CELEBRATING 75 1945 - 2020

KINGSTON WHARVES LIMITED

SOLID FOUNDATION: BOUNDARYLESS POSSIBILITIES

Annual Report 2020

Contents

Celebrating 75 Years of Achievement

Celebrating 75 Years of Achievement

DELIVERING THEN

1 The year was 1945; a time of pound, shilling and pence; World War II ended and reggae icon Robert Nesta 'Bob' Marley was born. That year also saw the birth of Kingston Wharves Limited (KWL), starting with four finger piers – Princess, Orange, Hanover and East Streets. The photo shows an aerial view of the finger piers of downtown Kingston in 1950s.

Before modern technological advancements goods could only be transported by using pallets, crates and boxes. This required a robust labour-force of thousands to get the job done. In this photo trucks are transporting goods from the port in the late 1930s.

Trucks loading lumber at the wharves for deliveries.

The advent of containerisation revolutionised the transportation of cargo and forced the introduction of the cranes and other relevant cargo handling equipment. It was clear that the port had outgrown downtown Kingston and in 1964, the western end of the Kingston Harbour was identified as the ideal location with the creation of Port Bustamante in Newport West. Photo shows vessel docked at Western Terminals.

1945 — **KWL is formed** with an authorized capital of £249,000

1955

1963 Incorporation of Royal Mail Line Pier into KWL operations expands its facility to 12 Berths

1964 KWL purchases 56 acres of land to be reclaimed as part of the Newport West Project

1965

1966 KWL docks its first ship, the S.S. Santa Rosa, at its new 5 deep-water berth facility

1967 **Harbour Cold Stores** begins operations

1972 The first Container Transshipment Terminal in Jamaica is managed by KWL

1975

KWL is the operating regional transshipment hub for Seaboard Marine and Hoegh Autoliner.

2017 KWL services two of the largest Cruise vessels to call on the Port of Kingston within 24-hour period

DELIVERING TODAY

KWL's Terminal now operates 24 hours per day, 365 days per year with a continuous quay 1,655 metres long, offering 9 deepwater berths with draft up to 13 metres for ro-ro, lo-lo, container, general break bulk and bulk cargoes.

In recent years, KWL has expanded its stevedoring operations of break-bulk cargo to include cement, lumber and steel.

6 In 2017, KWL welcomed one of the world's largest autoliners to the Port of Kingston.

KWL copped the Caribbean Shipping Association's 'Best Multi-purpose Terminal of the Year' title for 2006, 2007, 2009, 2013 and 2015. KWL was also recognized in 2010 and 2008, as the Region's most efficient port—an acknowledgement of its commitment to operational efficiency. In 2010 and 2016 the Port was also recognized for its growth and development.

2 The vision at the time was to establish the most modern port in the Caribbean. This new port was first occupied by Western Terminals Limited and then Kingston Wharves Limited. On the February 14, 1966, the S.S. United States pictured here docked to celebrate the opening of Newport West. The Daily Gleaner in an editorial that month affirmed that "the development of Newport West is the single most important addition to Jamaica's economy since the discovery of bauxite about a quarter century ago".

3 Container Transshipment from Kingston officially began in 1975 at berths 10 and 11. KWL managed the government-owned transshipment facility until 2001. The photo shows the unloading of the 2 Paceco Gantry Cranes that dominated the Kingston shoreline in the early years of the transshipment facility.

4 A longtime tradition for Jamaicans living overseas has been sending barrels filled with food, clothing and household items to family and friends back home. Workers are shown unloading barrels from a container at the port sometime in the 1980s in this photo.

5 The photo shows the KWL then Chairman, Rafael Diaz sliding the company's name plate to mark its listing on the Jamaica Stock Exchange on September 26, 1995. The listing was the culmination of the merging of the two major private wharf companies on the Port of Kingston – Western Terminals and KWL to make a new and expanded company under the name KWL.

Courtesy of National Library of Jamaica

1985

1987 Security Administrators Limited is established

1994 Western Terminal Limited, owners of berths 1 and 4, is acquired

5

1995

2003 Grace Kennedy and Company Limited ends almost 60 years of managing KWL

2004 NCB acquires majority shareholding

KWL purchases its first Gottwald Mobile Crane and begins offering stevedoring services

2005

START

The Modernization of Berths 8 and 9

COMPLETED

2012 Majority shareholding is acquired by the JP Group

2013 KWL awarded Free Zone Status

KW Logistics Limited is incorporated

START

2015

Construction of Total Logistics Facility

6

COMPLETED

Newport Stevedoring Services Limited starts operations

7

2020

KWL achieves Full Special Economic Zone Status

KINGSTON WHARVES LIMITED

CELEBRATING 1945 - 2020

KINGSTON WHARVES LIMITED

2017 Vote of confidence from the Jamaica Chamber of Commerce who awarded KWL Best of Chamber Award for Large Companies.

Solid Foundation: Boundaryless Possibilities

With the completion of the Panama Canal expansion, KWL has proactively positioned itself to take advantage of the growth in container vessels to the region by upgrading its terminal equipment and facilities this includes the acquisition of 2 of the largest mobile harbour cranes operating in the Caribbean.

Warehousing and the delivery of deconsolidated cargo including barrels remain key segments of operations at KWL.

7 KWL opens its **Total Logistics Facility**, a 160,000 sq. ft. ultra-modern facility offering value added logistics. Later that year, KWL opens the **Global Auto Logistics Centre** at Tinson Pen, a one stop center for global logistics warehousing of automobiles and related cargo, as well as providing more efficient domestic auto storage and delivery services.

Vision

The preferred port-centric logistics partner connecting the world to Caribbean markets.

VISION. EXCELLENCE. ACHIEVEMENT.

A journey of steady expansion and consistent growth, grounded in a unique vision that continues to see things not as they are, but how they can be. Rising from the humble beginnings of finger piers, we are now the regional multi-purpose seaport of choice, fully equipped and globally connected as the gateway to the Americas.

CELEBRATING 1945 - 2020

KINGSTON WHARVES LIMITED

Mission

A leading provider of innovative terminal and logistics solutions for the movement of cargo.

Core Values

SUSTAINABILITY
We employ sustainable practices in the use of our resources and the protection of our environment to enable long-term prosperity for our Company, community and country.

TEAM WORK
We are committed team members working together to achieve excellence.

SAFETY
Our priorities are underpinned by the safety and wellbeing of our people.

CUSTOMER FOCUSED
We are unrelenting in our pursuit of excellence in service delivery and customer satisfaction.

INNOVATION
We strive to lead with innovation where creativity and change are drivers for growth.

PERFORMANCE
We strive for continuous improvement to deliver productive and efficient performance.

INTEGRITY
Our actions and decisions reflect the highest ethical standards and professionalism.

RESPECT
We consistently show respect in all interactions with our people, customers and stakeholders.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Kingston Wharves Limited (the "Company") will be held by electronic means and broadcasted to shareholders from the Company's head office at 195 Second Street, Newport West, Kingston 13, on **Thursday, June 17, 2021 at 10:00 a.m.** for the following purposes:

1. To receive the Audited Financial Statements for the year ended December 31, 2020 and the Reports of the Directors and Auditors circulated therewith:

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

"THAT the Audited Financial Statements for the year ended December 31, 2020 and the Reports of the Directors and Auditors circulated with the Notice convening the meeting be adopted".

2. To declare the dividend of Twenty cents ($0.20) per share paid on August 19, 2020 and of Thirty-Four cents ($0.34) per share paid on January 18, 2021 as final.

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

"THAT as recommended by the Directors, the dividend of Twenty cents ($0.20) per share paid on August 19, 2020 and of Thirty-Four cents ($0.34) per share paid on January 18, 2021 be and are hereby declared as final and that no further dividend be paid in respect of the year under review.

3. Election of Directors

By Rotation

The Directors retiring from office by rotation pursuant to Article 107 of the Company's Articles of Incorporation are Messrs. Grantley Stephenson, Roger Hinds, Kathleen Moss and Kim Clarke. All the retiring Directors, being eligible, offer themselves for re-election.

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

(i) "THAT Mr. Grantley Stephenson be and is hereby re-elected a Director of the Company."

(ii) "THAT Mr. Roger Hinds be and is hereby re-elected a Director of the Company.

(iii) "THAT Mrs. Kathleen Moss be and is hereby re-elected a Director of the Company."

(iv) "THAT Mr. Kim Clarke be and is hereby re-elected a Director of the Company."

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

To consider and if thought fit pass the following resolution:

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

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

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

"THAT the amount shown in the audited accounts of the Company for the year ended December 31, 2020 as fees of the Directors for their service as directors, be and is hereby approved."

Dated the 20th Day of April, 2021.

By Order of the Board

Jeffrey Hall BA, MPP, JD
Chairman

REGISTERED OFFICE
195 Second Street
Newport West
Kingston 13
St. Andrew, Jamaica

NB: A member entitled to vote at the meeting is entitled to appoint a proxy to vote in his stead. A proxy need not be a member of the Company. Enclosed is a proxy form for your convenience, which must be lodged at the office of the Registrar and Transfer Agent of the Company, Jamaica Central Securities Depository Limited, 40 Harbour Street, Kingston, Jamaica, or with the Company Secretary at, 195 Second Street, Newport West, Kingston 13, St. Andrew, Jamaica, at least forty-eight hours before the time appointed for holding the meeting. The Proxy Form shall bear the stamp of $100.00. The stamp duty may be paid by adhesive stamp (s) to be cancelled by the person executing the proxy.

KWL at a Glance

OUR BUSINESS

The Kingston Wharves Group has been on a steady growth path since its inception in 1945, marked by increased profitability and competitiveness. By embracing an expansive, yet focused vision and prudent management, KWL has continued to raise the bar in service delivery, value proposition and quality. In addition to the core business of terminal operations and logistics, the KWL Group operates other entities that provide cold storage rental, industrial and port security services, and skilled labour for terminal operations.

US$233 MILLION
Net Assets

Kingston Wharves Limited (KWL) is consistently recognized as the Region's leading multi-purpose port terminal operator, connecting our nationt's importers and exporters to over 30 international ports in the Caribbean, and Latin and North America.

WE DELIVER

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

- Multi-cargo handling services for breakbulk cargo (lumber, steel, containers and motor vehicles), and dry and liquid bulk cargo (oil, grain, cement and others)
- Mooring and Unmooring of Vessels
- Stevedoring
- Equipment Rental
- Container Stripping, Stuffing and Reconsolidation
- Multi-Storage and Warehousing
- Transshipment
- Refrigerated Container Management and Support

OUR ACHIEVEMENTS

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

Best in Chamber Awardee for Large Companies 2017
Jamaica Chamber of Commerce

Growth & Development Awardee 2016 • 2010
Caribbean Shipping Association

5x BEST
Multi-Purpose Terminal of the Year Awardee
CARIBBEAN SHIPPING ASSOCIATION

Best in Chamber Nominee 2011 • 2016
Jamaica Chamber of Commerce

Most Efficient Port Awardee 2008 • 2010
Caribbean Shipping Association

TRANSSHIPMENT

Transshipment continues to be an important service for Kingston Wharves. One of the region's premier shipping lines utilises KWL's terminal as its transshipment hub, operating weekly feeder services to other Caribbean and Latin American ports. The regional transshipment hub for one of the world's leading motor vehicle carriers is also managed by KWL.

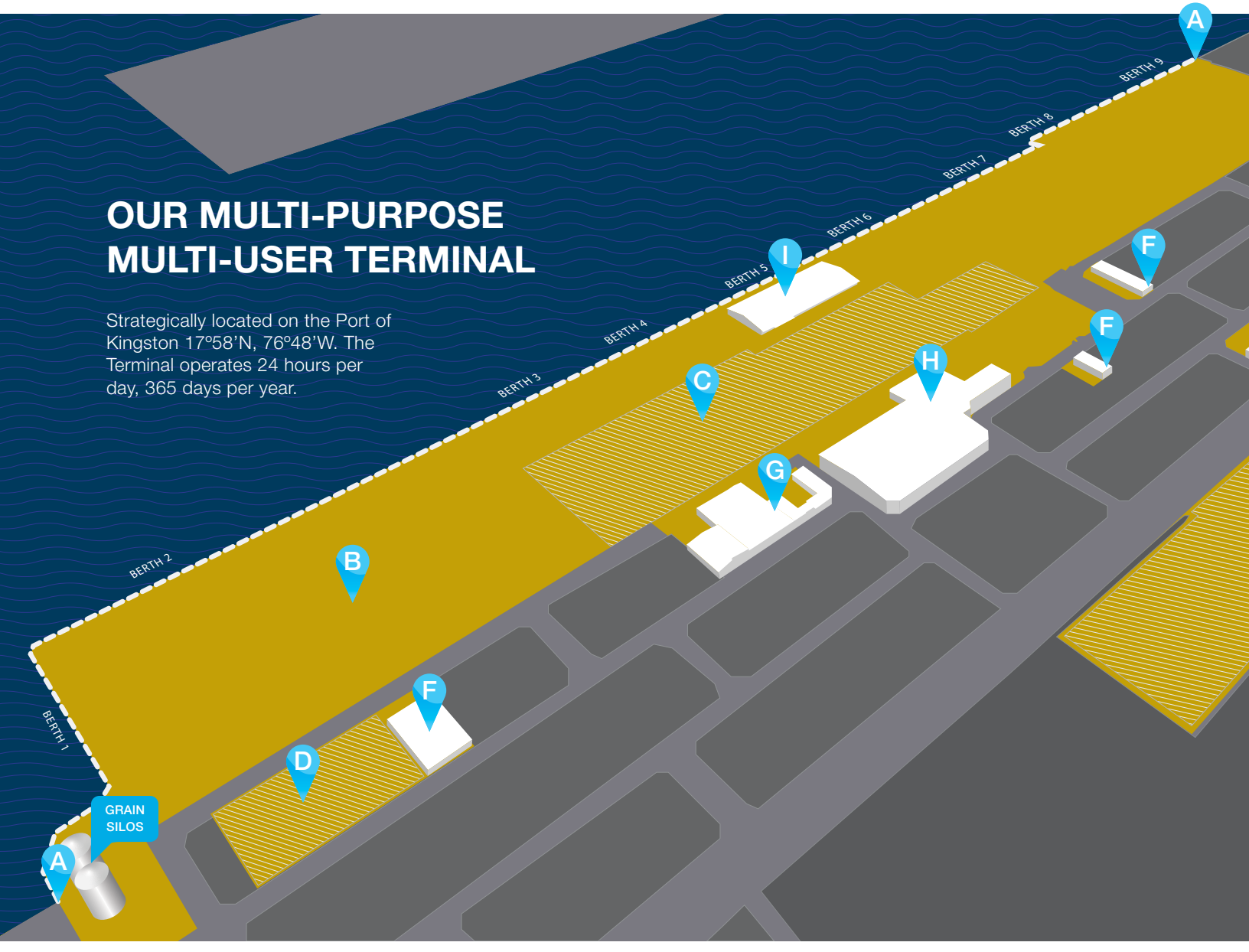
Third and Fourth Party Logistics Services

Labour Services

Port and Industrial Security

OUR MULTI-PURPOSE MULTI-USER TERMINAL

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



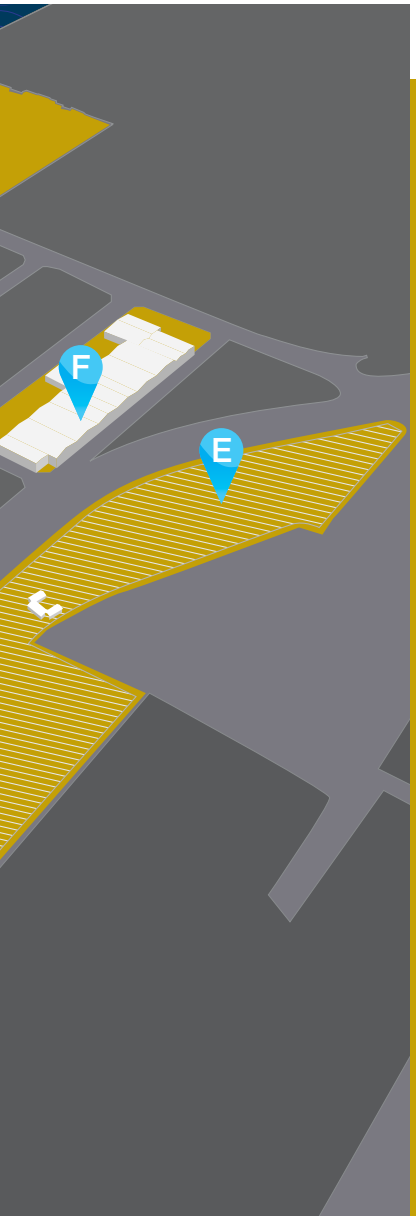
HOW WE WORK

The equipment & supporting systems include:

06 Mobile Harbour Cranes

18 Reach Stackers

02 Loaded Container Handlers (Top Loaders)



TERMINAL INFRASTRUCTURE

A CONTINUOUS QUAY
measuring 1,655 metres (5,430 feet)

9 DEEPWATER BERTHS
for ro-ro, lo-lo, container, general break bulk and bulk cargoes

VESSEL DEPTH
9 metres (29 feet) to 13 metres (42 feet)

B ON-DOCK OPEN STORAGE
250,000 square metres or 2,694,000 square feet

TOWER GRAIN SILOS
2 Silos 9,000 metric tons capacity

REEFER PLUGS
172 at 440 Volts

C ON-DOCK TRANSSHIPMENT CAR PARK
56,000 square metres or 600,000 square feet

D OFF-DOCK CAR PARK
6,500 square metres or 70,000 square feet

E GLOBAL AUTO LOGISTICS CENTRE (TINSON PEN)
73,000 square metres or 786,000 square feet

F INTEGRATED LOGISTICS WAREHOUSES
190,000 square feet

G KINGPORT WAREHOUSE COMPLEX
40,000 square feet

H TOTAL LOGISTICS FACILITY
160,000 square feet of Ultra-Modern Logistics Warehouse

I ON-DOCK WAREHOUSE STORAGE
110,000 square feet

*Approximate measurements

19
Bomb Carts

16
Terminal Tractors 4x2

25
Container Chassis

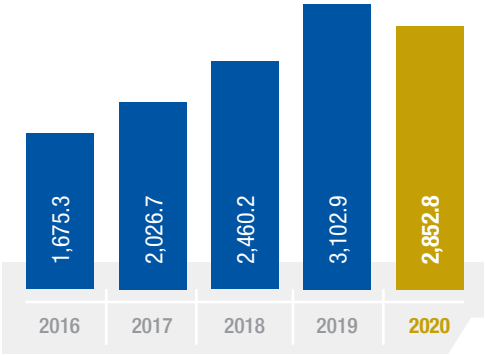
03
Ro-Ro 4x4 Terminal Tractors

Tideworks Terminal Operating System

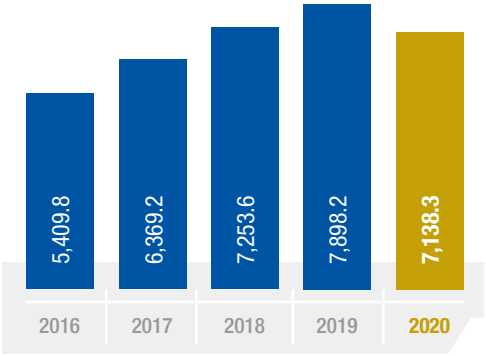
WE ARE ALSO ABLE TO SOURCE ADDITIONAL CHASSIS, TRUCKS, TRAILERS AND FORKLIFTS, UPON REQUEST.

