly from short term deposits and borrowings. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on floating rate deposits and borrowings. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear. There was no direct impact on other comprehensive income or equity.

				The Group		The Company	
				Effect on Profit before Taxation	Effect on Profit before Taxation	Effect on Profit before Taxation	Effect on Profit before Taxation
				2017	2016	2017	2016
				$'000	$'000	$'000	$'000
Change in basis points							
2017 JMD	**2017 USD**	**2016 JMD**	**2016 USD**				
+100	+50	+100	+100	1,047	10,588	4,188	2,764
-100	-50	-100	-50	(1,047)	(3,418)	(4,188)	2,545

(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 equity holders.

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.

3. Financial Risk Management (Continued)

(d) Capital management (continued)

During 2017, the Group's strategy, which was unchanged from 2016, was to maintain the gearing ratio no higher than 75%. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 $'000	2016 $'000
Total long term borrowings (Note 28)	2,888,132	2,342,913
Total stockholders' equity	22,981,794	18,540,246
Gearing ratio (%)	12.57%	12.63%

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 2017, instruments included within this level comprised available-for-sale unquoted equities which totalled $128,466,000 (2016 - 128,466,000) and $85,818,000 (2016 – 85,818,000) for the Group and company, respectively. There were no transfers between levels in 2017 and 2016.

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 valuators 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 11.11% (2016 – 10.59%) (Note 10).

Fair value of financial instruments
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and valuation inputs and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The Group uses discounted cash flow analyses and references to prices for other instruments that are substantially the same for various available-for-sale financial assets that were not traded in active markets. Details of investment securities valued using other than quoted prices in an active market are provided in Note 3(e) of the financial statements.

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 costs trend for the post-employment obligations varied by 1% from estimates applied in valuation of the benefits, the consolidated net profit would be an estimated $59,747,000 lower or $45,990,000 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.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Financial Information

The Chief Executive Officer is the Group's chief operating decision maker (CODM). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance. The Group is organised into the following business segments:

(a) Terminal operations - Operation of public wharves 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
Year ended 31 December 2017	**$'000**	**$'000**	**$'000**	**$'000**
External operating revenue	4,918,349	1,450,889	-	6,369,238
Operating revenue from segments	189,724	89,231	(278,955)	-
Total revenue	5,108,073	1,540,120	(278,955)	6,369,238
Operating profit	1,566,815	449,107	10,763	2,026,685
Interest expense	(85,534)	(55,001)	50	(140,485)
	1,481,281	394,106	10,813	1,886,200
Foreign exchange gain				5,562
Profit before income tax				1,891,762
Income tax expense				(244,266)
Profit before non-controlling interest				1,647,496
Non-controlling interest				(18,958)
Net profit attributable to equity holders of the company				1,628,538
Segment assets	23,561,663	4,946,648	(225,711)	28,282,600
Unallocated assets				1,193,359
Total assets				29,475,959
Segment liabilities	3,001,460	1,703,337	(153,680)	4,551,117
Unallocated liabilities				1,827,525
Total liabilities				6,378,642
Other segment items:				
Interest income (Note 8)	73,036	13,643	(50)	86,629
Capital expenditure (Note 15)	735,418	1,110,273	-	1,845,691
Capital expenditure (Note 16)	1,566	-	-	1,566
Amortisation (Note 16)	108,367	-	-	108,367
Depreciation	505,839	28,879	-	534,718

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Financial Information (Continued)

	Terminal Operations	Logistics and Ancillary Services	Eliminations	Group
Year ended 31 December 2016	**$'000**	**$'000**	**$'000**	**$'000**
External operating revenue	4,172,483	1,237,318	-	5,409,801
Operating revenue from segments	9,535	69,243	(78,778)	-
Total revenue	4,182,018	1,306,561	(78,778)	5,409,801
Operating profit	1,644,833	387,762	(357,344)	1,675,251
Interest expense	(107,458)	(30,793)	3,393	(134,858)
	1,537,375	356,969	(353,951)	1,540,393
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				1,293,480
Segment assets	20,341,823	2,741,269	(500,077)	22,583,015
Unallocated assets				953,793
Total assets				23,536,808
Segment liabilities	3,163,765	687,838	(428,046)	3,423,557
Unallocated liabilities				1,476,440
Total liabilities				4,899,997
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

Revenues of approximately $1,933,756,000 (2016 – $1,783,843,000) were earned from two customers. The revenues are attributable to the Terminal Operations segment.

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
Advertising and public relations	33,750	28,267	33,038	27,094
Amortisation (Note 16)	108,367	108,770	108,367	108,770
Auditors' remuneration	16,342	14,583	9,719	9,561
Bad debts	30,521	10,106	26,997	9,137
Bank charges	44,597	34,264	44,156	33,838
Claims	35,719	23,940	35,719	15,777
Cleaning and sanitation	24,950	33,560	24,950	20,676
Customs overtime	63,153	41,612	63,153	41,612
Depreciation (Note 15)	534,718	468,541	428,687	364,265
Directors' fees	16,876	18,003	16,201	17,328
Equipment rental	199,803	108,787	199,803	108,787
Fuel	165,302	142,907	165,302	142,907
Information technology	82,599	77,759	79,672	74,522
Insurance	130,472	148,907	119,815	137,931
Irrecoverable General Consumption Tax	21,732	8,889	15,591	3,800
Legal and consultation expenses	67,025	67,763	64,199	63,020
Occupancy: property taxes and rent	18,869	8,867	17,798	11,461
Provision for impairment of PPE	-	5,000	-	5,000
Repairs and maintenance	435,221	468,265	427,681	446,454
Security	279,038	166,616	77,903	56,613
Staff costs (Note 7)	1,577,126	1,579,043	1,308,085	1,261,226
Terminal transfers	10,000	22,871	10,000	22,871
Utilities	227,780	181,984	223,968	176,454
Other	249,622	161,888	198,738	151,137
	4,373,582	3,931,192	3,699,542	3,310,241

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

7. Staff Costs

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Wages and salaries	1,241,705	1,142,747	1,030,113	892,331
Payroll taxes – employer's contributions	131,160	123,734	106,519	94,419
Pension costs – defined benefit plan (Note 20)	(41,963)	(20,489)	(41,963)	(20,489)
Pension costs – defined contribution plan	6,321	5,586	-	-
Other retirement benefits (Note 20)	32,240	29,319	32,240	29,319
Meal and travelling allowances	76,534	62,277	70,783	58,092
Termination costs	-	105,855	-	105,855
Other	131,129	130,014	110,393	101,699
	1,577,126	1,579,043	1,308,085	1,261,226

8. Other Operating Income

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Dividends	792	1,612	562	349,047
Interest	86,629	86,167	73,036	58,755
Foreign exchange (losses)/gains	(90,191)	113,057	(73,743)	90,042
Management fees	-	-	2,575	2,221
Termination costs recoverable from PAJ	33,725	-	33,725	-
Other	74	(4,194)	234	(4,567)
	31,029	196,642	36,389	495,498

9. Finance Costs

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interest expense	140,485	134,858	140,485	137,730
Foreign exchange (gains)/losses	(5,562)	51,550	(5,562)	51,550
	134,923	186,408	134,923	189,280

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

10. Income Tax Expense

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Current tax on profit for the year	269,001	189,640	207,320	150,089
Prior year (over)/under provision	(1,312)	(3,183)	3,856	(3,082)
Deferred income tax (Note 30)	(23,423)	(10,401)	4,482	24,756
	244,266	176,056	215,658	171,763

The tax on profit differs from the theoretical amount that would arise using a basic statutory rate of 11.11% (2016 – 10.59%) as follows:

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Profit before tax	1,891,762	1,488,843	1,860,419	1,764,708
Tax calculated at a tax rate of 11.11% (2016 – 10.59%)	210,175	157,669	206,693	186,883
Adjusted for the effects of:				
Income not subject to tax	(9,405)	(1,264)	(9,405)	(36,964)
Income taxed at higher rate	4,353	8,486	-	-
Expenses not deductible for tax purposes	19,943	15,422	22	6,430
Adjustment to opening deferred taxes	5,539	-	-	-
Change in rate for deferred income taxes	7,108	8,735	7,108	8,735
Prior year (over)/under provision	(1,312)	(3,183)	3,856	(3,082)
Other	7,865	(9,809)	7,384	9,761
Income tax expense	244,266	176,056	215,658	171,763

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 11.11% (2016 – 10.59%). This rate has also been applied in determining the amounts for deferred taxation for the company in these financial statements (Note 30).