2020 Performance Summary

FINANCIAL



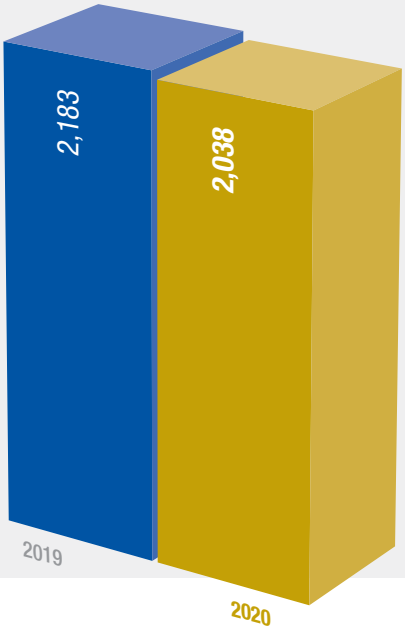
Operating Profit ($M)



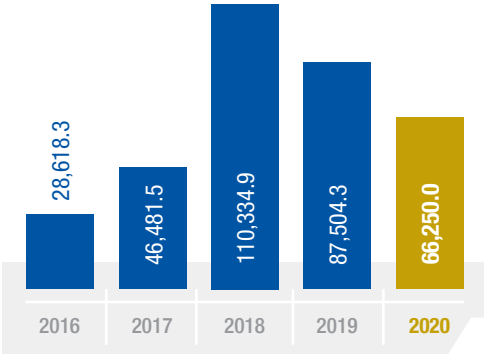
Group Revenue ($M)

OPERATIONAL

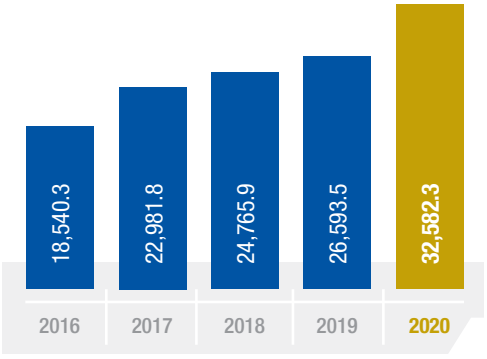
Domestic Tonnage Handled ('000)



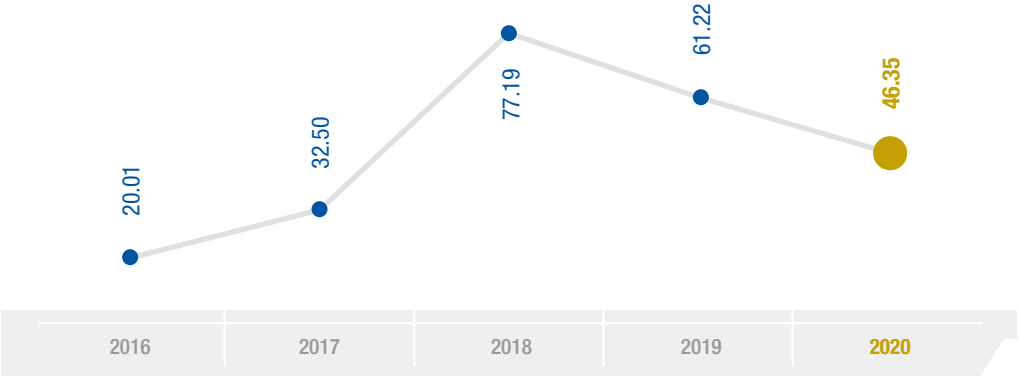
SHAREHOLDERS' INTEREST



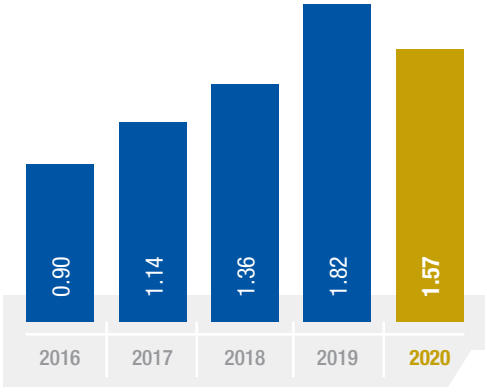
Market Capitalisation ($M)



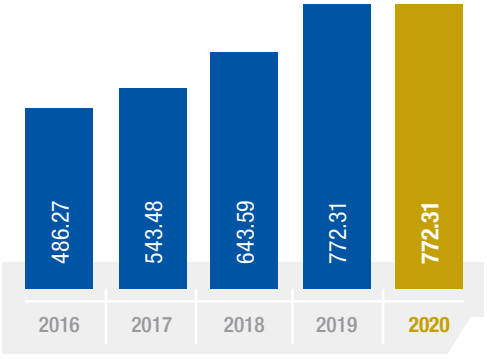
Shareholders Equity ($M)



Stock Price at Year End ($)



Earnings Per Share ($)

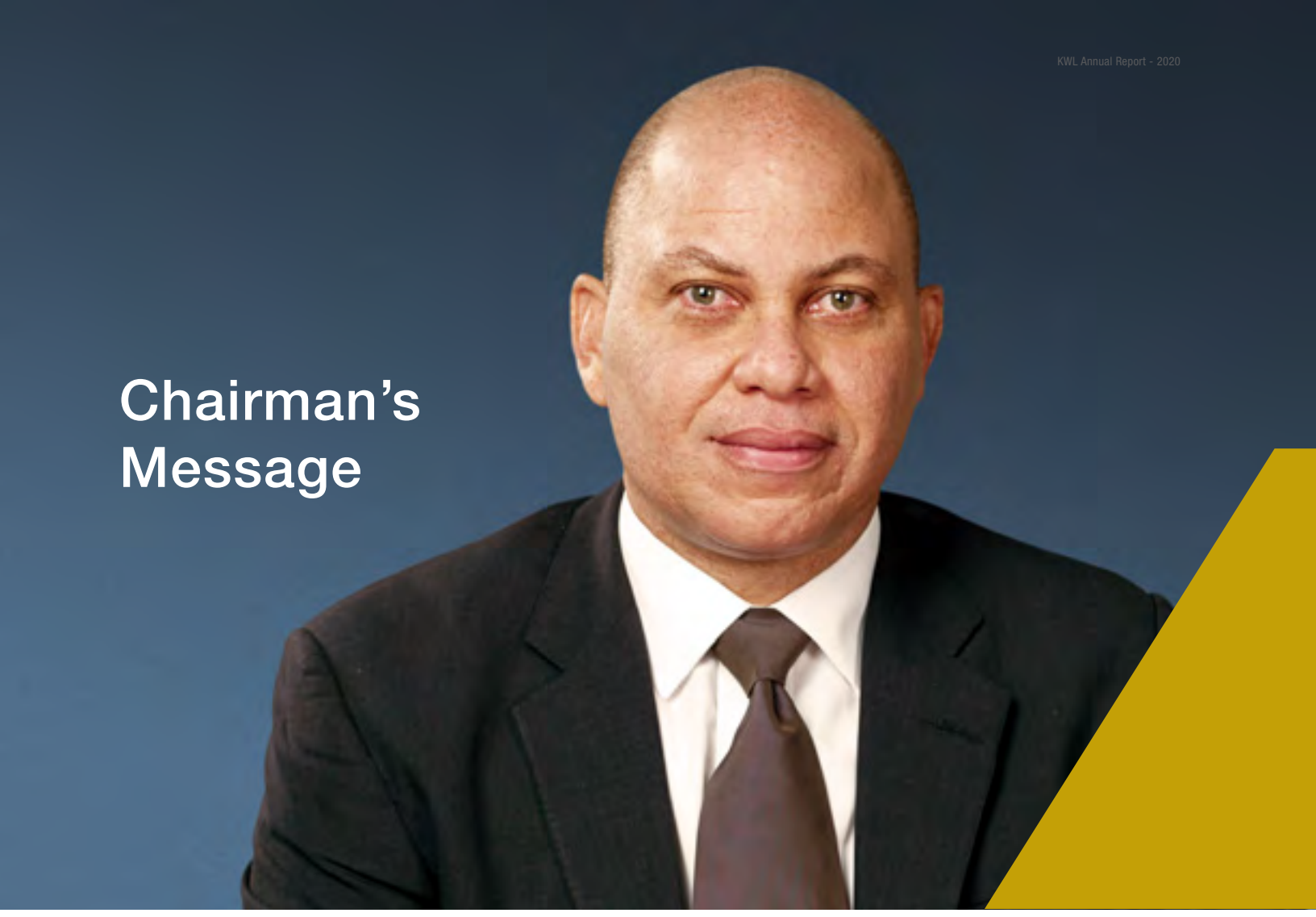


Dividends Declared ($M)

Ten-Year Statistical Review

	2020	2019	2018
No. of Stock Units @ 20 cents each (000's)	1,429,342	1,429,342	1,429,393
Total Assets ($'000)	38,233,506	32,580,694	31,456,820
Net Current Assets ($'000)	6,098,188	5,111,944	4,151,517
Deposit & Cash Balance ($'000)	6,934,489	5,923,489	5,019,466
Capital Expenditure ($'000)	696,907	604,291	657,715
Total Gearing ($'000)	1,680,741	2,273,631	2,777,428
Shareholders' Equity ($'000)	32,582,332	26,593,460	24,765,896
PROFIT AND LOSS ACCOUNT			
Revenue ($'000)	7,138,338	7,898,207	7,253,571
% Increase/(Decrease) over prior year	-9.62	8.89	13.88
Operating Profit ($'000)	2,852,760	3,102,944	2,460,166
% Increase/(Decrease) over prior year	-8.06	26.13	21.39
Finance Costs ($'000)	154,876	177,917	217,377
% Increase/(Decrease) over prior year	-12.95	(18.15)	61.11
Profit Before Income Tax ($'000)	2,697,884	2,963,638	2,239,217
% Increase/(Decrease) over prior year	-8.97	32.35	18.37
Net Profit Attributable to Equity Stockholders ($'000)	2,237,719	2,600,817	1,945,450
% Increase/(Decrease) over prior year	-13.96	33.69	19.46
Dividends Declared ($'000)	772,308	772,308	643,590
% Increase/(Decrease) over prior year	0.00	20.00	18.42
IMPORTANT RATIOS			
Return on Sales	31.35%	32.93%	26.82%
Return on Equity	6.87%	9.78%	7.86%
Current Ratio	4.11:1	3.44:1	2.69:1
Debt to Equity Ratio	5.16%	8.55%	11.21%
Profit Before Tax to Sales	37.79%	37.52%	30.87%
Dividend Cover - Times	2.90	3.37	3.02
Interest cover (inclusive of foreign exchange movement)	18.42	17.44	11.32
Total No. of Employees (Permanent and Contractual)	631	599	583
Net Profit After Income Tax per Employee ($'000)	3,546.3	4,341.90	3,337.0
MARKET STATISTICS			
Stock Price at year end	$46.35	$61.22	$77.19
Earnings per Stock Unit	$1.57	$1.82	$1.36
Price Earnings Ratio	29.52	33.64	56.71
Market Capitalisation ($'000)	66,250,002	87,504,317	110,334,846

2017	2016	2015	2014	2013	2012	2011
1,430,200	1,430,200	1,430,200	1,430,200	1,430,200	1,430,200	1,072,650
29,475,959	23,536,808	21,411,543	21,001,026	16,716,664	16,386,680	14,369,707
2,922,727	2,478,345	2,281,209	2,606,034	2,911,375	2,844,769	800,995
3,948,221	3,190,846	3,019,868	2,909,435	3,159,899	3,100,658	1,076,655
1,847,257	1,865,654	1,202,414	1,252,601	579,447	52,168	638,022
2,888,132	2,342,913	1,538,117	1,926,748	1,998,940	2,046,359	2,390,675
22,981,794	18,540,246	17,496,896	16,958,261	12,689,393	12,136,160	9,536,247
6,369,238	5,409,801	4,672,884	3,819,691	4,232,408	3,670,177	3,168,802
17.74	15.77	22.34	(9.75)	15.32	15.82	4.72
2,026,685	1,675,251	1,572,056	1,145,267	1,477,042	1,075,667	640,764
20.98	6.56	37.27	(22.46)	37.31	67.87	(30.48)
134,923	186,408	162,718	224,151	325,746	266,330	173,465
(27.62)	14.56	(27.41)	(31.19)	22.31	53.54	403.64
1,891,762	1,488,843	1,409,338	921,116	1,151,296	809,337	467,299
27.06	5.64	53.00	(19.99)	42.25	73.19	(47.33)
1,628,538	1,293,480	1,256,397	842,730	839,255	550,203	337,604
25.90	2.95	49.09	0.41	52.54	62.97	(43.99)
543,476	486,268	357,550	286,040	257,436	143,020	45,512
11.76	36.00	25.00	11.11	80.00	214.25	(64.64)
25.57%	23.91%	26.89%	22.06%	19.83%	14.99%	10.65%
7.09%	6.98%	7.18%	4.97%	6.61%	4.53%	3.54%
2.68:1	2.50:1	2.68:1	3.39:1	3.94:1	3.63:1	1.95:1
12.57%	12.64%	8.79%	11.36%	15.75%	16.86%	25.07%
29.70%	27.52%	30.16%	24.11%	27.20%	22.05%	14.75%
3.00	2.66	3.51	2.95	3.26	3.85	7.42
15.02	8.99	9.66	5.11	4.53	4.04	3.69
625	663	717	738	819	756	481
2,605.7	1,951.0	1,752.3	1,141.9	1,024.7	727.8	701.9
$32.50	$20.01	$11.36	$6.00	$6.06	$5.00	$5.92
$1.14	$0.90	$0.88	$0.59	$0.59	$0.41	$0.31
28.51	22.23	12.91	10.17	10.27	12.20	19.10
46,481,500	28,618,302	16,247,072	8,581,200	8,667,012	7,151,000	6,350,088



Chairman's Message

The year 2020 tested the strength and agility of the Kingston Wharves business model and the skills and dedication of our team. I am satisfied with our performance, under these difficult circumstances.

For most of 2020, we operated in the context of the COVID-19 pandemic. Jamaica experienced significant fallout in tourism flows and employment, with the PIOJ projecting a contraction in the economy of 10.2% for the 2020 calendar year. This was the worst downturn since independence and would more than erase the cumulative growth of the last few years.

Across our region – Latin America and the Caribbean – projections by the Inter-American Development Bank estimated a reduction in the value of 2020 exports of between 11.3% and 13% and a fall in imports of 19%. This setback to regional trade was due primarily to the health emergency of the COVID-19 pandemic and the policy measures that were implemented to contain it. The regional economic effects of COVID-19 would be compounded in the tourism dependent economies of the Caribbean and in those with limited room to offer financial support to the businesses and individuals that were most directly affected. This characterises Jamaica, and several of the markets that generate cargo for Kingston Wharves and to which we provide logistics services. In this region, like elsewhere, the impact of reduced trade flows directly impacts the business of sea freight and sea ports which are conduits for the vast majority of global trade.

Kingston Wharves recorded revenues of J$7.1 billion for 2020, a decline of 10% relative to 2019. Under these circumstances, the primary financial and operational goal for us was to maintain high service levels, ensure all aspects of legal and regulatory compliance and husband our resources while reducing costs. In all of this, we considered our duty to implement social distancing, sanitation, and other workplace practices to support the health and safety of our team, customers and stakeholders to be non-negotiable.

We generated pre-tax profits of J$2.70 billion, a reduction of 9% relative to 2019. Net profit attributable to shareholders for 2020 was J$2.24 billion (a reduction of 14% relative to the prior year), representing earnings per stock unit of $1.57. Importantly, during 2020, our stockholders equity increased by 22.5%.

In line with our confidence in the business, and in its ability to recover after the pandemic, we held our dividend per stock unit of $0.54 in 2020 (representing total declared dividends of $772 million) equivalent to the dividend per-stock unit in 2019.

Kingston Wharves Limited benefits from the fact that within the scope of its port terminal and logistics operations, it has a wide range of revenue sources. This reflects the chosen business model of the company and is consistent with our strategic priorities for the future. The business handles domestic cargo that is connected to Jamaica as either imports or exports. We also handle the trans-shipment of cargo where Kingston Wharves represents the most competitive location for regional and global lines to station cargo as it awaits transfer from one shipping service to another. Accordingly, our terminal now provides sea freight connections to over 30 regional ports and connections for cargo to terminals as far away as New Zealand and Australia. We are committed to handling domestic and transshipment cargo for a range of shipping lines, and, as such, we are designated a multi-user terminal.

By virtue of our capital investment in specialised equipment and facilities, Kingston Wharves is organised to handle a wide range of cargo types, including containers, automotive cargo, bulk, break bulk and liquid bulk as well as project cargo. We also operate on-dock and off-dock warehousing, within a special economic zone, for palletised or ‘less than container load’ cargo.

Shareholders must understand three important insights about Kingston Wharves. The first, is that it would take a highly unusual set of circumstances for every revenue line within our diverse range of services to be materially and adversely impacted. COVID-19 was an unusual event with adverse implications to trade in our core markets and across the globe. But even under these circumstances, we saw growth in our logistics services, in part because of shipments from the diaspora, from increasing e-commerce activity and from commercial interests that shifted to less than container load cargo. This business segment generated value from our ongoing investment in technology, digital applications, service improvements and state of the art facilities that improved efficiency and made it easier than ever to track and clear cargo quickly, safely and reliably.

The second insight is that the port business is capital intensive and dynamic. Success requires the terminal operator to have ready to hand an installed base of plant and equipment, container yards, storage space, berth frontage, warehousing, and IT systems all within highly secure monitored boundaries and operated by technically trained skilled personnel with a definite capacity to operate consistently to global standards. These capital assets must be constantly but prudently upgraded so that when business opportunities present themselves the facility and team are ready and competitive. Kingston Wharves is comfortable with this reality. We have organised ourselves to allow that one aspect of our reaction to the reduced volumes of cargo arising from the COVID-19 pandemic was to reduce operating costs. Another part of our reaction, however, was to use the flexibility that our balance sheet affords us, to implement long term plans for our continued participation in those aspects of global and regional trade that we anticipate will demonstrate sustained growth. During 2020, we took steps to complete the planning and engineering of our next phase of berth expansion, and related capital projects to allow us, in the future, to handle more and bigger ships serving all

Chairman's Message cont'd

"Kingston Wharves Limited benefits from the fact that within the scope of its port terminal and logistics operations, it has a wide range of revenue sources. This reflects the chosen business model of the company and is consistent with our strategic priorities for the future."

types of cargo that we handle. We also improved our security systems, special economic zone protocols, and IT systems to enhance our competitiveness as a transhipment facility and to allow for us to compete as a logistics centre for near shoring of products for regional markets and, importantly, to allow us to participate more effectively in the growth of e-commerce.