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

11. Profit Attributable to Equity Holders of the Company

	2017 $'000	2016 $'000
(a) Net profit is dealt with as follows in the financial statements of:		
Holding company	1,644,761	1,592,945
Inter-group dividends from subsidiaries eliminated on consolidation	-	(348,000)
Adjusted net profit – holding company	1,644,761	1,244,945
Subsidiaries	(16,223)	48,535
	1,628,538	1,293,480
(b) Retained earnings are dealt with as follows in the financial statements of:		
Holding company	7,016,432	5,810,526
Subsidiaries	(350,233)	(333,840)
	6,666,199	5,476,686

12. Non-controlling Interest

	2017 $'000	2016 $'000
At beginning of year	96,565	77,258
Share of net profit of subsidiary	18,958	19,307
	115,523	96,565

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.

	2017	2016
Net profit attributable to equity holders of the company ($'000)	1,628,538	1,293,480
Number of ordinary stock units in issue (thousands)	1,430,200	1,430,200
Basic earnings per stock unit	$1.14	$0.90

14. Dividends

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

	2017 $'000	2016 $'000
Ordinary dividends, gross - 38 cents (2016 – 34 cents)	543,476	486,268

In December 2017, the company declared a dividend of 21 cents per share which is payable on 19 January 2018 to shareholders on record at 20 December 2017 (Notes 31 and 35) which is included in the total dividend above.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

15. Property, Plant and Equipment

	The Group							
	Freehold Land	Plant and Buildings	Machinery and Equipment	Cold Room and Air Conditioning Equipment	Furniture and Fixtures	Motor Vehicles	Work In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2017				
Cost or Valuation -								
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
Additions	-	14,995	46,539	-	24,184	63,011	1,696,962	1,845,691
Transfers	315,204	2,314,651	68,461	-	92,896	-	(2,791,212)	-
Transfers in	-	2,860	-	-	-	-	-	2,860
Revaluation	1,910,942	2,199,568	-	-	-	-	-	4,110,510
At 31 December 2017	7,302,071	20,572,776	3,363,191	267,404	322,752	247,775	342,441	32,418,410
Depreciation -								
At 31 December 2016	-	7,047,295	852,018	261,321	115,901	97,371	-	8,373,906
Charge for the year	-	295,903	203,470	1,984	11,287	22,074	-	534,718
On revaluation	-	623,024	-	-	-	-	-	623,024
At 31 December 2017	-	7,966,222	1,055,488	263,305	127,188	119,445	-	9,531,648
Net Book Value -								
At 31 December 2017	7,302,071	12,606,554	2,307,703	4,099	195,564	128,330	342,441	22,886,762
				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

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

15. Property, Plant and Equipment (Continued)

	The Company							
	Freehold Land	Plant and Buildings	Machinery and Equipment	Cold Room and Air Conditioning Equipment	Furniture and Fixtures	Motor Vehicles	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2017				
Cost or Valuation -								
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
Additions	-	12,831	46,539	-	24,043	56,265	1,696,962	1,836,640
Transfers	315,204	2,314,649	68,463	-	92,896	-	(2,791,212)	-
Revaluations	1,217,942	1,617,253	-	-	-	-	-	2,835,195
At 31 December 2017	4,899,666	14,555,945	3,331,929	19,137	308,928	221,932	342,441	23,679,978
Depreciation -								
At 31 December 2016	-	3,970,766	819,722	14,089	104,553	87,325	-	4,996,455
Charge for the year	-	196,662	200,692	1,270	10,656	19,407	-	428,687
On revaluation		411,052	-	-	-	-	-	411,052
At 31 December 2017	-	4,578,480	1,020,414	15,359	115,209	106,732	-	5,836,194
Net Book Value -								
At 31 December 2017	4,899,666	9,977,465	2,311,515	3,778	193,719	115,200	342,441	17,843,784
				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

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

15. Property, Plant and Equipment (Continued)

(a) Freehold land of the Group was revalued as at 31 December 2017 on the basis of open market value by D.C. Tavares and Finson Reality Limited, independent qualified valuators. The freehold plant and buildings of the Group were also revalued as at 31 December 2017 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 2017 using		
Categories	**Date of revaluation**	**Quoted price in an active market**	**Significant other observable inputs (Level 2) $'000**	**Significant other observable inputs (Level 3) $'000**
Freehold Land	Dec-17	-	7,302,071	-
Plant and Buildings	Dec-17	-	-	12,606,554
Total		-	7,302,071	12,606,554
		The Company		
Freehold Land	Dec-17	-	4,899,666	-
Plant and Buildings	Dec-17	-	-	9,977,465
Total		-	4,899,666	9,977,465

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

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 Plant & Buildings $'000	Company Plant & Buildings $'000
Opening balance at valuation	8,993,407	6,640,446
Additions/Transfers in	2,332,503	2,327,480
Revaluation surplus	1,576,547	1,206,201
Depreciation through profit or loss	(295,903)	(196,662)
Closing Balance	12,606,554	9,977,465

The Group

Description	**Fair value at December 2017 $'000**	**Valuation Technique(s)**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair value 2017 $'000**
Plant and Building	12,606,554	Depreciable Replacement Cost method	Labour, material and contractor's charges	None noted	The higher the cost of labour, material and contractors' charges, the higher the replacement cost
			Remaining useful lives	1 year	If the estimates for the useful lives of the assets were higher or lower by one year, the value would be higher by $14,958 and lower by $17,068.

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

15. Property, Plant and Equipment (Continued)

(a) (continued)

The Company

	Fair value at December 2017 $'000	Valuation Technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value 2017 $'000
Plant and Building	9,977,465	Depreciable Replacement Cost method	Labour, material and contractor's charges	None noted	The higher the cost of labour, material and contractors' charges, the higher the replacement cost
			Remaining useful lives	1 year	If the estimates for the useful lives of the assets were higher or lower by one year, the value would be higher by $9,535 and lower by $10,887.

(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) Borrowing costs of $55 million (2016 – $11.7 million) were capitalised in the year.

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cost	7,815,750	5,168,042	7,608,644	4,965,960
Accumulated depreciation	(860,150)	(833,233)	(831,202)	(805,265)
Net book value	6,955,600	4,334,809	6,777,442	4,160,695

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

16. Intangible Assets

	The Group and Company		
	Computer Software $'000	Rights to Customer Contracts $'000	Total $'000
At Cost -			
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
Additions	1,566	-	1,566
Write-off	-	(16,226)	(16,226)
At 31 December 2017	42,990	470,637	513,627
Amortisation -			
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
Amortisation charge for year	7,065	101,302	108,367
At 31 December 2017	22,501	357,282	379,783
Net Book Value -			
31 December 2017	20,489	113,355	133,844
31 December 2016	25,988	230,883	256,871

The additions to 'Rights to Customer Contracts' during the prior 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

	2017 $'000	2016 $'000
Harbour Cold Stores Limited	13,335	13,335
Security Administrators Limited	6	6
Western Storage Limited	16,301	16,301
Western Terminals Limited	46,039	46,039
Kingston Terminal Operators Limited	50	50
	75,731	75,731

18. Investments

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Available-for-sale at fair value				
Unquoted equities in a related company	128,466	128,466	85,818	85,818

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.

	The Group and Company	
	2017 $'000	**2016 $'000**
Balance at 1 January	-	-
Severance payments	33,725	-
Allocation of 16% of wharfage collections	(33,725)	-
Balance at 31 December	-	-

Severance payments incurred in 2014 subject to final validation and approval by The PAJ were approved in the current year. The approval allowed for the allocation of the wharfage collections to be used to liquidate the balance.

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2017

(expressed in Jamaican dollars unless otherwise indicated)

20. Retirement Benefit Asset and Obligations

	The Group and Company	
	2017	2016
	$'000	$'000
Statement of financial position (asset)/obligations for:		
Pension benefits	(1,174,675)	(936,177)
Other retirement benefits	357,792	276,762
Profit or loss for (Note 7):		
Pension benefits	(41,963)	(20,489)
Other retirement benefits	32,240	29,319
Remeasurements for:		
Pension benefits	(191,828)	(281,330)
Other retirement benefits	59,980	11,424
	(131,848)	(269,906)

(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 1% 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 2017.

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 mandatory contributions of 5% by members. Members may also make voluntary contributions of up to 5% of their earnings.

The plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 31 December 2015 revealed that the scheme was adequately funded as at that date.

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:

	The Group and Company	
	2017 $'000	2016 $'000
Fair value of plan assets	(3,020,836)	(2,588,704)
Present value of funded obligations	1,846,161	1,652,527
Surplus of funded plan /Asset in the statement of financial position	(1,174,675)	(936,177)

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

	The Group and Company	
	2017 $'000	2016 $'000
Asset at beginning of year	(936,177)	(619,083)
Amounts recognised in statement of comprehensive income	(233,791)	(301,819)
Contributions paid	(4,707)	(15,275)
Asset at end of year	(1,174,675)	(936,177)