The third and perhaps most important insight is that the board and management of Kingston Wharves believes that part of its strength and endurance lies in the long term partnerships that we are able to forge with shipping lines and owners of cargo. We believe these relationships are hugely important to the development of the business, because they allow for long term decisions that benefit the business while adding value to stakeholders whose ongoing commitment is essential to our success.

The work of Kingston Wharves is a team effort. I thank our shareholders, customers and suppliers for their loyalty. I thank our board for their leadership and wise counsel. I use this medium to pay special tribute to Mr. Alvin Henry who retired from our board and as Chairman of our Audit Committee in 2020. Mr. Henry served Kingston Wharves with distinction, playing a key role in supporting the governance structure of the organisation. He was a steady pair of hands showing good judgment, integrity and prudence in the oversight of our finances. We wish him only the best in retirement.

At the start of 2021, we lost one of the true stalwarts of Caribbean shipping—Mr. Harriatt "Harry" Maragh. Harry served as a director of this company for over 16 years. He was a true visionary and astute entrepreneur who was committed to Kingston Wharves and to every aspect of the industry of shipping in Jamaica. He built a large and successful enterprise around this commitment, and along the way, earned the trust and deep and abiding respect of his fellow colleagues on the Board of Kingston Wharves and across the business of Caribbean shipping. We will miss him, but we will seek to honour him by building on his sterling legacy as we move forward.

I also thank our management and staff for their personal sacrifice during the challenges of 2020. I am mindful that our business is an essential service for our customers and our nation. Frankly, we have always seen it this way but we have noted that this designation is now further enshrined in the rules governing our national response to the COVID-19 pandemic. I am also mindful that most of what we do, loading and unloading ships and receiving and delivering cargo is front-line work. It simply cannot be done at home. Our people, therefore, are the ultimate front-line workers. Jamaica has been able to depend on them and we are indeed grateful for their dedication.

Thank You.

Jeffrey Hall BA, MPP, JD
Chairman

Board of Directors

Our Directors drive the achievement of our strategic imperatives, piloting the success of the organisation on its growth path. Through the various stages of the Group's transformation process, our team of Directors brings to bear a wealth of knowledge, ensuring the strength of the corporate governance framework.

JEFFREY HALL BA, MPP, JD
Chairman

Jeffrey Hall is the Chief Executive Officer of Jamaica Producers Group Ltd. (JPG) and has been the Non-Executive Chairman of the KWL Group since 2014. Mr. Hall was nominated for the Jamaica Observer Business Leader Award 2016 in recognition of his entrepreneurial excellence and for redefining the mission of his company. Other Board and Committee Association: Jamaica Producers Group, Scotia Group Jamaica Limited, The Bank of Nova Scotia Jamaica Limited, Scotia Investments Jamaica Ltd, Blue Power Group Limited, Lumber Depot Ltd, SAJE Logistics and Infrastructure Ltd., the Private Sector Organisation of Jamaica and Eppley Caribbean Property Fund Limited.

Committee: Executive (Chair)
Length of Directorship | 9 Years

GRANTLEY STEPHENSON CD, JP
Deputy Chairman

Grantley Stephenson served in the dual capacity of Executive Chairman and CEO between 2004 – 2009 and 2011 – 2013. He was CEO of KWL until January 2020, when he was appointed Deputy Chairman. Mr. Stephenson was conferred with the Order of Distinction by the Government of Jamaica in 2007 and an Honorary Doctor of Science in Port Management by the Caribbean Maritime University in 2017. He received the 2015 'Manager of the Year' Award from the Jamaica Institute of Management and was ranked the No. 1 CEO among all companies trading on the Jamaica Stock Exchange by Businessuite Magazine in 2010. He is also a fellow of the Jamaica Institute of Management. Other Board and Committee Association: Jamaica Producers Group, Security Administrators Limited, Shipping Association of Jamaica, SAJE Property Services Limited, Assessment Recoveries Limited, Ports Management and Security Limited, ADVANTUM, and Shortwood Teachers College – Chairman of the Board of Managers.

Committees: Executive, and Compensation and Leadership Development (Chair)
Length of Directorship | 17 Years

MARK WILLIAMS
Chief Executive Officer

Mark Williams was appointed Chief Executive Officer of the Kingston Wharves Group, effective January 6, 2020, having joined the Kingston Wharves Limited in October 2011 as the Chief Marketing and Planning Officer. He was later appointed Chief Operating Officer with responsibility for the development and execution of corporate strategy for the KWL Group.

Mr. Williams, is a certified Port Executive. Prior to joining Kingston Wharves, he was Vice President, Commercial Development, Marketing and Planning at the Airports Authority of Jamaica. He held Senior Executive positions at The Shell Company (W.I.) Limited and Shell Antilles & Guianas Limited with responsibility for 10 countries throughout the Caribbean.

He holds a Master of Business Administration (MBA) degree from University of Surrey, United Kingdom, a Master of Philosophy (MPhil) and Bachelor of Science (BSc) degree from the University of the West Indies and Bachelor of Laws degree (LL.B) from the University of London. Other Board and Committee Association: Shipping Association of Jamaica.

Committees: All
Length of Directorship | 1 Year

BRUCE BRECHEISEN

Bruce Brecheisen is an Executive Vice President with Seaboard Marine, a leading ocean carrier in the Caribbean and Latin America. Mr. Brecheisen is a voting member of the Board of the Port of Miami Crane Management, Inc. Other Board and Committee Association: CareerSource South Florida.

Committees: Audit, Executive
Length of Directorship | 6 Years

KIM CLARKE

Kim Clarke, a past President of the Shipping Association of Jamaica, is Managing Director of the Maritime and Transport Group of Companies. He is also the Managing Director of Boat Services Limited and Chairman of Caribbean Crewing and Manning Services Limited. Other Board and Committee Association: R.S. Gamble Limited, Arnold L. Malabre & Company Limited, Newport Fersan Jamaica Limited and SAJE Property Services Limited.

Committees: Executive, Compensation and Leadership Development.
Length of Directorship | 17 Years

DR. MARSHALL HALL CD, OJ

Dr. Marshall Hall, formerly Professor of Management at the University of the West Indies, is a Director of Jamaica Producers Group Limited. Dr. Hall was conferred with the Order of Jamaica in 2010, and is a member of the PSOJ Hall of Fame. Other Board and Committee Association: Police Services Commission and Police Civilian Oversight Committee.

Committee: Audit
Length of Directorship | 6 Years

Board of Directors

cont'd

ALVIN HENRY

Alvin Henry is a Chartered Accountant and has worked in the accounting profession in both the public and private sectors. During his over 30 years in the shipping industry he has served as the General Manager of the Shipping Association of Jamaica, Executive Vice President of the Caribbean Shipping Association, and as a member of several Boards and Committees. Mr. Henry is currently a member of the Board of Management of the Meadowbrook High School, and a Trustee of the pension funds for Kingston Wharves Limited and Security Administrators Limited.

Committees: Compensation and Leadership Development, Audit (Chair)
Length of Directorship | 15 Years

**Mr. Alvin Henry retired from the Board and as Chairman of the Audit Committee on May 7, 2020.*

ROGER HINDS

Roger Hinds is the Managing Director of MSC Mediterranean Shipping Company Jamaica Limited. He is the Chairman of Transocean Shipping Limited, Transport Logistics Limited and Marine Haulage Services Limited.

Other Board and Committee Association: Shipping Association of Jamaica and SAJE Property Services Limited.

Committee: Compensation and Leadership Development
Length of Directorship | 17 Years

CHARLES JOHNSTON CD, BSc (Econ.), DSc (Hon.)

Charles Johnston is the Executive Chairman of Jamaica Fruit and Shipping Company Ltd. He joined the Board of Jamaica Producers Group in 1975 and became Chairman in 1986. Mr. Johnston is also the Chairman of Seaboard Freight & Shipping Jamaica Ltd. and Immediate Past President of the Shipping Association of Jamaica. In 2006, he was conferred with the Order of Distinction, Commander Class and inducted into the Hall of Fame of the Private Sector Organisation of Jamaica in 2008. In 2017, he was awarded a Jamaica Observer Lifetime Achievement Award, and in 2018 he was conferred with a Doctor of Science degree in International Shipping honoris causa from the Caribbean Maritime University. Mr. Johnston is a graduate of the University of Pennsylvania, Wharton School of Finance & Commerce.

Other Board and Committee Association: The Jamaica Public Service Company Ltd., SAJE Property Services Ltd., German Jamaica Ship Repair Ltd. and Kingston Logistics Centre Ltd.

Committee: Executive
Length of Directorship | 36 Years

**Charles Johnston previously served on the KWL Board 1982-2001*

HARRIAT MARAGH

Harriat Maragh is the Chairman and Chief Executive Officer of Lannaman & Morris Shipping Limited. He is also Chairman of Main Event Entertainment Group, Metro Investments Limited, and the Kingston Port Workers Superannuation Fund. Mr. Maragh is a member of the Institute of Chartered Shipbrokers. Other Board and Committee Association: Shipping Association of Jamaica, SAJE Property Services Limited, Express Catering Ltd., and Margaritaville Turks and Caicos.

Committees: Audit, Executive
Length of Directorship | 17 Years

**Harry Maragh passed away on January 3, 2021*

KATHLEEN MOSS BSC, MBA, CBV

Kathleen Moss is a management consultant and Chartered Business Valuator with Sierra Associates, an independent business advisory and valuation firm which she established in 1993. Mrs. Moss is Chairman of JN Bank Limited and a member of the Canadian Institute of Chartered Business Valuators. She also serves on the boards of Jamaica Producers Group Limited, the Jamaica National Group Limited, JN Financial Group Limited, JN General Insurance Limited, Pan Jam Investment Limited, Assurance Brokers Jamaica Limited and the Violence Prevention Alliance.

Committees: Audit (Chair), Compensation and Leadership Development
Length of Directorship | 9 Years

ROBERT SCAVONE

Robert Scavone provides advisory and management consulting services to a variety of clients in the international cargo transport sector. Mr. Scavone has served on various Boards, including Terminales Rio de la Plata in Buenos Aires, Halterm Limited in Halifax, Fraser Surrey Docks near Vancouver and Trans-Siberian Express Railway and Vostochny International Container Terminals in Russia. He has also been a board member for several U.S. companies, including Port of Miami Terminal Operating Company, Port Newark Container Terminal, Delaware River Stevedores (Philadelphia), and CP&O (Norfolk). He has served in an advisory role for acquisitions and divestitures of port assets for numerous entities, including Macquarie Bank and Deutsche Bank.

Committee: Executive
Length of Directorship | 6 Years

DORIAN VALDES P.E. (Retired)

Dorian K. Valdes is a retired professional engineer having over 49 years of experience in providing leading engineering, programme management and construction management services to private businesses and government agencies. Mr. Valdes has worked in the area of civil and environmental engineering specializing in over US$2 billion of seaport capital improvements of both cargo and cruise operations facilities and equipment needs. This included passenger boarding bridges, granary cranes and infrastructure for cargo handling activities, as well as roadway, such as the Port Miami Tunnel construction. In addition, Mr. Valdes directed over US$1.5 billion in drainage improvements, stormwater management, restoration of beaches and upland ecosystem restoration and protection. Half of the funds represented part of the US Federal Government, Florida State, and Miami Dade County local match monies of US$740 million for the recovery efforts from the impacts of the “No-Name Storm” and Hurricane Irene.

Committee: Executive
Length of Directorship | 6 Years

Honouring a Shipping Colossus

Harriat Maragh
"HARRY"

His giant footprints are indelibly etched in the annals of the local and regional shipping industries.

Harry Maragh was Chairman and CEO of Lannaman Morris, a significant player in the regional cruise and sea freight sectors.

For over 16 years and up to the time of his passing, Harry was a loyal advocate on the Kingston Wharves Board of Directors and a vital partner, who keenly supported the modernisation and expansion of the company, championing its interest every step of the way.

A former President of the Shipping Association of Jamaica, he also made his mark in shipping and the wider business landscape as Chairman and major investor in the Sea Freight Shipping Line as well as Chairman of the Main Event Entertainment Group, Metro Investments Limited and the Kingston Port Workers Superannuation Fund, among numerous other business associations.

We honour the memory of Harry Maragh as an astute businessman and as a shining example of humility, determination and integrity. His kindness and generosity of spirit enriched the lives of all who had the privilege of knowing and working with him over the years.

The Board and team at Kingston Wharves Limited will miss his vision, sharp wit and affable nature, and remain grateful for the rich legacy he has left us. We will always remember his friendship and sterling contribution to KWL, shipping and the wider business sector.

Directors' Report

The Directors are pleased to submit the Group results for Kingston Wharves Limited for the year 2020.

Operating Results:

-The Profit for the Group before income tax was **$2.7 billion**
-The Profit for the Group after tax and minority interest was **$2.2 billion**

Dividends:

The Directors recommend the approval of the following dividends declared during 2020 as final:

- Twenty-Three cents ($0.20) per share paid on August 19, 2020
- Thirty-One cents ($0.34) per share paid on January 18, 2021

Messrs. PricewaterhouseCoopers, the present auditors will continue pursuant to Section 154 of the Companies Act, 2004.

The Directors wish to express their sincere appreciation to the management and employees for their contribution.

On behalf of the Board
Dated the 20th Day of April, 2021.

Jeffrey Hall BA, MPP, JD
Chairman


SEABOARD

Corporate Governance

Overview of 2020 Activities

Effective corporate governance is at the core of any reputable and professionally managed organization. Kingston Wharves, as a leading global port terminal and logistics provider listed on the Jamaica Stock Exchange since 1995, prides itself in championing and adhering to the highest ethical standards of corporate governance.

The hallmarks of transparency, accountability and integrity are key pillars in the daily functioning of Kingston Wharves, and critical principles that drive how the organisation stewards its responsibilities to its employees, shareholders and the wider community it serves.

In 2020, the Kingston Wharves Group recommitted to raising the bar in practicing good corporate governance, especially in light of the health pandemic, which challenged governance structures and policies in many companies. The Board served with a sense of enthusiasm and dedication throughout the year, bringing its collective wealth of experience and technical expertise to steering KWL through one of the most challenging periods in recent times.

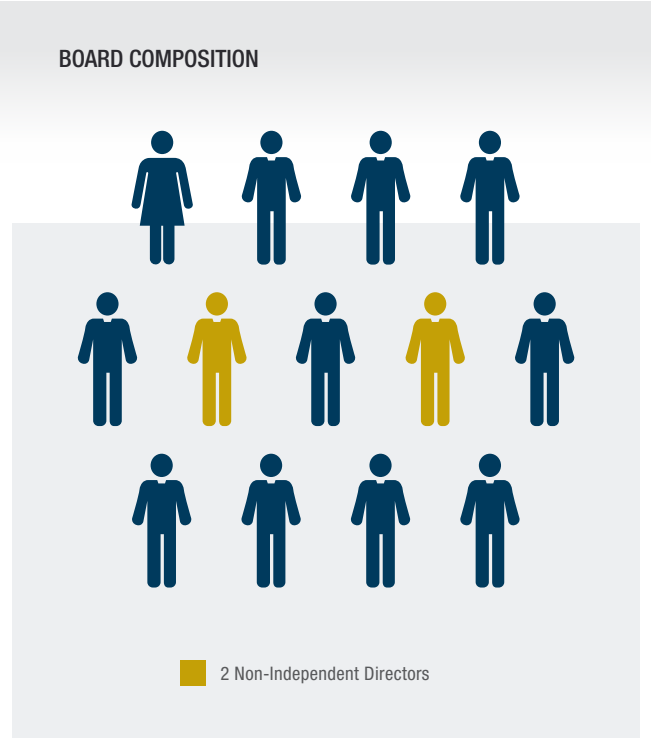
The Directors demonstrated their commitment, dynamism and agility in the face of the global health crisis, utilising technology to continue maintaining critical oversight of important development projects within KWL that were vital to the growth and profitability of the Group. They also provided sound financial oversight as the organisation worked to deliver on its fiduciary obligations.

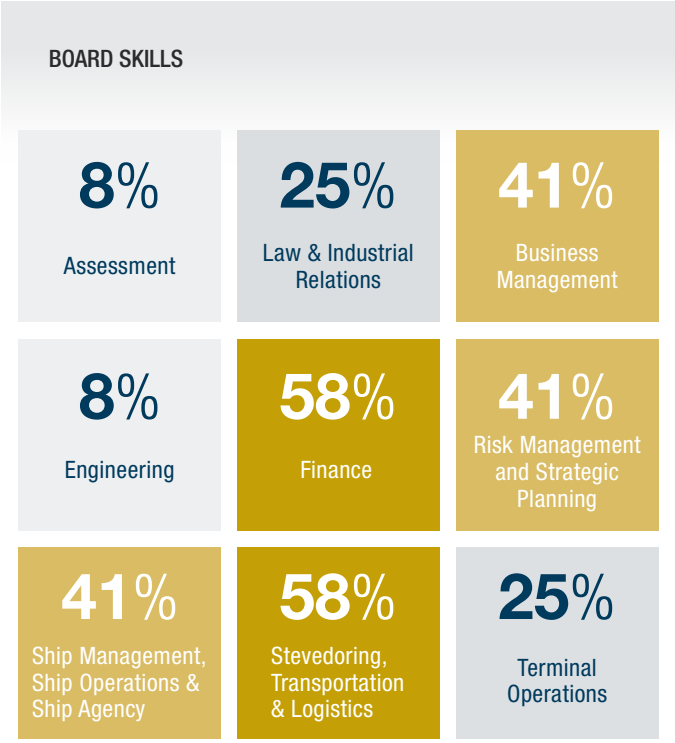
With the support of the Board, the Group continued to operate efficiently and with excellence by constantly reviewing its practices in relation to the timing, frequency and quality of its disclosures to stakeholders, including via communication with the JSE and publication of material on the website www.kingstonwharves.com. There has also been ongoing review of operational activities to ensure consistency with both best practices and the principles espoused in our various governance policies.

The Group also maintained focus on developments in the regulatory landscape that impacted governance to ensure an equitably and just working environment for all employees and to guarantee that KWL consistently operated within the realm of current labour and financial legislations.

Board Composition and Operations

The Board of Directors represents the interests of the Group's major stakeholders, ensuring that those interests are kept front-of-mind in the conduct of its business. There is constant review of the applicable law to ensure that the legal rights of those stakeholders are appropriately balanced, and the Corporate Governance Policy and Terms of Reference for the Board's Committees provide the operational parameters within which the Board and its three (3) Committees – Audit, Executive, and Compensation and Leadership Development (CLD) function.





The Group is proud that the Board is led by an Independent Chairman, and that the majority of the Directors on the Board meet the definition of Independence set out in the Group's Corporate Governance Policy; an "Independent Director" is a Director who:

a. is not an employee of the Group and has not been an employee of the Group within the last three (3) years;

b. does not have and has not had within the last three (3) years, a material trading relationship with the Group either directly, or as a partner, shareholder, director or senior officer of a body that has or has had such a relationship with the Group, where "material trading relationship" means one in which the director or the company or business in which the director is involved or interested has earned more than 5% of its profit before tax from its dealings with the Group in any financial year;

c. does not receive and has not received from the Group within the last three (3) years, fees or other remuneration other than Board or Board Committee related fees amounting to more than 5% of such director's income;

d. is not an immediate family member of any otherwise Non-Independent Director or senior officer of the Company or of any person who meets criteria b. and c. above.

Based on this definition, two (2) Directors are considered Non-Independent.

The Board assesses the balance of skill and experience among its members on an ongoing basis, and specifically as part of the annual Board Evaluation exercise. There were two changes to the composition of the Board of Directors in 2020, reflecting the elevation of Mr. Mark Williams to the role of Chief Executive Officer and Director, and the retirement of our long-serving Director, Mr. Alvin Henry.

Corporate Governance

cont'd

Meeting Attendance

In 2020, Directors displayed exemplary commitment in their attendance at Board and Committee, and at the AGM, with very few absences, as shown in the below table.

DIRECTORS	COMMITTEES	QUARTERLY MEETINGS	BOARD MEETINGS (7)	AGM
Jeffrey Hall (Board Chair)	Executive (Chair)	••••	•••••••	•
Bruce Brecheisen[1]	Audit	••••	•••••••	•
	Executive	••		
Kim Clarke	CLD	••	••••••	•
	Executive	••••		
Dr. Marshall Hall	Audit	••••	•••••••	•
Alvin Henry[2]	Audit	••	•••	•
	CLD	••		
Mark Williams[3]	Audit	••	•••••	•
	CLD	••		
	Executive	••		
Roger Hinds	CLD	••••	•••••••	•
Charles Johnston	Executive	••••	•••••••	•
Harriat Maragh	Audit	••	•••••••	•
	Executive	••••		
Kathleen Moss[4]	CLD (Chair)	••••	•••••••	•
	Audit	••••		
Robert Scavone	Executive	••••	•••••••	•
Grantley Stephenson[5]	CLD (Chair)	••	•••••••	•
	Executive	••••		
Dorian Valdes	Executive	••••	•••••••	•

1. Appointed to Executive Committee on 7 May 2020
2. Retired from the Board and as Chairman of the Audit Committee on 7 May 2020.
3. Appointed to the Board on 7 May 2020.
4. Appointed Chairperson of the Audit Committee on 7 May 2020.
5. Appointed Chairman of the CLD Committee on 7 May 2020.

Committee Activity Highlights

Executive Committee

The Executive Committee assisted the Board by maintaining keen oversight of proposed capital expenditure connected with:

a. the rehabilitation of the KWL berthing facilities;

b. development of the Group's lands at Ashenheim Road, and

c. the optimization of an Integrated Electronic Security Management System.

This Committee also monitored the operational performance metrics against international industry benchmarks. Mr. Bruce Brecheisen was appointed to join the Committee on 7 March 2020, and his international experience in the shipping industry has been a welcomed addition to the strategic focus of the Committee

Compensation and Leadership Development Committee

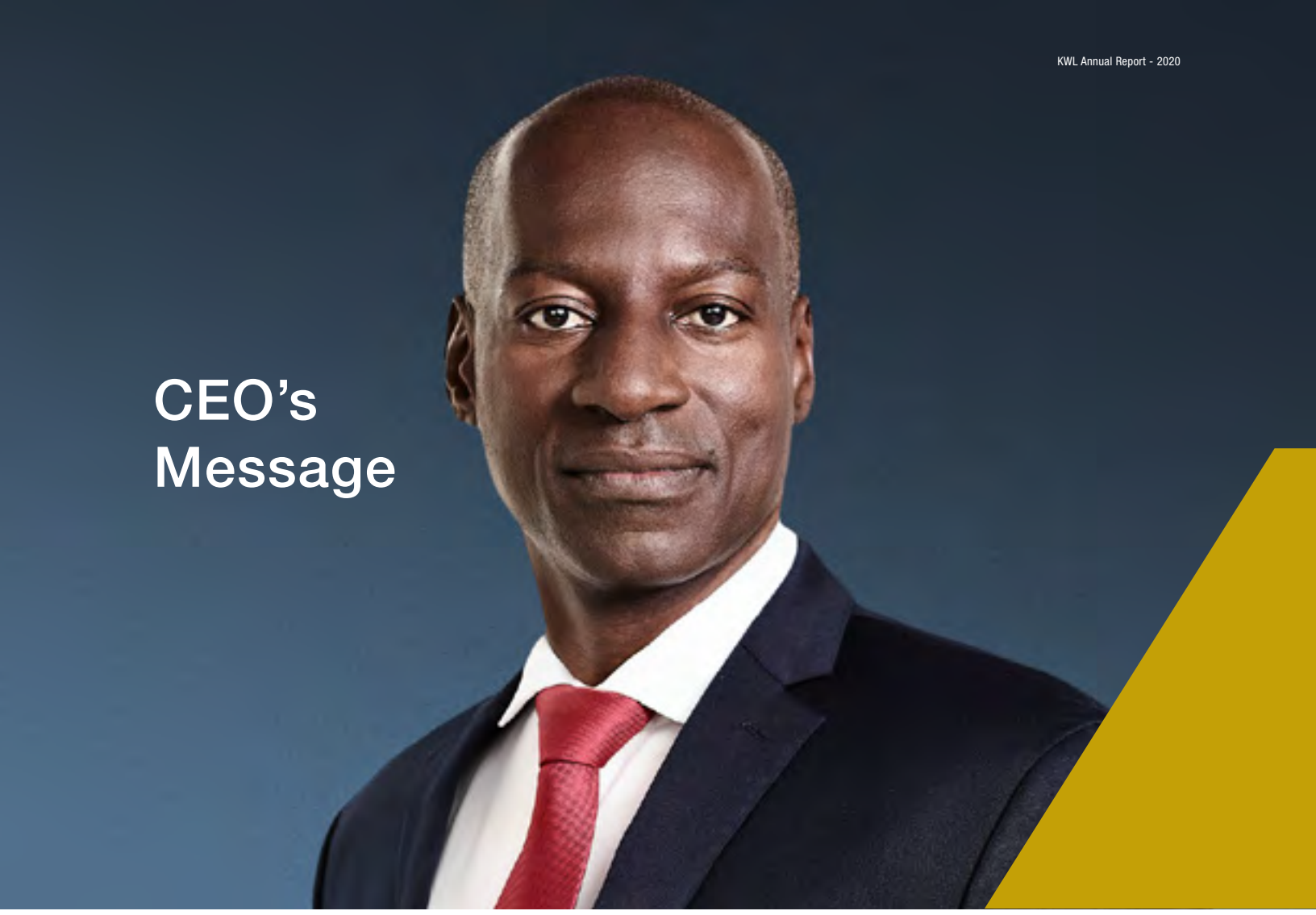
The CLD Committee was responsible for ensuring the revision of the Group's Employee Handbook in 2020. The Committee also continued to monitor the implementation of the Group's Human Capital Development Plan and maintained oversight of the interaction between KWL and the labour unions of which its employees are members. Importantly, the CLD Committee also maintained oversight of the Group's Incentive Plan for staff, which was revised in 2019. The Committee extended its gratitude to Mrs. Kathleen Moss as she demitted the post of Chairperson, and welcomed Mr. Grantley Stephenson as its new Chairman.

Audit Committee

The Audit Committee was charged with monitoring the continued application of robust internal controls to mitigate the operational risks inherent in the Group's business. Each quarter, the Committee ensured that a risk assessment was conducted, and reviewed the reports of the Internal Audit Manager regarding the specific audit areas that were assessed over the quarter. The Committee also had oversight of follow-up reviews conducted to assess the remediation of adverse findings from previous audits. The Committee thanked Mr. Alvin Henry for his steady hand, leadership and insight provided to the Audit Committee following his retirement from the Board and his role as Chairman of the Committee. The Committee also welcomed Mrs. Kathleen Moss as its new Chairman.

Board Evaluation

The performance of our Board is evaluated annually. The results of our evaluation process are presented during our Annual Board Retreat, and significant time and focus is given to assessing these results and creating an action plan to address gaps identified through this process. For 2020, the evaluation process consisted of an online survey completed by all Board members. Generally, the results showed satisfaction with most areas of the Board's performance. During 2021, we intend to target the areas highlighted for improvement in the evaluation process.



CEO's Message

In 2020, Kingston Wharves rose to the challenge of the times and emerged stronger. Storms and challenging circumstances are a part of life and business; they will always come.

But business success lies in the extent to which companies can keep focused, recalibrate and make bold moves to prepare for future growth and emerging opportunities.

This is precisely what we did in 2020, as the COVID-19 pandemic upended economies globally, affected companies operationally and eroded revenues and profit margins. It also shifted social norms and impacted families—their health and spending power, which by extension affected the economy.

As we have done in challenging times throughout our history, in 2020 when we marked our 75th anniversary, KWL demonstrated grit and resilience and steadied the ship; we harnessed the strength of our 75 years of experience in shipping, our logistics expertise, strong balance sheet and the commitment and dedication of our team to forge ahead with confidence.

In the height of the COVID-19 pandemic, the port remained open, playing an active role in the movement of all cargo types, including commodities such as sanitation and medical supplies and other shipments to meet the needs of the population, government and businesses.

We moved with alacrity as an organisation to address the immediate effects of the pandemic by implementing COVID-19 prevention mechanisms to protect our team, customers and other stakeholders, implemented business continuity strategies to ensure streamlined operations and customer service efficiency, while pursuing our expansion plans.

As a result of our mitigation strategies, Kingston Wharves achieved creditable results in revenues and profits in 2020. The company earned revenues of J$7.1 billion and before tax profits of J$2.7 billion, a relatively strong performance, given the effects of the pandemic. We accomplished growth in our logistics business

over the period, driven by our strategic investments, acquisitions, and on-boarding of new strategic partnerships for 3PL logistics services.

Boosting Profitability through Plant and Service Optimisation

Kingston Wharves is a globally connected shipping port for motor vehicles, serving as the hub for one of the world's leading autoliners and five other established international auto carriers. We are also a regional shipping port for containerised cargo, with connections to some 30 regional destinations. We continue to take steps to raise the bar in our service delivery to these customers.

A key value proposition to customers is the ability to deliver a suite of port-centric logistic services for both transshipment and the domestic market. Having been granted full Special Economic Zone (SEZ) status in January 2020, we leveraged this offering to expand our regional motor vehicle transshipment and logistics operations, a move that paid dividends with an increase in the number of motor vehicles transshipped through KWL in 2020.

Our four-pillared strategic imperatives—of people, processes, plant and profit remained front and centre in our work throughout the year, with the ultimate goal of delivering customer service excellence.

We believed that 2020 was a critical time to invest in our business; to innovate and expand; not an occasion to shrink back. KWL therefore made significant capital investments in 2020. These initiatives targeted infrastructure readiness, through plant optimisation, berth redevelopment, construction, land acquisition, digitalisation as well as in our people.

Enhanced berthing capability is crucial to our ability to service the shipping lines that currently call on our terminal, and as a centrepiece of our plans to attract new lines with post-panamax vessels. In 2020, we made capital investment of over J$130 million to carry out dredging work covering all nine berths and berth face rehabilitation valued at some J$176 million, all aimed at maximising our capacity to service autoliners, bulk, breakbulk and container vessels. Pre-construction works related to redevelopment of Berth 7 to optimise the efficiency and servicing at that docking area also got underway in 2020, and we also completed the repairs and reconstruction activities on Berth 3.

In 2020, in partnership with the Port Authority of Jamaica, we upgraded our security apparatus as a means of safeguarding the integrity of cargo traversing our port terminal and other facilities. This investment has yielded a modernised CCTV system that will further enhance our adherence to global standards, bolster the delivery of high quality and secure shipping services, and critically, foster global confidence in our product offerings.

The logistics industry is one that is growing at a rapid pace internationally. In order to maximise our logistics capability to position for additional growth opportunities in the marketplace, we effected a number of strategic acquisitions in 2020 and began preliminary works on the construction of our integrated logistics complex, at Ashenheim Road in Kingston. Offering dual dry and cold warehousing services, this facility will form an integral part of our logistics services product, as the international logistics market pivots to nearshoring in the post-pandemic global supply-chain.

Harnessing Digital Technology

In harnessing digital technology in all areas of operation in 2020, KWL continued to function as an integral part of Jamaica's Port Community System, the digital interface for port operations that facilitates seamless cargo clearance and data sharing on the Port of Kingston.

We also fully rolled out an appointment service for LCL cargo that enabled us to streamline the cargo clearance process and manage customer flows at our facilities. KWL also refined our multiple online payment mechanisms to offer customers the convenience and safety of various options to pay for cargo.

Our suite of e-Payment services added dynamism to our COVID-19 response as we directed customers to utilise our online options to reduce in-branch activity. Investment in these platforms enabled us to observe government's COVID-19 protocols, including social distancing guidelines, while ensuring the continuity of our business.

Undoubtedly, one of our greatest assets is our people. In order to meet the demand of an increasingly discerning global shipping and logistics marketplace, we continuously hire, train and retain a quality workforce, capable of delivering to international standards. Our team continued to serve committedly in all areas of our operations and we continued to place their well-being at the forefront. KWL's focus in 2020, was in building our employees' resilience and boosting their technical capabilities and leadership skills to enhance organisational competitiveness and personal development.

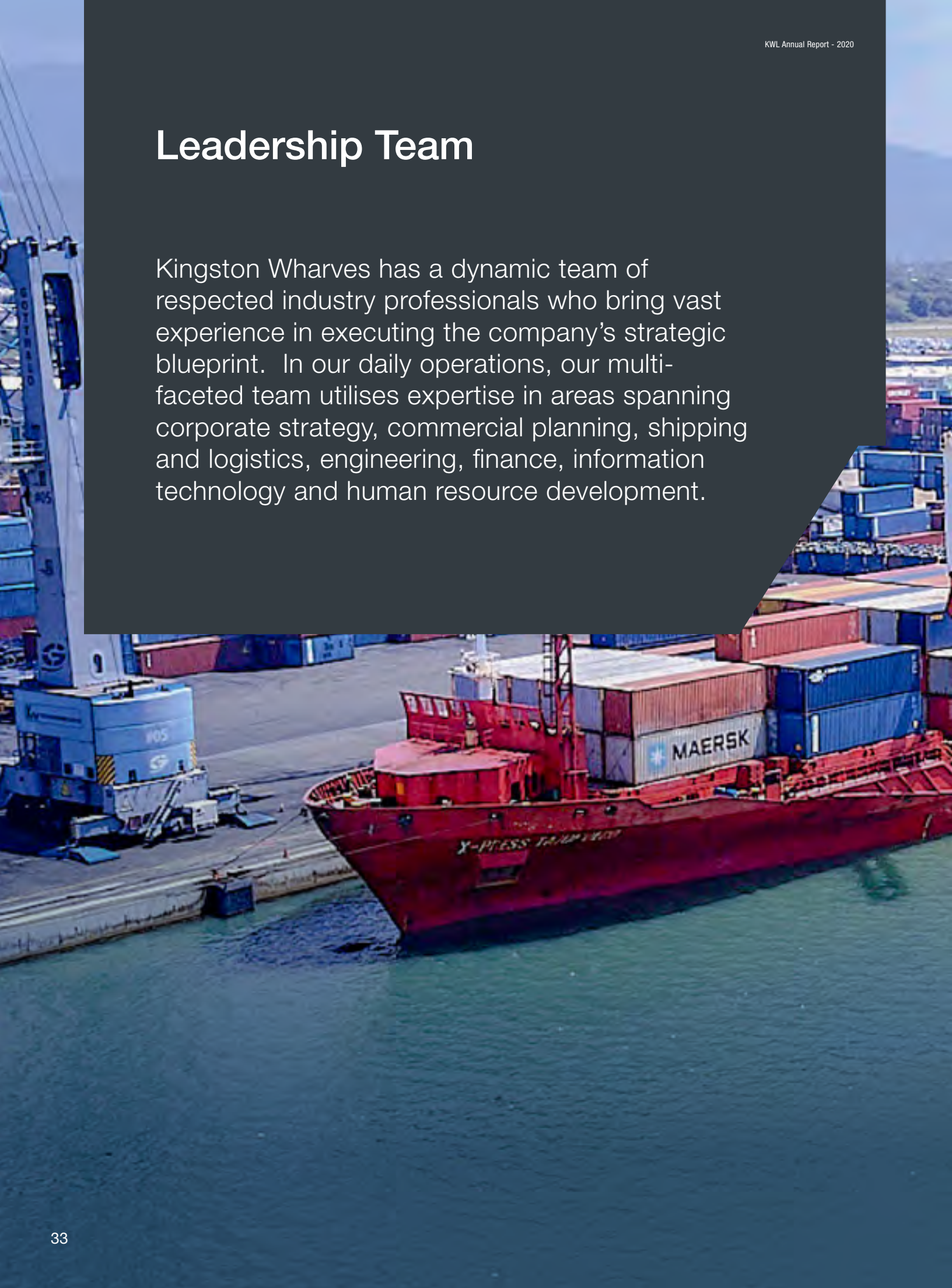
I am heartened by the dedicated KWL team—our executive management team and employees are always working tirelessly to make the organisation a success. All we accomplished as an organisation in 2020, was a testament to their determination and commitment. I also use this opportunity to thank our stakeholders in shipping and the wider business community for their continued support, and express gratitude to our shareholders who continue to demonstrate their confidence in our business.

The nature of the shipping industry requires that we constantly keep our eyes on the horizon, even as we navigate and focus on the performance of the present. In 2020, through our solid alliances, we kept the ship steady and continued to charge forward toward boundaryless possibilities.

Mark Williams
Chief Executive Officer

Leadership Team

Kingston Wharves has a dynamic team of respected industry professionals who bring vast experience in executing the company's strategic blueprint. In our daily operations, our multi-faceted team utilises expertise in areas spanning corporate strategy, commercial planning, shipping and logistics, engineering, finance, information technology and human resource development.