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

	The Group and Company	
	2017 $'000	2016 $'000
Balance at beginning of year	(2,588,704)	(2,166,696)
Interest income	(231,364)	(182,007)
Re-measurements -		
Return on plan assets, excluding amounts included in interest expense	(236,746)	(290,866)
Members' contributions	(27,119)	(28,086)
Employer's contributions	(4,707)	(15,275)
Benefits paid	67,804	94,237
Transfer in	-	(11)
Balance at end of year	(3,020,836)	(2,588,704)

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

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	
	2017 $'000	**2016 $'000**
Balance at beginning of year	1,652,527	1,547,613
Current service cost	73,322	64,892
Interest cost	152,350	132,718
Re-measurements -		
Loss from change in financial assumptions	66,312	6,954
Loss from change in experience assumptions	(21,394)	2,582
Members' voluntary contributions	12,497	12,810
Benefits paid	(67,804)	(94,237)
Transfer in	-	11
Gain on curtailment	(21,649)	(20,816)
Balance at end of year	1,846,161	1,652,527

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $1,057,840,000 relating to active employees, $83,862,000 relating to deferred members, $700,501,000 relating to members in retirement and $3,958,000 representing other liabilities.

The amounts recognised in profit or loss are as follows:

	The Group and Company	
	2017 $'000	**2016 $'000**
Current service cost	58,700	49,616
Interest income, net	(79,014)	(49,289)
Gain on curtailment	(21,649)	(20,816)
Total, included in staff costs (Note 7)	(41,963)	(20,489)

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

20. Retirement Benefit Asset and Obligations (Continued)

(a) Pension benefits (continued)

Plan assets are comprised as follows:

	The Group and Company			
	2017		2016	
	$'000	%	$'000	%
Quoted securities:				
Equity securities	1,388,337	46.0%	934,911	36.1%
Government of Jamaica securities	943,514	31.2%	1,043,682	40.3%
Corporate bonds and promissory notes	155,150	5.1%	155,883	6.1%
Repurchase agreements	269,206	8.9%	213,652	8.3%
Leases	18,536	0.6%	11,433	0.4%
Real estate	108,056	3.6%	99,561	3.8%
Other	138,037	4.6%	129,582	5.0%
	3,020,836	100.0	2,588,704	100.0

The pension plan assets include ordinary stock units of the company with a fair value of $330,000,000 (2016 - $240,000,000).

Expected contributions to the post-employment plan for the year ending 31 December 2018 are $3.2 million.

The significant actuarial assumptions used were as follows:

	2017	2016
Discount rate	8.00%	9.00%
Future salary increases	5.50%	6.50%
Expected pension increase	3.75%	4.50%

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%	(225,791)	224,982
Future salary increases	1%	39,329	(36,336)
Expected pension increase	1%	215,726	(177,649)
Life expectancy	1%	30,675	(33,767)

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

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 7% per year (2016 – 8%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 5.5% per year (2016 – 6.5%).

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

	The Group and Company	
	2017	**2016**
	$'000	**$'000**
Present value of unfunded obligations	357,792	276,762

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

	The Group and Company	
	2017	**2016**
	$'000	**$'000**
Liability at beginning of year	276,762	245,378
Amounts recognised in the statement of comprehensive income	92,220	40,743
Contributions paid	(11,190)	(9,359)
Liability at end of year	357,792	276,762

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

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	
	2017 **$'000**	**2016** **$'000**
Balance at beginning of year	276,762	245,378
Current service cost	15,125	12,234
Interest cost	25,576	21,319
Gain on curtailment	(8,461)	(4,234)
Included in staff costs in profit or loss (Note 7)	32,240	29,319
Re-measurements -		
Loss from change in financial assumptions	2,037	18,547
Experience losses	57,943	(7,123)
Total, included in other comprehensive income	59,980	11,424
Benefits paid	(11,190)	(9,359)
Balance at end of year	357,792	276,762

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%	(3,600)	4,318
Future salary increases	1%	1,183	(1,093)

	Impact on Post-employment Obligations - Medical		
	Change in Assumption	**Increase in Assumption $'000**	**Decrease in Assumption $'000**
Discount rate	1%	(45,990)	59,747
Future medical cost rate	1%	59,747	(45,990)

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 2017 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 1% 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.

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Fuel	5,856	6,471	5,856	6,471
Operating supplies	339,873	297,523	335,537	285,619
	345,729	303,994	341,393	292,090

Operating supplies are shown net of provision for impairment of $5,000,000 (2016 – $5,000,000).

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
(i) Revenue earned from sales of services				
Subsidiaries	-	-	9,600	4,842
Companies controlled by directors/members or related by virtue of common directorships	2,608,915	2,426,203	2,114,185	1,963,446
	2,608,915	2,426,203	2,123,785	1,968,288

Services provided to related parties are negotiated, as with non-related party customers, and are all at arms' length.