MARK WILLIAMS
Chief Executive Officer - KWL

CLOVER MOODIE
Group Chief Financial Officer - KWL

VALRIE CAMPBELL
Terminal Manager - KWL

STEPHAN MORRISON
Corporate Secretary and Legal Counsel - KWL

FRANCES MIGHTY-HUTCHINSON
Internal Audit Manager - KWL

LANCELOT GREEN
Information Technology Specialist - KWL

SIMONE MURDOCK
Corporate Services and Client Experience Manager - KWL

DENISE WALCOTT-SAMUELS
Manager, Human Resource and Administration-KWL

AMILCA THAME
Strategy and Transformation Manager - KWL

CAPTAIN GEORGE REYNOLDS OD, JP
Managing Director - SAL

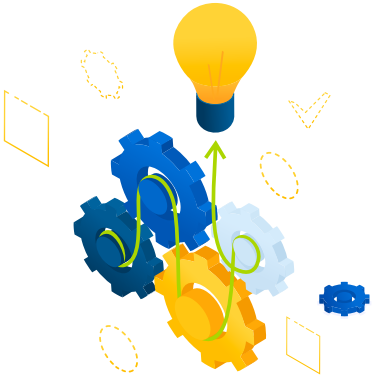
Strategic Focus

BOUNDARYLESS POSSIBILITIES

PEOPLE

- Maintain high performance workforce that is trained, coached and certified to strengthen the unique capabilities of staff and the Company
- Institutionalize the "KW Way" of managing and delivering results
- Leverage a transferable "KW Way"

Strengthen

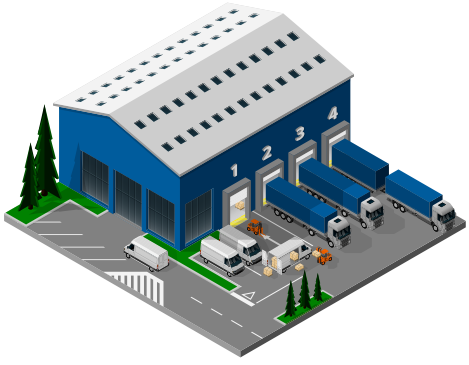


PROCESSES

- Achieve industry leadership for operational and productivity standards
- Enhance safety and well-being of our people
- Improve productivity and performance through innovation

SOLID FOUNDATION

Expand



PLANT AND PROFIT

- Optimise the efficiency and capacity of current and future facilities
- Play a positive and proactive role in benchmarking sustainable and environmentally friendly operations
- Realize margin optimization and cost management

Diversify

CUSTOMERS

- Expand the range of cargo handling capabilities offered to customers
- Provide integrated supply chain solutions to high-volume cargo owners
- Expand regional footprint through integrated terminal and logistics services

Management Discussion & Analysis

The Management of **KINGSTON WHARVES LIMITED** is responsible for the reliability of the information disclosed in the Management Discussion and Analysis (MD&A). The MD&A highlights KWL Group's operational and financial performance as well as divisional results. This is consistent with previous disclosures made by the KWL Group in its audited financial statements for the financial year 2020. The MD&A outlines a forward looking statement based on strategic plans and forecasts, subject to risks and our actual performance.


TOTAL
LOGISTICS
FACILITY

Management Discussion & Analysis

cont'd

Kingston Wharves operates in an increasingly competitive global shipping environment, and as such has consistently strived to maintain strategic advantage and operational excellence. Our goal has been to raise the bar in service delivery and profitability in the terminal operations and logistics industry. In 2020, Kingston Wharves demonstrated strength and resilience. We managed the COVID-19 Pandemic effectively and as a result were able to advance our growth agenda and lay the groundwork to pursue our expansion plans.

Financial Performance

Kingston Wharves achieved revenues of $7.1 billion in 2020, representing a reduction of 10 percent over 2019.

KWL recorded profit before taxation of J$2.70 billion in 2020, a 9% reduction, while net profits attributable to shareholders was J$2.24 billion, 14% below the J$2.60 billion recorded for 2019.

KWL's financial results for 2020, were impacted by the COVID-19 Pandemic that disrupted businesses locally and internationally. Kingston Wharves was proactive in implementing mitigation strategies to minimise the impact of the pandemic on its business and set the stage for increased profitability moving forward.

The Terminal Operations Division

The Terminal Operations Division accounted for 69% of revenues. The annual operating revenue for KWL's Terminal Operations Division amounted to $5.6 billion, a decrease of 12% year on year. Operating profit for the Terminal Operations Division was $1.99 billion, a decrease of 18% over the 2019 result.

The Kingston Wharves terminal continued to be a key facilitator of trade, despite the effects of the pandemic on the global shipping business. Internationally, shipping has taken a significant hit from the COVID-19 crisis, namely major disruptions in the supply chain and decline in trade from some of the world's leading trade centres, including Asia and North America. In spite of the external factors, the Division's performance is a signal of the strength and continued relevance of Kingston Wharves' terminal business. KWL harnessed the power of its people, streamlined it processes, and made critical upgrades to its plant, while establishing strategic partnerships to minimize the falloff in business while continuing to position the company for growth.

The Logistics Services Division

Logistics Services contributed $2.27 billion or 31% of revenue for 2020. Operating profit of $868 million for the Logistics Services Division was up 29% relative to 2019. Undoubtedly, the Logistics Services Division has emerged as a crucial profit centre within KWL, playing an important role in stabilizing and balancing the company's financial and operational performance in the context of a pandemic-struck business environment.

KWL's forward-looking investments in logistics services through the construction and acquisition of warehouses and the attraction of high-value logistics partners who are active players in the local and global supply chain, have reaped dividends. We demonstrated our readiness to meet the demands of the marketplace as it pertained to providing customized logistics solutions as the world's supply chain experienced a shift precipitated by the pandemic. Businesses have moved to diversify their supply chains, looking for warehousing solutions closer to their markets.

Operational Performance

The observance of our 75th Anniversary and the inimical COVID-19 crisis, though contradictory events, both presented the potent opportunity to embrace our mission, vision and core values.

Cognisant of the raison d'etre for our business, we continued to live our mission of being a leading provider of innovative terminal and logistics solutions for the movement of cargo while striving toward our vision of becoming the preferred port-centric logistics partner connecting the world to Caribbean markets.

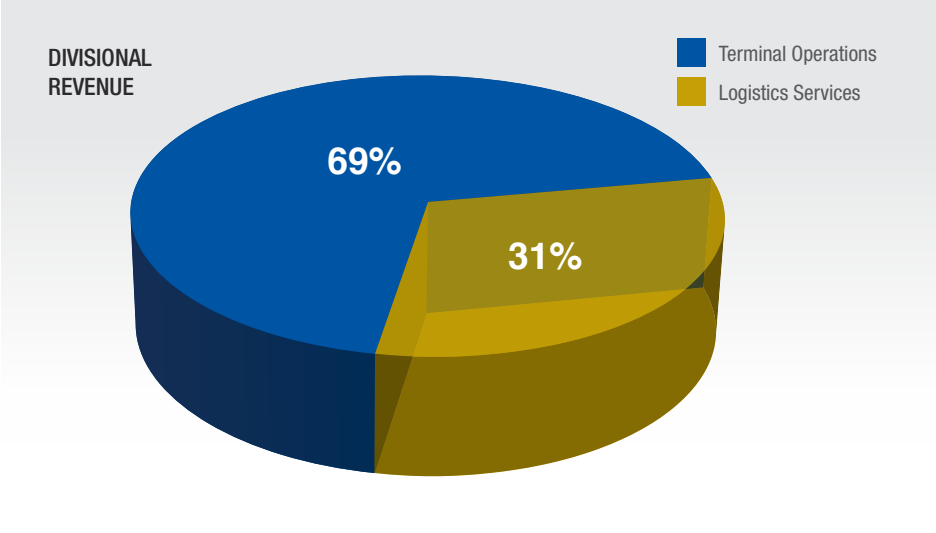
Our operational performance in 2020, was also driven by the four strategic objectives of people, process, plant and profit, which undergird the organisation's main objective of customer service excellence.

We utilised all these foundational principles as tools for growth and enhanced service provision in pursuit of boundaryless results in all areas of our business.

Excellence in Plant Optimization

In 2020, nearly 1000 vessels called at KWL's terminal. These ships moved automotive, bulk, breakbulk, liquid bulk and containerised cargo for the domestic, regional and international markets, as part of the global supply chain. Shipping lines, increasingly characterised by larger ships and consolidated vessel loads, often select ports with modern and secured facilities, competent personnel, state-of-the–art equipment and high digital connectivity that can serve them in a timely manner and keep the channels of trade moving.

With that in mind, KWL continued to boost capacity to deliver superior shipping and logistics services to clients and partners—shipping lines, shipping agents, freight-forwarders/non-vessel operating common carriers (NVOCCs), haulage contractors, and commercial and private shippers.

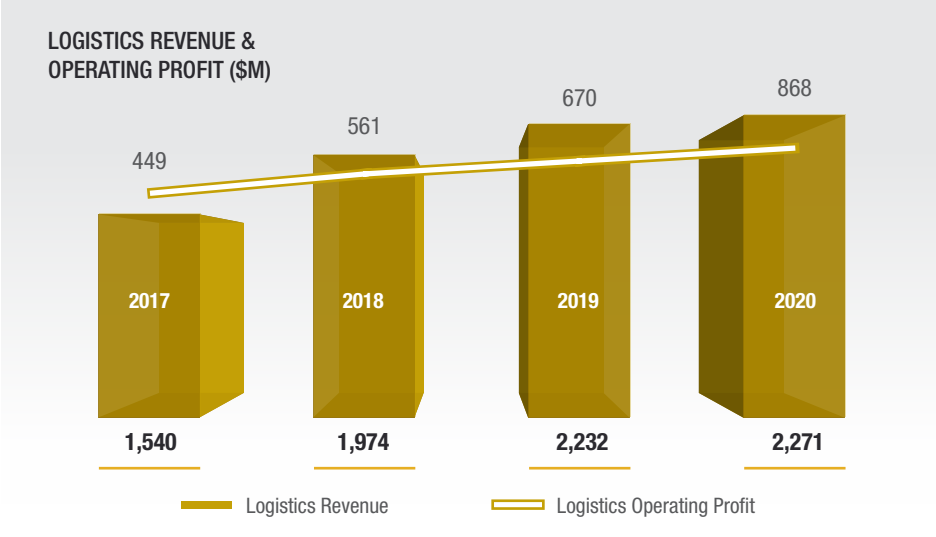


This took the form of improvements to our plant aimed at maximising infrastructure readiness. We focused attention on terminal reconfiguration and optimization; redevelopment and rehabilitation of berthing capacity; optimization of equipment use and equipment acquisition, while pursuing strategies to expand and maximise the use of warehousing and logistics facilities—all aimed at exceeding the expectations of the marketplace.

In 2020, KWL invested significantly in enhancing its berthing capabilities, contracting an international company to carry out major dredging of all nine berths. Aimed at facilitating the docking of larger vessels, the works involved removing silt deposit material to restore the berths to their original design depths. The project was granted the necessary National Environment and Planning Agency (NEPA) approvals and was completed within the second quarter of 2020.

Additionally, KWL carried out Cathodic Protection installation to Berths 1 to 7, representing a capital investment of J$176 million. This measure was undertaken to protect the structural integrity of the berth face, aid in dock longevity and allow for a better berthing experience for ships that call at the port.

KWL also rehabilitated Berth 3 to restore that docking facility to functionality, thereby bolstering mooring capacity and availability.



Management Discussion & Analysis

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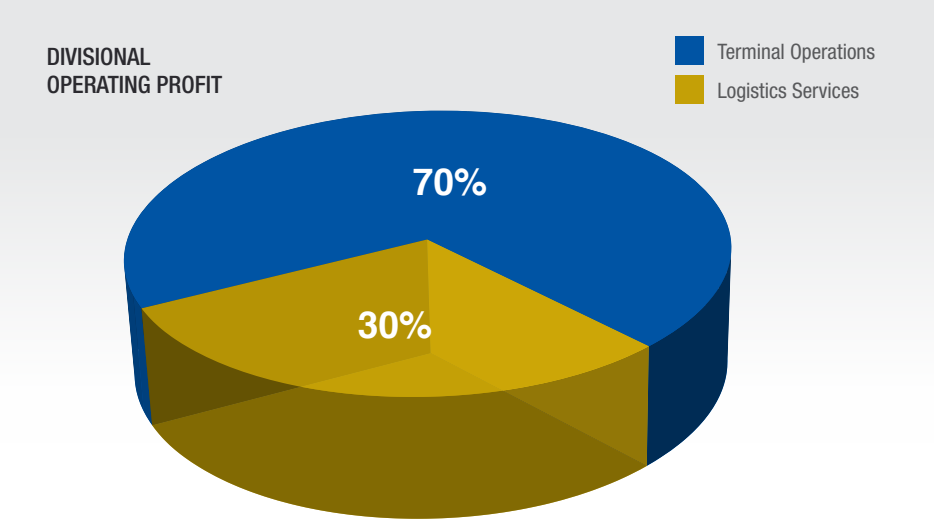


As a multi-purpose port handling various cargo types, Kingston Wharves' efficient operations is also contingent upon yard optimisation and organisation. The removal of on-dock warehouses a few years ago, paved the way for expanded space availability. In 2020, KWL carried out pavement works and other physical upgrading measures to improve and further expand yard capacity, safety and user-experience on the terminal.

Enhancing our Logistics Infrastructure

Logistics services is a globally lucrative business, with the growing demand for supply chain management and warehousing solutions close to consumer markets. Jamaica, with its strategic location in close proximity to over 800 million consumers, is a vital connector between the Caribbean and Latin and North America. Kingston Wharves is a major player in the regional shipping industry, connecting to over 30 regional destinations, and acting as a global gateway for motor vehicles.

Capital investments made by Kingston Wharves over the last seven years have positioned the company to take advantage of current and emerging opportunities. KWL currently provides 3PL logistics services for companies in a multiplicity of sectors, including manufacturing, wholesale and retail, the petroleum sector, the automotive industry and the telecommunications sector. These domestic and international clients respond positively to KWL's appeal as a port-centric logistics operation because we offer them the advantage of a secured and efficient logistics operations, along with prime location on the Port of Kingston with multimodal connectivity of land, sea and air.

KWL currently has over 340,000 sq. ft. of warehouse space, with the 160,000 square ft. Total Logistics Facility featuring prominently in logistics service delivery. In addition to handling Less than Container Load (LCL) and Full Container Load (FCL) cargo, Kingston Wharves delivers full-suite customized logistics services such as order picking and packing, customized freight services, order fulfilment, warehousing and returns, among other services.

In 2020, we began preliminary works on the construction of our dry-cold integrated warehouse complex at Ashenheim Road in Kingston. A strategic priority, the facility is being rolled out at an opportune time to meet the Post-COVID-19 demand for warehousing solutions close to market. Its completion will add a new dimension to Kingston Wharves' logistics services offering and contribute to its profitability and relevance in the global supply chain.

Leveraging our Special Economic Zone Designation

Special Economic Zones (SEZ) have been proven as stimulants of economic development. KWL leveraged this designation to serve a wide clientele in a number of sectors, but primarily as it relates to the motor vehicle sector.

In January 2020, Kingston Wharves and its subsidiary Western Terminals Limited were granted Developer status under the Special Economic Zone (SEZ) Act, transitioning from a Free Zone regime. Additionally, six subsidiaries of the KWL Group were granted Occupant status under the Act in September 2020.

Our SEZ designation has facilitated the expansion of our logistics offerings and allows our clients to apply to operate within our SEZ and benefit from the applicable fiscal incentives after a successful application.

In 2020, KWL introduced a new pilot initiative which takes advantage of the fact that its Global Auto Logistics Centre (GALC) at Tinson Pen falls within its SEZ and provides a one-stop-shop for motor vehicle handling, inventory management, delivery and customs processing.

We also continued to offer warehousing solutions to customers in the food wholesale, manufacturing, petroleum and energy sectors. These entities are also able to enjoy the benefits of KWL's SEZ status to deliver value added services to their customers.

Safeguarding Cargo Integrity

Kingston Wharves is a reputable International Port Security (ISPC) certified terminal, recognised in the industry for employing rigorous security protocols and policies. As the trade in contraband threatens the maritime industry, safeguarding the integrity of legitimate cargo is an imperative for international ports and other shipping interests.

In prioritising security, we are maximising the use of state-of-the-art technological surveillance systems, collaborating with local and global law enforcement entities and deploying highly trained security teams as part of the robust security apparatus at our facilities. KWL's subsidiary Security Administrators Limited (SAL), a provider of industrial and port security, continues to form the nexus of a security buffer through partnership with the Jamaica Customs, the Port Authority of Jamaica, private security firms and the Police.

Keeping pace with technological developments and staying steps ahead of those engaged in the illicit cargo trade, in 2020, KWL moved to enhance its security networks with a capital injection through partnership with the Port Authority of Jamaica. The funds have been expended to modernise our security infrastructure, namely our CCTV surveillance system. Our surveillance command centre was relocated, expanded and outfitted with state-of-the-art equipment to strengthen our operations as part of the Port of Kingston's robust security framework.

Embracing the Digital Revolution

Globally, ports are being powered by digital technology and automation. The technological infrastructure and connectivity of port terminals have risen in importance, equalling that of its physical infrastructure and equipment stock.

We are at the forefront of this digital revolution in the terminal and logistics industry, using technology to drive efficiency in our commercial activities and terminal operations functions, including vessel and yard management, warehouse operations and inventory management, port security, commercial activities and customer engagement.

Kingston Wharves has invested in a fully automated terminal operating system which drives vessel planning, stevedoring, traffic, inventory management and gate delivery. We further harnessed innovation to drive customer service engagement. Investment in digital Technology in 2020 and in previous years, enabled KWL to streamline service to customers while adhering to government's social distancing, safety and capacity requirements.

Management Discussion & Analysis

cont'd

A newly-developed and fine-tuned LCL Appointment Service combined with our e-payment options, featured prominently in maintaining service delivery standards while managing in-branch traffic in light of the pandemic. Customers clearing LCL Cargo such as boxes, barrels, skids and pallets were required to make appointments via an online portal established for the purpose.

We made use of the use of the KW Mobile app, e-Payment and other electronic options to offer customers convenient payment mechanisms beyond in-branch commercial processing. This enabled our clients to conduct business in a safe and efficient manner.

Our Team, Living the KW Way

The KW Way is defined by the relentless pursuit of excellence and the quest to unlock individual and collective potential; our success is rooted in the values of commitment, innovation, teamwork, respect, integrity and performance. The KW Way is seeing the possibilities in every situation and having the confidence that we can achieve anything to which we set our minds and assiduously apply our actions.

We have prioritized the recruitment, training and retaining of the most competent and experienced workforce in shipping in the Caribbean. Over the last several years, the company has carefully cultivated a high quality team, capable of driving innovation and responding to the exigencies of shipping and the business sector in general.

Our goal at KWL is enhancing competence and professionalism by exposing our team to relevant skills training programmes and high-impact personal development and leadership initiatives, aimed at unleashing their potential.

Adjusting to the new COVID-19 training environment, we enrolled employees in virtual training sessions to advance the company's culture of safety, promote personal development and to increase their skill-set in specific technical areas. Programmes on rigging, docking master and mooring gang were held, and KWL took steps to fill critical vacancies for technical positions. These developments were all geared toward building the KWL team's ability to effectively deliver world class shipping and logistics service.

Team Power in Promoting Safety and Managing the COVID-19 Crisis

Safety is an important international benchmark and determinant of effective port management. It is also one of KWL's core values. Over the years, we have incorporated safety into all that we do, fostering a safety culture by ingraining safe best practices in the mind-set of our team and equipping them with the requisite skills in this area. The mantra that *Safety is My Responsibility* is a key refrain as employees are encouraged to take personal responsibility for safeguarding their well-beings and that of their fellow team members.

In 2020, Kingston Wharves continued to strive for excellence in safety. Through a very competent Safety, Health and Environment team that was very active during the course of the year, we carried out training on an ongoing basis, and deployed Safety Monitors to provide positive reinforcement and influence on their peers as it related to adherence to safety protocols.

We reactivated our Terminal Warning System, an early warning mechanism that would be deployed in the case of an emergency on the Port of Kingston to prevent loss of life and minimise damage to property. Several testing exercises were carried out to improve the readiness and response of the Kingston Wharves team in handling a potential crisis on the terminal. Safety drills are also carried out at other KWL facilities on an ongoing basis, as part of our preparation and response effort.

Covid-19 Management

As a result of the robust safety framework that Kingston Wharves already had in place, we were in an advantageous position to effectively navigate the COVID-19 pandemic. In 2020, we placed emphasis on the well-being of our team members and customers, including on building our team's capacity to deal with the disruptions caused by the pandemic. Our team was fully engaged in conceptualizing, implementing and cooperating with safety protocols and business continuity measures that boosted our capacity to successfully manage the pandemic.

At the first emergence of the virus, we convened a COVID-19 Management Steering Committee to formulate prevention, business continuity and forward thinking strategies aimed at streamlining service delivery in the face of government restrictions and position the company for future growth.

Business continuity strategies were implemented to ensure smooth work flow, streamline processes, maintain operational efficiency and assure continued customer service excellence. A work-from-home regime and rotating teams policy were instituted as part of KWL's arsenal of business continuity strategies. In keeping with, at times, very fluid government protocols, we varied the operational hours and social distancing guidelines for our various facilities.

A mask mandate and regular sanitization regimes were effected, and sanitization stations erected at entrances to all KWL locations, including a specific protocol to be followed upon entry. We erected signs and decals in standing and seating areas to maintain social distancing guidelines as determined by health officials. Carrying limits or capacities were put in place for each processing area of the Total Logistics Facility and other locations.

An important focus was building the capacity of our team to mentally and physically cope with the onset of the pandemic, which significantly affected family and work life. Our employees benefitted from courses in budgeting, stress management, cyber security and other coping skills to assist them to better deal with the uncertainties brought on by the COVID-19 crisis.

The KWL COVID-19 response team also ramped up communication to employees, customers and other stakeholders, ensuring that stakeholders were kept abreast of prevention strategies, the local and global progression of the disease and ways in which all could play their part in stemming the spread of the virus.

As we actively embodied our core values during the crisis, we were committed to demonstrating Integrity and showing respect for our team, customers and other stakeholder by maintaining open channels of communication as the foundation for accountability. The KWL team, in its COVID-19 response demonstrated that together, we could overcome challenges and grow as an organisation.

KWL 2020 Highlights

Revenues Earned

J$7.1 Billion

Before Tax Profit

J$2.7 Billion

After Tax Profit

J$2.3 Billion

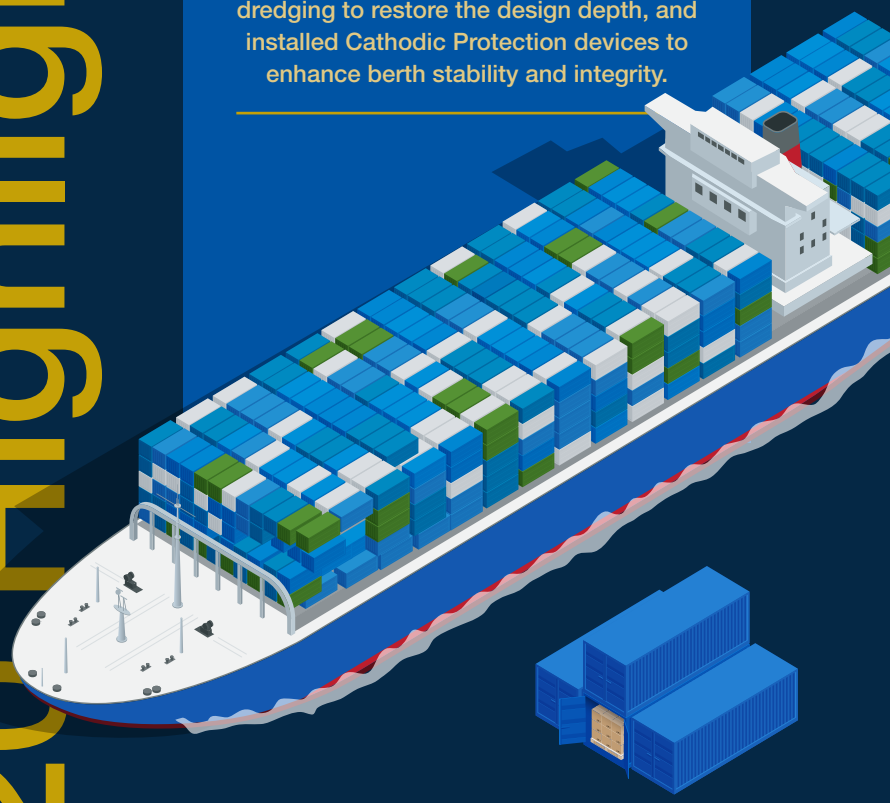
Growth in logistics business

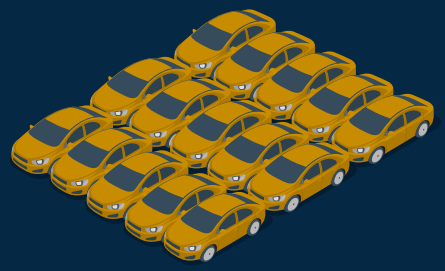
Growth in motor vehicle transhipment

22.5%
increase in Shareholders Equity

J$306 Million invested in Optimising Berthing Capacity

In 2020, KWL carried out maintenance dredging to restore the design depth, and installed Cathodic Protection devices to enhance berth stability and integrity.



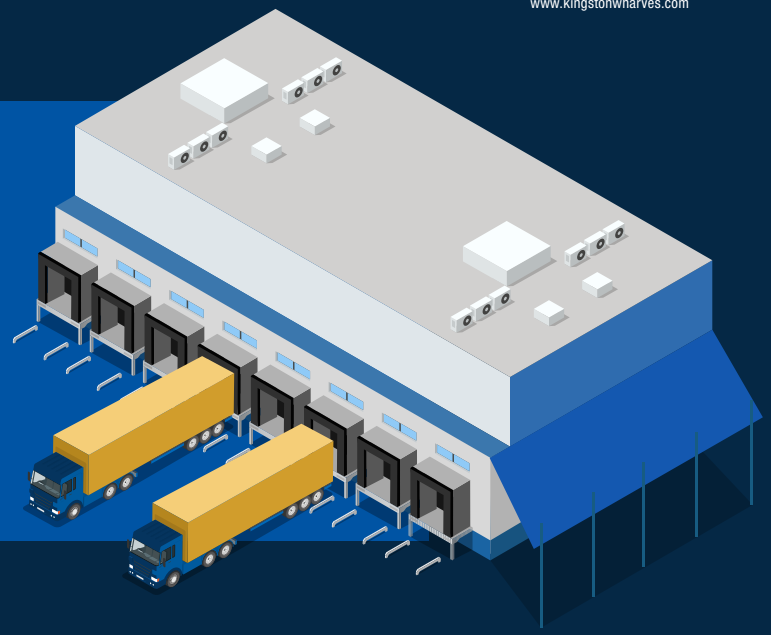


Leveraging Special Economic Zone designation to provide value-added logistics services

New SEZ auto zone for local and international clientele.

Preliminary works for the construction of our Integrated Logistics Warehouse Complex

Dry and Ambient Temperature Controlled Warehouse to provide a global distribution centre.



Investment to bolster security apparatus

CCTV network, equipment and security facility modernised.

Deploying digital technology for efficient processes

Refined KW Mobile App

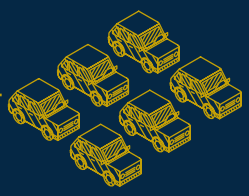
Online Appointment System for LCL Cargo fully rolled out

4-Year Segment Growth

Logistics Services

74% Growth in Revenue

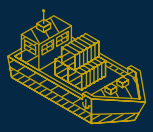
124% Growth in Operating Profit



Motor Unit moves

57%

Growth



Terminal Segment

34% Growth in Revenue

21% Growth in Operating Profit

Management Discussion & Analysis

cont'd

Outlook

Kingston Wharves is a dynamic organisation that has undergone significant transformation over its 75 years of existence. These developments have been driven by our deep understanding of the importance of being consistent while engendering a change culture to continuously raise the bar and push the boundaries of service delivery, operational efficiency and profitability.

Emerging from an eventful year in 2020, in which we observed our 75th anniversary and navigated a global health crisis, we are embracing 2021 with a sense of profound optimism, confident that we have laid important groundwork to set the company on firm footing to accomplish its growth targets going forward.

As we pursue our boundaryless vision, we will continue the vital process of building our capacity. Our four strategic objectives of people, plant, process and profit remain the guiding principles of our operations, and the pillars upon which we seek to continue delivering excellence in customer engagement and service.

In 2021, we will remain focused on infrastructure readiness through major capital works carried out on our plant aimed at optimizing container yard layout to drive productivity and raise our environmental standards. At the top of our agenda is the redevelopment of Berth 7. This project will further boost our berthing capacity to service larger vessels in a global context defined by increased vessel sizes and loads.

Combined with the plant upgrading that were carried out in 2020, we will solidify our position as a port terminal that is optimised to effectively service a wide international clientele moving diverse cargo types.

With the global logistics market growing at an exponential rate as businesses diversify their supply chains, we at KWL remain a step ahead. We have intensified our effort to bolster our logistics service offerings, moving full steam ahead on the construction of our integrated ambient-dry warehouse complex at Ashenheim Road in Kingston. These developments are key to our ability to maximise returns from this growing industry, and play an integral role in Jamaica's effort to become a global logistics hub.

Leveraging our Special Economic Zone (SEZ) designation, we will continue to offer value-added services, giving our customers the benefits of a globally connected and equipped port–centric logistics operation to move their cargo while offering customized services to meet the supply chain needs of owners of cargo in a wide range of sectors.

The digitalisation process at KWL will be accelerated, as we maximise the use of technology as a tool for operational efficiency and improved service standards. Our electronic payment methods are continuously subject to review and refining as we take steps to tailor our services to customers' needs. KWL is well advanced in rolling out a new electronic payment mechanism while implementing a contactless cargo clearance system to offer customers a wider slate of options for conducting business with the company. Through these and other measures, Kingston Wharves will continue to play its role in containing the spread of COVID-19, and in so doing, contribute to the national fight against the virus.

Our people are in the vanguard of our effort to maximise our potential in all areas of service delivery. In 2021, we will continue to place emphasis on attracting, recruiting and retaining the best workforce in the Caribbean, training coaching and certifying our team to generate measurable results for our business and meet the requirements of KWL's global clientele. Enhancing employees' skills in specialised technical areas while honing their leadership acumen, will receive prime attention.

Kingston Wharves is a profitable Company poised for accelerated growth. Building on our gains, in 2021, we will forge ahead to expand our local and regional footprint while continuing to diversify our cargo-handling capacity, as key elements of our multipronged growth strategy.

Business Highlights

Recognising Contributors to KWL's Solid Foundation

Kingston Wharves has been built on a solid foundation of collaboration and achievement. Established in 1945, when a group of wharf companies pooled their resources, our organisation has been sustained through these invaluable and mutually nourishing partnerships based on performance, vision and innovation. These principles have propelled the company to success throughout its history.

In 2020, we celebrated our 75th anniversary, using the occasion to recognise and pay homage to those stakeholders who have contributed to our growth and development over the years. KWL took steps to make it a memorable year for our employees, customers and other stakeholders. Some 90 employees were honoured in four categories, spanning 10 to over 25 years. We also recognised eight key shipping partners for their solid alliance.

A church service was held at the Webster Memorial United Church, as a demonstration of thanksgiving for our achievements and for divine guidance in our future plans. KWL also published a newspaper supplement chronicling the company's history of achievement and highlighting the contribution of various stakeholders.

Our 75th anniversary celebrations were a fitting tribute to the hard work and dedication of all those who played an instrumental role in our transformational journey.

Celebrating Solid Alliances

Kingston Wharves shows gratitude to key shipping partners for their solid alliance over the years.

01 CEO Mark Williams presents a Solid Alliance Award to Seaboard's CEO Corah-Ann Sylvester. 02 Head of Dennis Shipping Company, Dennis Hawthorne accepts his award from Mr. Williams. 03 CEO of Jamaica Freight and Shipping Limited Anna Hamilton receives her award from Mr. Williams. 04 Roger Hines, Chairman of Transocean Shipping Limited accepts his award from the KWL CEO. 05 KWL Chairman Jeffrey Hall (right) joins Mr. Williams in awarding Lannaman and Morris Shipping a Solid Alliance Award. Lannaman's Chairman Harry Maragh and his wife Charmaine accepted for the company. 06 Joined by CFO Clover Moodie, KWL CEO Mark Williams awards Kim Clarke, Managing Director of the Maritime and Transport Group of Companies Limited.

Celebrating Solid Foundations

Nearly 30 employees received Solid Foundation Awards for over 25 years' service to Kingston Wharves and Security Administrators Limited (SAL). They were among some 90 awardees in total, recognised as part of KWL's 75th Anniversary. Presentations were also made in a number of other categories to persons serving 10 to 24 years. Employees of NSSL were also recognised.

01 Chairman Jeffrey Hall shares the moment with KWL's 26-year awardees (l-r) Barrington Samuels; Paula Edwards-Hutchinson and Garfield Parris. **02** Robert Lindsay is recognised for 26 years of sterling service to KWL. HR Manager, Denise Walcott-Samuels presents. **03** Husband and wife Latham and Maralin Spence have served 26 years with KWL together. **04-05** Anton Barnett and Anthony Tingle accept their 26-year award. CEO Mark Williams and Terminal Manager Valrie Campbell present. **06-07** SAL's MD Captain George Reynolds presents to Kareen Brown and Owen Stephenson for 27 years to SAL. **08-09** Denroy Williams and Norris Rutherford of NSSL accept Special Recognition Awards from Group CFO Clover Moodie. **10** Simone Murdock is rewarded for 12 years. **11** Valrie Campbell is awarded for 19 years by Chairman Jeffrey Hall.

Business Highlights
cont'd

Thanksgiving Service

Kingston Wharves gave thanks for its 75-year journey by worshiping at the Webster Memorial United Church on Sunday, November 22, 2020.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Among the worshippers were, Chairman Jeffrey Hall; CEO Mark Williams; Group CFO Clover Moodie; Terminal Manager Valrie Campbell; Managing Director of Security Administrators Limited Captain George Reynolds; Manager for Corporate Services and Client Experience, Simone Murdock; Jamaica Chamber of Commerce President Lloyd Distant, and other members of the KWL team. Other KWL employees, customers and stakeholders joined the service online to adhere to social distancing guidelines. Webster Memorial United Pastor Rev. Astor Carlyle presided over the service.

Transition Cocktail

Shipping partners and other business associates attended the Kingston Wharves Leadership Transition Cocktail to show their support and bring goodwill for the committed team of leaders. The elegant affair was held at the Jamaica Pegasus.

01 Changing of the guard: Out-going CEO Grantley Stephenson hands the baton to new CEO Mark Williams. 02 Chairman Jeffrey Hall reads and presents a citation to Mr. Stephenson. 03 CEO Mark Williams (left) greets President and CEO of the Port Authority of Jamaica Professor Gordon Shirley and Commissioner of Customs Velma Ricketts Walker. 04 JMEA President Richard Pandohie raps with Arc Manufacturers head, Norman Horne and Attorney Ashley-Ann Foster. 05 KWL Director Kathleen Moss (right) and Group CFO Clover Moodie (left) with Trade Unionist Granville Valentine and another guest. 06 CEO Mark Williams, Corporate Services Manager Simone Murdock, Deputy Chairman Grantley Stephenson, Chairman Jeffrey Hall and Group CFO Clover Moodie share lens time. 07 KWL's CEO and Deputy Chairman share a light moment with Dennis Hawthorne, President and CEO of Dennis Shipping. 08 KWL Directors, (l-r) Dorian Valdes, Robert Scavone, Harry Maragh, Charles Johnston, Mark Williams, Grantley Stephenson, Jeffrey Hall, Bruce Brecheisen, Dr Marshall Hall, Kathleen Moss and Alvin Henry (now retired).

Corporate Social Responsibility

Living for the next generation
Giving back to our community is a deeply ingrained philosophy in the culture of Kingston Wharves, guiding us in how we impact society through youth development, education, social welfare and environmental sustainability.

Enabling Virtual learning

Fostering sustainability is also about equipping members of the next generation to achieve their highest potential. While the COVID-19 pandemic curtailed some educational, sporting and social activities to which KWL traditionally provided support, the company found new ways to be charitable.

The health crisis presented the opportunity for the company to channel its resources towards equipping schools and children to adjust to virtual and safe face-to-face learning.

KWL donated tablets and Wi-Fi service valued at over $500,000 to the St. Anne's Primary School in West Kingston, enabling the youngsters from the urban institution to have well needed equipment to aid in their learning. We also facilitated the shipment of face shields for the children of the Union Gardens Infant School.

Kingston Wharves also continued the longstanding tradition of providing educational support to children of employees who were successful in the Primary Exit Profile (PEP) Exams.

Prioritising Education

01 Kingston Wharves donated tablets and Wi-Fi service valued at approximately $500,000 to the St. Anne's Primary School in West Kingston. 02 KWL awarded scholarships for PEP to employees' children. 03-05 KWL continues to support the Union Gardens Infant School. Principal Gracie-Ann Moss-Solomon shows appreciation.

Corporate Social Responsibility

cont'd

Nurturing Millennials for Leadership

Millennials are on the rise in Kingston Wharves. The organisation is on a path to identify and advance high potential young persons, not just for their youth, but for their competence, commitment and willingness to learn.