	The Group		The Company	
	2017	2016	2017	2016
(ii) Other income				
Subsidiaries - dividends	-	-	-	348,000
Subsidiaries – management fees	-	-	2,575	2,221
Companies controlled by directors/members or related by virtue of common directorships - dividends	841	1,612	562	1,047
(iii) Purchases of goods and services				
Subsidiaries	-	-	178,433	68,155
Companies controlled by directors/members related by virtue of common directorships	205,060	137,781	213,732	137,238
	205,060	137,781	392,165	205,393

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

22. Related Party Transactions and Balances (Continued)

(a) Transactions (continued)

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
(iv) Interest expense				
Subsidiaries	-	-	-	2,883
Companies controlled by directors/members or related by virtue of common directorships	10,286	7,660	10,286	7,660

(b) Year-end balances with related parties:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
(i) Due from related companies				
Subsidiaries				
Long term receivable	-	-	102,405	102,405
Current accounts	-	-	123,731	376,906
Companies controlled by directors/members or related by virtue of common directorships				
Trade receivables (Note 23)	402,897	369,961	267,774	295,124
	402,897	369,961	493,910	774,435

The long term amount receivable for the Company from a subsidiary company is interest free and not due for repayment in twelve months.

Provisions of $11,348,000 (2016 - $6,573,000) and $7,213,000 (2016 - $4,223,000) for the Group and company respectively are held against trade accounts receivable from related parties.

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
(ii) Due to related companies				
Subsidiaries	-	-	29,479	5,984
Companies controlled by directors/members or related by virtue of common directorships (Notes 29 and 31)	42,211	58,216	42,211	58,216
	42,211	58,216	71,690	64,200

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
(iii) Borrowings				
Companies controlled by directors/members or related by virtue of common directorships	122,803	144,330	122,803	144,330

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

22. Related Party Transactions and Balances (Continued)

(c) Key management compensation:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Salaries and other short term employee benefits	88,971	81,556	78,266	71,543
Payroll taxes – employer's contributions	6,527	5,093	5,452	4,589
Pension benefits	525	2,929	418	1,868
Other	6,645	5,530	3,814	4,231
	102,668	95,108	87,950	82,231
Directors' emoluments –				
Fees	16,876	18,003	16,201	17,328
Consultancy	-	7,500	-	7,500
Management remuneration (included in salaries above)	38,655	35,518	38,655	35,518

23. Trade and Other Receivables

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables	696,300	543,382	514,841	420,192
Less: Provision for impairment	(59,816)	(33,527)	(42,450)	(19,153)
	636,484	509,855	472,391	401,039
Prepayments	39,617	18,170	35,045	13,638
Other	163,477	89,370	155,373	76,794
	839,578	617,395	662,809	491,471

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

Included in 'Other" receivables are amounts totalling $104,836,000 (2016 - $49,654,000) relating to repairs to damaged berths. These amounts are recoverable from the principals of the offending ships.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

24. Cash and Cash Equivalents

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Short term investments - deposits	3,573,360	2,830,027	3,034,900	2,048,456
Less: Restricted cash	(189,000)	(189,000)	(189,000)	(189,000)
	3,384,360	2,641,027	2,845,900	1,859,456
Cash and bank	374,861	360,819	302,697	279,294
	3,759,221	3,001,846	3,148,597	2,138,750

The weighted average effective interest rate on short term deposits was 1.49% (2016 – 1.48%) per annum for United States dollar denominated deposits and 4.49% (2016 – 5.17%) per annum for Jamaican dollar deposits. These short term deposits have an average maturity of 67 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% (2016 – 0.15%) per annum and 3% (2016 – 3%) 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 2016	1,430,200	2,079,398
31 December 2017	1,430,200	2,079,398

The total authorised number of ordinary shares is 1,507,550,000 (2016 - 1,507,550,000) units. All issued shares are fully paid.

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

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

26. Other Reserves

Other reserves comprise:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Capital reserves	13,977,918	10,726,053	8,859,185	6,578,076
Fair value reserve	41,948	41,948	27,768	27,768
	14,019,866	10,768,001	8,886,953	6,605,844

Capital Reserves

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unrealised surplus on revaluation of property, plant and equipment	14,940,186	11,452,700	9,119,225	6,695,082
Less: Deferred taxation	(1,461,796)	(1,213,596)	(595,585)	(439,972)
	13,478,390	10,239,104	8,523,640	6,255,110
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	331,918	319,339	331,918	319,339
Capitalisation of depreciation reserve	66	66	10	10
Arising on consolidation	3,419	3,419	-	-
	13,977,918	10,726,053	8,859,185	6,578,076

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.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

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

The balance of the reserves comprises:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Asset Replacement/Rehabilitation Reserve	-	-	-	-
Depreciation Fund	216,331	216,161	212,968	212,968
	216,331	216,161	212,968	212,968

The movement in each category of reserves was as follows:

(a) Asset Replacement/Rehabilitation Reserve

	The Group and Company	
	2017 $'000	2016 $'000
At beginning of year	-	-
Transfers from profit or loss account during the year	12,579	12,579
Transfer to capital reserves - utilised for capital expansion	(12,579)	(12,579)
At end of year	-	-

(b) Depreciation Fund

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At beginning of year	216,161	215,917	212,968	212,968
Transfer from retained earnings (net interest)	170	244	-	-
At end of year	216,331	216,161	212,968	212,968

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

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

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

28. Borrowings

		The Group		The Company	
		2017	**2016**	**2017**	**2016**
		$'000	**$'000**	**$'000**	**$'000**
(a)	The Port Authority of Jamaica	1,480	1,480	1,480	1,480
(b)	The Port Authority of Jamaica	1,452	1,452	-	-
(c)	Bank of Nova Scotia	1,281,610	615,000	1,281,610	615,000
(d)	Development Bank of Jamaica/First Global Bank Limited	98,400	127,200	98,400	127,200
(e)	The Shipping Association of Jamaica Property Limited	104,052	108,490	104,052	108,490
(f)	Development Bank of Jamaica/CIBC FirstCaribbean International Bank (Jamaica) Limited	107,143	142,857	107,143	142,857
(g)	CIBC FirstCaribbean International Bank (Jamaica) Limited	169,021	520,509	169,021	520,509
(h)	CIBC FirstCaribbean International Bank (Jamaica) Limited	257,481	296,593	257,481	296,593
(i)	CIBC FirstCaribbean International Bank (Jamaica) Limited	412,500	491,071	412,500	491,071
(j)	CIBC FirstCaribbean International Bank (Jamaica) Limited	435,375	-	435,375	-
(k)	Kingston Portworkers Superannuation Fund	18,751	35,840	18,751	35,840
		2,887,265	2,340,492	2,885,813	2,339,040
	Add: Interest payable	867	2,421	867	2,421
		2,888,132	2,342,913	2,886,680	2,341,461
	Less: Current portion	(503,094)	(547,540)	(503,094)	(547,540)
		2,385,038	1,795,373	2,383,586	1,793,921

(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 each and one final payment of J$603,000,000. The interest rate varies over the life of the loan with rates initially fixed at 8.0% and capped at 9.5% for the remaining 4 years and is scheduled to be repaid in September 2023.

(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 and is scheduled to be repaid in May 2021.

28. Borrowings (Continued)

(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 scheduled to be repaid in July 2031.

(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 in December 2020.

(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 attracted a moratorium on principal in the first year and is scheduled to be repaid in July 2024.

(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 credit facility of $372 million granted by the Development Bank of Jamaica through CIBC FirstCaribbean International Bank (Jamaica) Limited and loan of $79.5 million from CIBC FirstCaribbean International Bank (Jamaica) Limited toward the company's capital expenditure program. The loan will be amortised over a 7 year period at a fixed rate of interest of 8.25% to be repaid in September 2024

(k) This represents a loan of $100 million granted by the Kingston Port Workers Superannuation Fund. The interest rate is fixed at 10% per annum. The principal is scheduled to be repaid in December 2018.

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)-(j) 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 $1.302 billion and US$26.6 million and mortgages/charges over property and machinery owned by the Group of $1,503.5 million. Undrawn facilities with this institution (excluding overdrafts (Note 24)) total $150 million for capital expenditure .

The facility with Kingston Portworkers Superannuation Fund (k) 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 Limited (e) 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. Undrawn facilities from BNS include insurance premium financing of US$1.5 million, unsecured revolving loan of $4 million and bank overdraft (Note 24).

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

28. Borrowings (Continued)

Reconciliation of liabilities arising from financing activities
The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group and Company's statements of cash flows as cash flows from financing activities.

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
At beginning of year	2,340,492	1,538,117	2,339,040	1,536,665
Financing cash inflows	1,118,110	1,275,250	1,118,110	1,275,250
Financing cash outflows	(567,218)	(524,425)	(567,218)	(524,425)
Non-cash changes	(4,119)	51,550	(4,119)	51,550
At end of year	2,887,265	2,340,492	2,885,813	2,339,040

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. The non-cash changes on the long term liability totalled $1,443,000.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

30. Deferred Income Tax

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 11.11% (2016 10.59%) for the company and 25% (2016- 25%) for the subsidiaries.

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Statement of financial position (assets)/liabilities for:				
Deferred income tax assets	(1,587)	(1,363)	-	-
Deferred income tax liabilities	1,407,914	1,168,265	759,508	584,765
	1,406,327	1,166,902	759,508	584,765

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets -				
Vacation leave accrual	3,420	3,062	2,366	1,750
Other payables	116	640	-	-
Employee benefit obligations	39,751	29,309	39,751	29,309
Property, plant and equipment	220	130	-	-
Unrealised foreign exchange losses	400	227	-	227
Interest payable	96	256	96	256
	44,003	33,624	42,213	31,542
Deferred income tax liabilities -				
Property, plant and equipment	1,316,109	1,098,192	669,831	516,557
Unrealised foreign exchange gains	2,231	2,291	176	82
Interest receivable	1,484	902	1,208	527
Retirement benefit asset	130,506	99,141	130,506	99,141
	1,450,330	1,200,526	801,721	616,307
Net deferred income tax liabilities	1,406,327	1,166,902	759,508	584,765

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2017
(expressed in Jamaican dollars unless otherwise indicated)

30. Deferred Income Tax (Continued)

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net liabilities at beginning of year	1,166,902	1,109,633	584,765	492,339
Profit or loss (Note 10)	(23,423)	(10,401)	4,482	24,756
Effect on re-measurements of post- employment benefits	14,648	28,583	14,648	28,583
Stockholders' equity on disposal of PPE	-	(575)	-	(575)
Stockholders' equity on revaluation surplus	226,595	-	134,008	-
Effect of change in tax rate on previous years' revaluation surplus	21,605	39,662	21,605	39,662
Net liabilities at end of year	1,406,327	1,166,902	759,508	584,765

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Vacation leave accrual	(358)	(346)	(616)	(346)
Other payables	524	(131)	-	163
Employee benefit obligations	10,053	(4,395)	10,053	(4,395)
Unrealised foreign exchange losses	(173)	49	227	(227)
Interest payable	160	3,533	160	3,533
Property, plant and equipment	(30,373)	(9,592)	(2,339)	16,327
Unrealised foreign exchange gains	(60)	2,291	94	82
Interest receivable	582	(11,354)	681	75
Retirement benefit asset	(3,778)	9,544	(3,778)	9,544
	(23,423)	(10,401)	4,482	24,756

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Retirement benefit asset	21,312	29,793	21,312	29,793
Employee benefit obligations	(6,664)	(1,210)	(6,664)	(1,210)
	14,648	28,583	14,648	28,583

30. Deferred Income Tax (Continued)

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred income tax assets to be recovered -				
After more than 12 months	39,971	29,439	39,751	29,881
Deferred income tax liabilities to be extinguished -				
After more than 12 months	1,446,615	1,197,333	800,337	615,698

31. Trade and Other Payables

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables	204,227	102,825	180,465	83,151
Dividends payable	306,779	292,460	306,779	292,460
Provision for 16% wharfage reserve	43,384	45,176	43,384	45,176
Third party collections	468,247	20,369	468,247	20,369
Contract retention	66,455	-	66,455	-
Other payables and accruals	552,580	541,699	512,239	501,668
	1,641,672	1,002,529	1,577,569	942,824

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

32. Operating Leases

During the year the Group entered into an operating lease for property to expand its port and logistics operations. The future minimum lease payments under operating leases are as follows

	2017 $'000	2016 $'000
No later than 1 year	23,958	-
Within 1 to 5 years	95,832	-
Over 5 years	231,595	-
	351,385	-

32. Operating Leases (Continued)

The Group earned property rental income of $103,585,000 (2016: $52,607,000) under operating leases.

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

	2017 $'000	2016 $'000
No later than 1 year	119,401	35,965
Within 1 to 5 years	70,016	84,192
Over 5 years	15,894	35,419
	205,311	155,576

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 2017 as follows:

	$'000
Authorised and contracted for	106,000

35. Subsequent Events

Subsequent to the year end, the company paid a dividend of 21 cents per share to equity holders on record on 20 December 2017 (Note 14).