Against this background, the KWL Millennial Club remained a priority in 2020, with the company organising activities to foster professional and personal development among its corps of young team members as a way of preparing them for future leadership roles within the company and to make a positive contribution to nation-building.

The club's focus is developing and nurturing young leaders who are accountable, committed, and who consistently strive for excellence in both their personal and corporate lives. It facilitates networking, volunteerism, training, mentorship, coaching sessions, and collaborative workshops with other corporate groups.

We Think and Live Sustainably

Kingston Wharves is a leader in the Newport West community which has been home to its operations since the 1960s. We therefore view the health, safety and sustainability of our community, not just as crucial to our own sustainability, but also to the survival and prosperity of the local and regional shipping industries.

Nuturing Millennials

02

02

03

01 Group Chief Financial Officer Clover Moodie (standing, left) and Human Resource and Administration Manager Denise Walcott-Samuels (standing, right) with millennials, from left—(seated) Tori Mattis, Lafia Hamilton, Whitney Ford, Kadijah Grant, and (standing) Kareem Swearing and Jonbonnet Myrie.
02 Kemica Young and other Millennials in the TLF Warehouse. 03 Millennial Nastassia Wilson hard at work in the Logistics Services Department.

In 2020, KWL continued to work for and galvanise support around environmental protection, civic pride and development in the port community. As a result, we spearheaded the effort to clean-up the Newport West area, which entailed deploying human and capital resources to enhance the environmental health, safety and physical appearance of the port community.

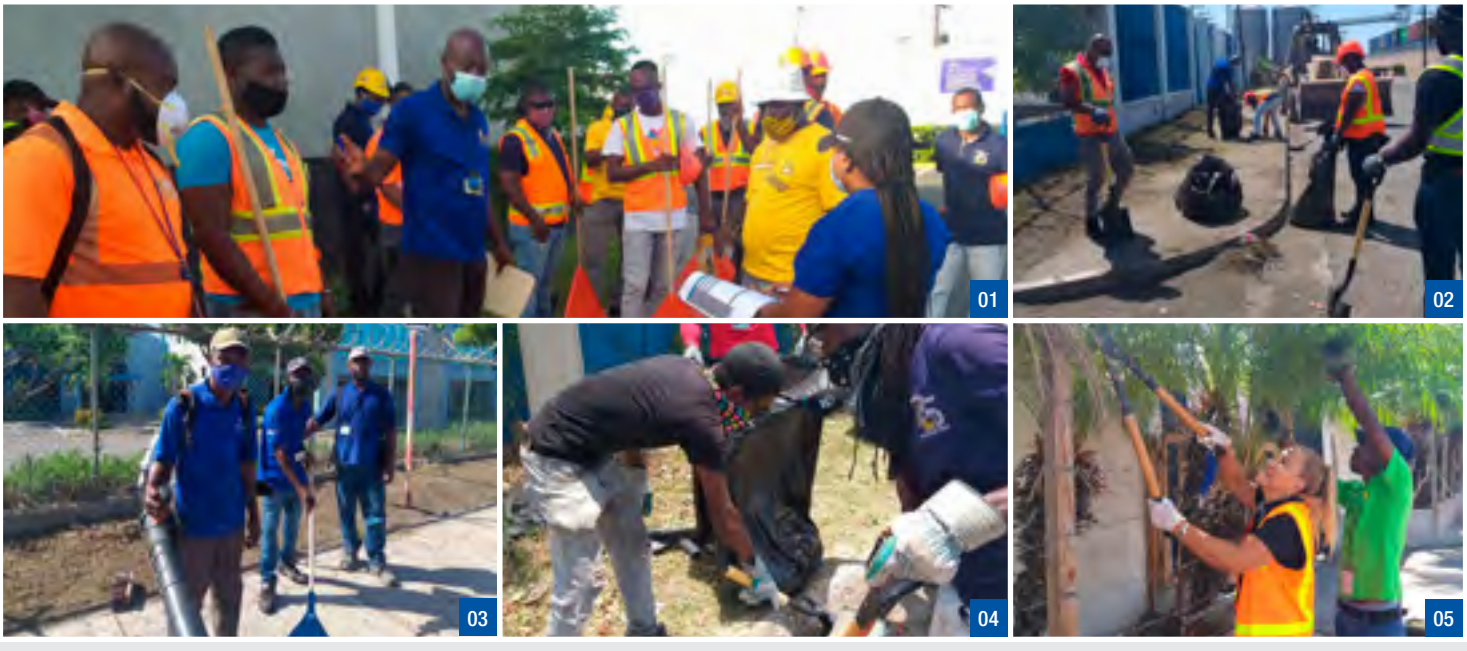
Pulling together a team of partners from the wider port area, including the Shipping Association of Jamaica and the Newport West Corporate Citizens Association, the KWL team led the charge to remove garbage from sections of the community, carried out the removal of heavy foliage and cleared debris from drains. The KWL team also hired heavy equipment operators to support the work teams.

The work was timely, helping to alleviate the flooding in the area at the start of the rainy season, and complemented KWL's previous $100 million investment to reconstruct drainage in a section of Newport West to provide better storm water runoff.

As we progress in 2021 and beyond, we intend to continue doing our part to make a difference in society and contribute in a significant way to nation-building.

Newport West Clean-Up

Kingston Wharves, as a leader in Newport West, spearheaded the clean-up of the port community. A number of partners joined in the project.



01 The Kingston Wharves team getting a safety briefing ahead of the day's work. 02 The Kingston Wharves crew tackles Third Street. 03 The Shipping Association of Jamaica (SAJ) team working along Fourth Avenue. 04 The KWL crew removing debris along Second Street. 05 The Jamaica Freight and Shipping volunteers spruce up outside the office on Second Street.

Corporate Data

CHAIRMAN

Jeffrey Hall

CHIEF EXECUTIVE OFFICER

Mark Williams

BANKERS

Bank of Nova Scotia (Jamaica) Limited
Scotiabank Centre

Corner of Duke &
Port Royal Streets
Kingston

First Caribbean International Bank (Jamaica) Ltd.

23 Knutsford Boulevard
Kingston 5

First Global Bank

2 St. Lucia Avenue
Kingston 5

National Commercial Bank Jamaica Limited

The Atrium
32 Trafalgar Road
Kingston 10

DIRECTORS

Jeffrey Hall (Chairman)
Grantley Stephenson (Deputy Chairman)
Mark Williams (CEO)
Bruce Brecheisen
Kim Clarke
Marshall Hall
Roger Hinds
Charles Johnston
Harriat Maragh
Kathleen Moss
Robert Scavone
Dorian Valdes

AUDITORS

PricewaterhouseCoopers

Scotiabank Centre
Corner of Duke &
Port Royal Streets
Kingston

REGISTRAR & TRANSFER AGENT

Jamaica Central Securities Depository Limited

40 Harbour Street
Kingston

CORPORATE SECRETARY

Stephan Morrison

195 Second Street
Newport West
Kingston 13, Jamaica
Tel: (876) 923-9211
Fax: (876) 923-5361

ADMINISTRATIVE OFFICES

Total Logistics Facility

195 Second Street
Newport West
Kingston 13, Jamaica
Tel: (876) 923-9211
Fax: (876) 923-5361

ATTORNEYS-AT-LAW

Brahamlegal

Suite 1 & 2
32 Lady Musgrave Road Kingston 5

Nunes, Scholefield, DeLeon & Co.

6A Holborn Road,
Kingston

Hylton & Hylton

19 Norwood Avenue,
Kingston 5

Hylton Powell

11A Oxford Road
Kingston 5

Livingston Alexander & Levy

72 Harbour Street
Kingston

Shareholdings

Top Ten Shareholders
as at December 31, 2020

Names	Shareholding	% of Capital
Jamaica Producers Group Ltd	600,736,635	42.00
S.B.D. LLC	300,689,810	21.02
Kingston Portworkers Superannuation Fund	159,665,745	11.16
SAJE Logistics Infrastructure Limited	128,207,690	8.96
Maritime & Transport Services Ltd	68,125,418	4.76
Sagicor Pooled Equity Fund	32,859,889	2.30
Lannaman & Morris (Shipping) Ltd	28,845,258	2.02
NCB INSURANCE CO LTD. - A/C WT 181	9,000,000	0.63
Seafreight Line Ltd	6,029,108	0.42
SJIML A/C 3119	6,000,000	0.42
	1,340,159,553	93.70

Senior Managers' Shareholdings
as at December 31, 2020

Names	Shareholding	Connected	Total
Frances Mighty-Hutchinson	NIL	-	NIL
Valrie Campbell	25,000	-	25,000
Lancelot Green	3,900	-	3,900
Clover Moodie	40,000	-	40,000
Stephan Morrison	NIL	-	NIL
Captain George Reynolds	NIL	-	NIL
Denise Walcott-Samuels	NIL	-	NIL

Directors' Shareholdings
as at December 31, 2020

Names	Shareholding	Connected	Shareholding	Total
Bruce Brecheisen	NIL	S.B.D. LLC	300,689,810	**300,689,810**
Kim Clarke	NIL	Maritime & Transport Services Ltd.	68,125,418	
		SAJE Logistics Infrastructure Limited	128,207,690	
		A.E. PARNELL COMPANY LIMITED	4,277,776	
		Kingston Portworkers Superannuation Fund	159,665,745	**360,276,629**
Jeffrey Hall	NIL	Jamaica Producers Group Limited	600,736,635	
		SAJE Logistics Infrastructure Limited	128,207,690	**728,944,325**
Marshall Hall	NIL	Jamaica Producers Group Limited	600,736,635	**600,736,635**
Roger Hinds	NIL	Transocean Shipping Limited	1,481,481	
		SAJE Logistics Infrastructure Limited	128,207,690	**129,689,171**
Charles Johnston	47,058	Jamaica Fruit & Shipping Limited	381,068	
		Jamaica Producers Group Limited	600,736,635	
		SAJE Logistics Infrastructure Limited	128,207,690	
		Kingston Portworkers Superannuation Fund	159,665,745	**889,038,196**
Harriat Maragh	NIL	Lannaman & Morris Shipping Ltd.	28,845,258	
		Seafreight Line Limited	6,029,108	
		SAJE Logistics Infrastructure Limited	128,207,690	
		Kingston Portworkers Superannuation Fund	159,665,745	**322,747,801**
Kathleen Moss	2,000	Jamaica Producers Group Limited	600,736,635	**600,738,635**
Robert Scavone	NIL			**NIL**
Grantley Stephenson	193,981	SAJE Logistics Infrastructure Limited	128,207,690	**128,401,671**
Dorian Valdes	NIL			**NIL**
Mark F. Williams	90,000		0	**90,000**

Financial Statements

31 December 2020

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Financial Statements

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 2020, 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 with the requirements of the Jamaican Companies Act.

What we have audited

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

- the Group statement of financial position as at 31 December 2020;
- the Group statement of comprehensive income for the year then ended;
- the Group statement of changes in equity for the year then ended;
- the Group statement of cash flows for the year then ended;
- the Company statement of financial position as at 31 December 2020;
- the Company statement of comprehensive income for the year then ended;
- the Company statement of changes in equity for the year then ended;
- the Company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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.

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

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Independence

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

Our audit approach

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 Group is comprised of 8 reporting components of which we selected 4 components for full scope audit testing. These 4 components represent the principal business units within the Group and 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 these components.

Our 2020 audit was planned and executed having regard to the fact that the operations of the Group remain largely unchanged from the prior year.

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.

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Key audit matter	How our audit addressed the key audit matter
Valuation of freehold land, plant and buildings (Group and Company) *Refer to notes 2(d), 4 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 $10.7 billion and $14.0 billion for the Group and $7.1 billion and $10.9 billion for the Company standing alone, are carried at fair value within property, plant and equipment on the Group and Company statements of financial position respectively. These balances are significant to the financial statements of the Group and Company as a whole, representing in aggregate 64.6% of the Group's and 58.9% of the Company's total assets at year end. The Group's valuation policy for freehold land, plant and buildings allows for periodic but at least 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 determining the fair value in respect of land, plant and buildings is by its nature subjective with significant judgement applied including the determination of 'highest and best' use, assumptions relating to useful lives, contractors' charges, labour rates, material costs, property size, price per square foot, location, age and condition; and • due to the quantum/size of revaluation gains that directly impact the Group and Company statements of comprehensive income.	We assessed the competence and capabilities of management's external valuers and concluded that they hold the requisite professional qualifications and experience to carry out reliable valuations of the Group's and 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. We recalculated the revaluation gains by reference to the valuation reports and the accounting records. For a sample of external valuations: • We compared the current valuations for plant and buildings with the previously completed valuations 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 evaluation of the assumptions that underpin the valuations, including by reference to relevant market data, as well as determined whether the valuations were within an acceptable range. As a result of the procedures above, we determined that the values recorded by management for the fair values and the revaluation surplus were, in our view, not unreasonable.

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Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension assets and other retirement benefit obligations (Group and Company) *Refer to notes 2(s), 4 and 23 to the consolidated and stand-alone financial statements for disclosures of related accounting policies judgments and estimates.* As at 31 December 2020, the values for the pension surplus and other post-employment benefit obligations in the statement of financial position for both the Group and Company totalled $1,549.9 million (assets) or 4.1% and 5.1% of total assets and $384.5 million (liabilities) or 7.1% and 8.1% of total liabilities, for the Group and Company respectively. The cost of retirement benefits and the present value of these benefits depend on a number of factors and assumptions. Due to the complexity of the balances, management appointed an external actuary to perform the valuations. The assumptions and factors used in determining the assets for the pension benefits and the liabilities for the other post-employment benefits included: ▪ the expected long-term rate of return on the relevant plan assets; ▪ the fair value of the plan assets; ▪ the discount rate; ▪ future salary increases; ▪ expected pension increases; ▪ life expectancy; and ▪ the expected rate of increase in medical costs in the case of post-employment medical benefits. This was an area of focus due to the numerous assumptions used, the possible impact of COVID-19 on the fair value of plan assets and because any changes in these assumptions will impact the valuation of the assets and liabilities recorded for the pension and other post-employment benefits.	We performed procedures on the valuations of the defined benefit pension assets and other retirement obligations as follows: • 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 management appointed actuary, confirming that they are qualified and that there was no affiliation to the Group. • We checked a sample of the employee data submitted to the actuary against information maintained on the employees' personnel files maintained by the Group. • We assessed the assumptions used by the actuary which included comparing them to relevant externally derived data such as 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 custodians of these assets and tested their fair values by reference to readily available external data including quoted stock prices and yield curves. Based on the procedures performed, we determined management's valuation of defined benefit pension assets and other retirement benefit obligations was, in our view, not unreasonable.

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Other information

Management is responsible for the other information. The other information comprises 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 IFRS and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group 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 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 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 or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

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

PricewaterhouseCoopers

Chartered Accountants
1 March 2021
Kingston, Jamaica

Kingston Wharves Limited

Group Statement of Comprehensive Income

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Revenue		7,138,338	7,898,207
Direct costs		(3,798,582)	(3,853,904)
Gross Profit		3,339,756	4,044,303
Other operating income	8	580,499	262,020
Administration expenses		(1,067,495)	(1,203,379)
Operating Profit		2,852,760	3,102,944
Finance costs	9	(154,876)	(177,917)
Share of net profits in joint venture	20	-	329
Gain on acquisition of subsidiary	21	-	16,120
Gain on disposal of interest in joint venture	21	-	22,162
Profit before Tax		2,697,884	2,963,638
Tax expense	10	(421,987)	(326,144)
Net Profit for Year		2,275,897	2,637,494
Other Comprehensive Income			
Item that may be reclassified to profit or loss			
Changes in fair value of investments at fair value through other comprehensive income		408,646	-
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefits		(616,284)	(11,791)
Deferred tax effect on re-measurements of post-employment benefits		77,036	1,288
Surplus on revaluation of property, plant and equipment		5,027,674	-
Deferred tax effect on revaluation surplus		(292,512)	-
Adjustment to accumulated depreciation on revaluation of property, plant and equipment		-	(17,784)
Effect of change in tax rate on deferred taxation on revaluation surplus		(81,099)	20,531
		4,523,461	(7,756)
Total Comprehensive Income for Year		6,799,358	2,629,738
Net Profit Attributable to:			
Equity holders of the company	11	2,237,719	2,600,817
Non-controlling interest	12	38,178	36,677
		2,275,897	2,637,494
Total Comprehensive Income Attributable to:			
Equity holders of the company		6,761,180	2,593,061
Non-controlling interest	12	38,178	36,677
		6,799,358	2,629,738
Earnings per stock unit of profit attributable to the equity holders of the company during the year	13	$1.57	$1.82

Kingston Wharves Limited

Group Statement of Financial Position

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	27,243,619	22,288,845
Right-of-use assets	16	175,855	241,801
Investment property	17	560,701	568,619
Intangible assets	18	100,014	74,348
Financial assets at fair value through other comprehensive income	22	537,112	128,466
Deferred income tax assets	32	6,250	2,605
Retirement benefit asset	23	1,549,850	2,071,885
		30,173,401	25,376,569
Current Assets			
Inventories	24	413,852	433,045
Trade and other receivables	26	701,300	833,602
Taxation recoverable		10,464	13,989
Short term investments	27	6,558,479	5,229,574
Cash and bank	27	376,010	693,915
		8,060,105	7,204,125
Total Assets		38,233,506	32,580,694

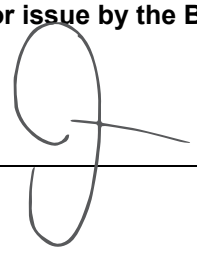
Kingston Wharves Limited

Group Statement of Financial Position (Cont'd)

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
EQUITY			
Stockholders' Equity			
(attributable to equity holders of the company)			
Share capital	28	2,043,744	2,043,744
Other reserves	29	18,905,357	13,830,069
Asset replacement/rehabilitation and depreciation reserves	30	216,761	216,598
Retained earnings		11,416,470	10,503,049
		32,582,332	26,593,460
Non-controlling Interest	12	216,091	177,913
		32,798,423	26,771,373
LIABILITIES			
Non-current Liabilities			
Borrowings	31	1,234,558	1,769,463
Lease liabilities	16	97,442	162,607
Deferred income tax liabilities	32	1,756,649	1,414,921
Retirement benefit obligations	23	384,517	370,149
		3,473,166	3,717,140
Current Liabilities			
Trade and other payables	33	1,348,723	1,410,214
Taxation		84,125	100,357
Borrowings	31	446,183	504,168
Lease liabilities	16	82,886	77,442
		1,961,917	2,092,181
Total Equity and Liabilities		38,233,506	32,580,694

Approved for issue by the Board of Directors on 1 March 2021 and signed on its behalf by:



Jeffrey Hall Chairman

Mark Williams Director

Kingston Wharves Limited

Group Statement of Changes in Equity

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

		Attributable to Equity Holders of the Company					Non-controlling Interest	Total Equity
	Note	Share Capital	Other Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2018		2,036,933	13,814,743	216,447	8,697,773	24,765,896	141,236	24,907,132
Net profit for the year		-	-	-	2,600,817	2,600,817	36,677	2,637,494
Other comprehensive income		-	2,747	-	(10,503)	(7,756)	-	(7,756)
Total comprehensive income for year		-	2,747	-	2,590,314	2,593,061	36,677	2,629,738
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	30	-	-	151	(151)	-	-	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	30	-	-	12,579	(12,579)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves		-	12,579	(12,579)	-	-	-	-
***Transactions with owners*:**								
Sale of treasury shares		6,811	-	-	-	6,811	-	6,811
Dividends	14	-		-	(772,308)	(772,308)	-	(772,308)
Balance at 31 December 2019		2,043,744	13,830,069	216,598	10,503,049	26,593,460	177,913	26,771,373
Net profit for the year		-	-	-	2,237,719	2,237,719	38,178	2,275,897
Other comprehensive income		-	5,062,709	-	(539,248)	4,523,461	-	4,523,461
Total comprehensive income for year		-	5,062,709	-	1,698,471	6,761,180	38,178	6,799,358
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	30	-	-	163	(163)	-	-	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	30	-	-	12,579	(12,579)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	30	-	12,579	(12,579)	-	-	-	-
Transactions with owners:								
Dividends	14	-	-	-	(772,308)	(772,308)	-	(772,308)
Balance at 31 December 2020		2,043,744	18,905,357	216,761	11,416,470	32,582,332	216,091	32,798,423

Kingston Wharves Limited

Group Statement of Cash Flows

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Net profit		2,275,897	2,637,494
Adjustments for:			
Amortisation	18	24,649	29,852
Depreciation – investment property	17	7,918	1,381
Depreciation – property, plant and equipment	15	706,861	727,642
Depreciation – leased asset	16	65,946	71,311
Foreign exchange gains on operating activities		(270,736)	(47,963)
Loss/(gain) on disposal of property, plant and equipment		3,575	(34,345)
Write off of property, plant and equipment and intangible assets		4,056	-
Retirement benefit asset		(101,762)	(83,183)
Retirement benefit obligations		27,334	28,133
Interest income	8	(184,945)	(168,535)
Finance costs	9	154,876	177,917
Gain on acquisition of subsidiary	21	-	(16,120)
Gain on disposal of interest in joint venture	21	-	(22,162)
Share of results of joint venture		-	(329)
Taxation	10	421,987	326,144
		3,135,656	3,627,237
Changes in operating assets and liabilities:			
Inventories		19,193	(41,039)
Trade and other receivables		137,039	(105,340)
Trade and other payables		(104,809)	(477,048)
Cash provided by operations		3,187,079	3,003,810
Taxes paid		(395,298)	(347,098)
Net cash provided by operating activities		2,791,781	2,656,712
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(688,819)	(574,206)
Purchase of intangible assets		(8,088)	(30,085)
Proceeds from sale of property, plant and equipment		5,000	192,261
Net cash expenditure on acquisition of subsidiary		-	(6,274)
Short term deposits with maturities in excess of three months	27	(77,466)	(63,303)
Interest received		174,595	160,832
Net cash used in investing activities		(594,778)	(320,775)
Sub-total carried forward to page 75		2,197,003	2,335,937

Kingston Wharves Limited

Group Statement of Cash Flows (Cont'd)

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Sub-total brought forward from page 74		2,197,003	2,335,937
Cash flows from financing activities			
Dividends paid to equity holders of the company		(729,390)	(686,070)
Sale of treasury shares	28	-	6,811
Interest paid		(125,096)	(171,962)
Lease payments made		(90,787)	(84,441)
Loans repaid		(592,890)	(503,797)
Net cash used in financing activities		(1,538,163)	(1,439,459)
Net increase in cash and cash equivalents		658,840	896,478
Net cash and cash equivalents at beginning of year		5,860,186	4,904,470
Exchange adjustment on foreign currency cash and cash equivalents		274,694	59,238
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	27	6,793,720	5,860,186

Kingston Wharves Limited

Company Statement of Comprehensive Income

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Revenue		6,247,918	7,002,831
Direct expenses		(3,144,536)	(3,116,536)
Gross Profit		3,103,382	3,886,295
Other operating income	8	561,693	249,652
Administration expenses		(1,000,025)	(1,161,711)
Operating Profit		2,665,050	2,974,236
Finance costs	9	(139,288)	(180,113)
Profit before Tax		2,525,762	2,794,123
Tax expense	10	(375,377)	(286,214)
Net Profit for Year		2,150,385	2,507,909
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Changes in fair value of investments at fair value through other comprehensive income		272,984	-
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefits		(616,284)	(11,791)
Deferred tax effect on re-measurements of post-employment benefits		77,036	1,288
Surplus on revaluation of property, plant and equipment		3,184,667	-
Deferred tax effect on revaluation surplus		(136,060)	-
Adjustment to accumulated depreciation on revaluation of property, plant and equipment		-	(17,784)
Effect of change in tax rate on deferred taxation on revaluation surplus		(81,099)	20,531
Total other comprehensive income, net of taxes		2,701,244	(7,756)
Total Comprehensive Income for Year		4,851,629	2,500,153

Kingston Wharves Limited

Company Statement of Financial Position

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	20,531,154	17,428,112
Right-of-use assets	16	279,297	261,412
Intangible assets	18	97,054	73,126
Investments in subsidiaries	19	75,731	75,731
Financial assets at fair value through other comprehensive income	22	358,802	85,818
Group companies	25	697,753	706,721
Retirement benefit asset	23	1,549,850	2,071,885
		23,589,641	20,702,805
Current Assets			
Inventories	24	411,340	431,025
Trade and other receivables	26	602,218	722,813
Group companies	25	168,590	59,704
Short term investments	27	5,580,545	4,501,418
Cash and bank	27	180,177	443,919
		6,942,870	6,158,879
Total Assets		30,532,511	26,861,684

Kingston Wharves Limited

Company Statement of Financial Position (Cont'd)

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
EQUITY			
Stockholders' Equity			
Share capital	28	2,043,744	2,043,744
Other reserves	29	11,950,227	8,697,156
Asset replacement/rehabilitation and depreciation reserves	30	212,968	212,968
Retained earnings		11,580,757	10,754,507
		25,787,696	21,708,375
LIABILITIES			
Non-current Liabilities			
Borrowings	31	1,233,106	1,768,011
Lease liabilities	16	162,883	162,607
Deferred income tax liabilities	32	1,035,168	829,685
Retirement benefit obligations	23	384,517	370,149
		2,815,674	3,130,452
Current Liabilities			
Trade and other payables	33	1,285,599	1,339,546
Group companies	25	11,183	7,753
Taxation payable		62,919	74,337
Borrowings	31	446,183	504,168
Lease liabilities	16	123,257	97,053
		1,929,141	2,022,857
Total Equity and Liabilities		30,532,511	26,861,684

Approved for issue by the Board of Directors on 1 March 2021 and signed on its behalf by:

Jeffrey Hall — Chairman

Mark Williams — Director

Kingston Wharves Limited

Company Statement of Changes in Equity

31 December 2020 (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 2018		2,036,933	8,681,830	212,968	9,041,988	19,973,719
Net profit for the year		-	-	-	2,507,909	2,507,909
Other comprehensive income		-	2,747	-	(10,503)	(7,756)
Total comprehensive income for year		-	2,747	-	2,497,406	2,500,153
Transfer to asset replacement/rehabilitation and depreciation reserves	30	-	-	12,579	(12,579)	-
Transfer from asset replacement/ rehabilitation and depreciation reserves	30	-	12,579	(12,579)	-	-
Transactions with owners:						
Sale of treasury shares		6,811	-	-	-	6,811
Dividends	14	-	-	-	(772,308)	(772,308)
Balance at 31 December 2019		2,043,744	8,697,156	212,968	10,754,507	21,708,375
Net profit for the year		-	-	-	2,150,385	2,150,385
Other comprehensive income		-	3,240,492	-	(539,248)	2,701,244
Total comprehensive income for year		-	3,240,492	-	1,611,137	4,851,629
Transfer to asset replacement/rehabilitation and depreciation reserves	30	-	-	12,579	(12,579)	-
Transfer from asset replacement/ rehabilitation and depreciation reserves	30	-	12,579	(12,579)	-	-
Transactions with owners:						
Dividends	14	-	-	-	(772,308)	(772,308)
Balance at 31 December 2020		2,043,744	11,950,227	212,968	11,580,757	25,787,696

Kingston Wharves Limited

Company Statement of Cash Flows

31 December 2020 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Net profit		2,150,385	2,507,909
Adjustments for:			
Amortisation	18	24,219	29,446
Depreciation – property, plant and equipment	15	588,068	604,366
Depreciation – leased asset	16	111,993	110,533
Foreign exchange gains on operating activities		(214,156)	(36,920)
Loss/(gain) on disposal of property, plant and equipment		3,575	(32,285)
Write off of property, plant and equipment and intangibles		2,406	-
Retirement benefit asset		(101,762)	(83,183)
Retirement benefit obligations		27,334	28,133
Interest income	8	(199,124)	(165,153)
Finance costs	9	139,288	180,113
Taxation	10	375,377	286,214
		2,907,603	3,429,173
Changes in operating assets and liabilities:			
Inventories		19,685	(41,505)
Group companies		(96,488)	(142,235)
Trade and other receivables		120,595	(143,200)
Trade and other payables		(96,865)	(517,660)
Cash provided by operations		2,854,530	2,584,573
Taxes paid		(321,435)	(280,307)
Net cash provided by operating activities		2,533,095	2,304,266
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(559,651)	(509,468)
Purchase of intangible assets	18	(5,920)	(30,085)
Proceeds from sale of property, plant and equipment		5,000	180,203
Short term deposits with maturities in excess of three months	27	(140,769)	-
Interest received		186,149	158,893
Net cash used in investing activities		(515,191)	(200,457)
Cash flows from financing activities			
Dividends paid to equity holders of the company		(729,390)	(686,070)
Sale of treasury shares	28	-	6,811
Interest paid		(138,480)	(171,962)
Lease payments		(140,883)	(125,859)
Loans repaid		(592,890)	(503,797)
Net cash used in financing activities		(1,601,643)	(1,480,877)
Net increase in cash and cash equivalents		416,261	622,932
Net cash and cash equivalents at beginning of year		4,945,337	4,292,759
Exchange adjustment on foreign currency cash and cash equivalents		258,355	29,646
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	27	5,619,953	4,945,337

Notes to the Financial Statements

31 December 2020 (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 consist of 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 is located at the Total Logistics Facility, 195 Second Street, Newport West, Kingston. The company is a public company listed on the Jamaica Stock Exchange.

2. 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

The consolidated financial statements of the Group and the financial statements of the company standing alone (together referred to as the financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain items of property, plant and equipment and financial assets at fair value through other comprehensive income.

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. Unless stated otherwise, the adoption of these new standards, amendments to existing standards or interpretations to published standards did not have a material impact on the operations of the Group.

- **Amendments to IFRS 3 'Business Combinations',** (effective for annual periods beginning on or after 1 January 2020). The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

- **Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors',** (effective for annual periods beginning on or after 1 January 2020). The amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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 2021 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 and 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.

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions** (effective for annual periods beginning on or after 1 June 2020). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

- **Amendments to IAS 1, 'Presentation of Financial Statements' on classification of liabilities** (effective for annual periods beginning on or after 1 January 2022). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- **Amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, and IFRS 16** (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', and the illustrative examples accompanying IFRS 16, 'Leases.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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.

In the company stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2. Significant Accounting Policies (Continued)

(b) Consolidation (continued)

Subsidiaries (continued)

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 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	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
KW Warehousing Services Limited (formerly SSL REIT Limited)	Property rental	-	100%	31 December

2. Significant Accounting Policies (Continued)

(b) Consolidation (continued)

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group assessed the nature of its joint arrangement in SSL REIT Limited and determined it to be a joint venture until 1 October 31, 2019 (See Note 21).

Interests in joint ventures are accounted for using the equity method after initially being recognised at cost in the consolidated statement of financial position. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income.

The results of joint ventures with financial reporting year-end that is different from the group is determined by prorating the result for the audited period as well as the period covered by management accounts to ensure that a full year of operations is accounted for, where applicable.

Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. 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 and is recognised as performance obligations are satisfied at the point in time that the services are rendered. Revenue is shown net of General Consumption Tax, rebates and discounts and after eliminating sales within the Group.

Services

These are charges made for wharfage operations, rental of and repairs to cold storage facilities, storage and warehousing of goods after deduction of discounts and other reductions applicable to such charges. The charges are recognised in the accounting period in which the services are rendered based on services provided to the end of the accounting period in accordance with contracted rates, except penal charges which are accounted for on a cash basis. Port security charges are based on hourly rates for services rendered to the end of the accounting period. This accounting policy applied to the current and previous year.

Credit customers are invoiced when the services are rendered and consideration is payable when invoiced. Payment is due from other customers at the point where the performance obligation is satisfied.

Interest income

Interest income on financial assets at amortised cost and financial assets at FVOCI is recognised on a time-proportionate 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 flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Property, plant and equipment

Plant and buildings consist 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.

2. Significant Accounting Policies (Continued)

(d) Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. The annual rates in use are:

Plant and buildings comprising buildings, leasehold properties, walls, piers, dredging and roadways	1.33% - 5%
Machinery and equipment	4% - 20%
Cold room and air conditioning equipment	10%
Furniture and fixtures	5% - 10%
Motor vehicles	10% - 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(g)). 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) Investment property

Investment properties, principally freehold warehouse buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is shown at cost less accumulated depreciation.

Subsequent costs are included in the carrying amount of the asset 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. On replacement of a separately measured part of an item of investment property, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income when the expenditure is incurred.

Depreciation is calculated on the straight-line balance basis at annual rates to write off the relevant assets over their expected useful lives as follows:

Buildings	2.5%

Land is not depreciated.

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 assets carrying amount is greater than its recoverable amount (Note 2 (g)).

Gains and losses on disposal of investment property are determined by comparing proceeds with their carrying amounts and are included in the statement of comprehensive income.

2. Significant Accounting Policies (Continued)

(f) 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 five 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.

(g) 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.

(h) 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'.

(i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost less loss allowance.

Other miscellaneous assets

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

i. the asset is held within a business model whose objective is to collect the contractual cash flows, and
ii. the contractual terms give rise to cash flows that are solely payments of principal and interest.

Due to the short-term nature of the other miscellaneous assets, their carrying amount is considered to be the same as their fair value.

2. Significant Accounting Policies (Continued)

(j) Investments in subsidiaries

Investments by the company in subsidiaries are stated at cost.

(k) 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.

(l) 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 and which are subject to an insignificant risk of changes in value net of bank overdrafts. Bank overdrafts are shown in borrowings in current liabilities in the statement of financial position.

(m) 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.

(n) 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.

(o) 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.

(p) Leases

The Group acting as lessee, recognises a right-of-use asset and a lease liability for all leases with a term of more than 12 months.

At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2. Significant Accounting Policies (Continued)

(p) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point.

Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Group applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term.

Short - term leases are leases with a lease term of 12 months or less.
The right-of-use assets is presented as a separate line item on the balance sheet. At the commencement date, lease liabilities are measured at an amount equal to the present value of the lease payments for the underlying right- of- use assets during the lease term.

The Group leases office buildings, storage space and vehicles to conduct aspects of it business. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (including termination and renewal rights). Extension and termination options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by both the Group and the respective lessor.

Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options for an additional 1 to 5 years.

2. Significant Accounting Policies (Continued)

(p) Leases (continued)

The lease payments are fixed and adjusted for inflation. The inflation increases are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss 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 lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension and termination options
Extension and termination options are included in property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by the respective lessor and not only by the Group.

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 statement of financial position based on their nature.

(q) Segment reporting

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

(r) 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.

(s) 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.

2. Significant Accounting Policies (Continued)

(s) Employee benefits (continued)

Pension obligations (continued)

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.

Equity compensation benefits

The company established employee share ownership schemes for employees. Under the terms of the schemes, shares may be issued to employees by way of grants or options, which are exercised at the discretion of the employee. The difference between the fair value of the grant or option and the consideration received by the company is recognised as an expense.

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.

(t) 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.

2. Significant Accounting Policies (Continued)

(u) 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.

(v) 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.

(w) 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.

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2. Significant Accounting Policies (Continued)

(w) Financial instruments (continued)

Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3(a) for further details.

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.

3. Financial Risk Management (Continued)

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.

(a) Credit risk

Management seeks to minimise potential adverse effects on the financial performance of the Group by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board.

The Board, through the Audit Committee, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The 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	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Group companies – non-current	-	-	697,753	706,721
Financial assets through other comprehensive income	537,112	128,466	358,802	85,818
Trade receivables	472,955	577,192	386,444	488,797
Other receivables	178,062	191,159	170,911	186,481
Group companies	-	-	168,590	59,704
Short term investments	6,558,479	5,229,574	5,580,545	4,501,418
Cash and bank	376,010	693,915	180,177	443,919
	8,122,618	6,820,306	7,543,222	6,472,858

Credit review process

Management performs regular analyses of the ability of customers and their counterparties to meet repayment obligations.

The Group applied the IFRS 9 simplified approach to measuring expected credit losses by conducting an analysis of provisioning based on two approaches. The first approach was based on conducting an internal analysis of the trend in provisioning and focused on the trade receivables portfolios. The second approach involved an external analysis of the industry and market trends. This analysis did not directly influence the estimation of the default rates but rather provided guidance with respect to future expectations of the industry, performance of the economy and likely impact on key customers.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

On that basis, the loss allowance was determined as follows for trade receivables.

	The Group				
	Current $'000	31 - 60 $'000	Over 60 days $'000	Over 60 days and impaired $'000	Total $'000
31 December 2020					
Expected loss rate	0.4%	1.9%	21.1%	100%	
Gross carrying amount trade receivables	337,051	96,241	54,139	57,136	544,567
Loss Allowance	1,217	1,859	11,400	57,136	71,612

	Current $'000	31 - 60 $'000	Over 60 days $'000	Over 60 days and impaired $'000	Total $'000
31 December 2019					
Expected loss rate	0.2%	0.6%	10%	98%	
Gross carrying amount trade receivables	389,011	128,436	68,430	46,086	631,963
Loss Allowance	876	904	7,039	45,952	54,771

	The Company				
	Current $'000	31 – 60 days $'000	Over 60 days $'000	Over 60 days and impaired $'000	Total $'000
31 December 2020					
Expected loss rate	0.2%	1.4%	16.6%	100%	
Gross carrying amount trade receivables	268,543	81,241	46,057	52,881	448,722
Loss Allowance	587	1,154	7,656	52,881	62,278

	Current $'000	31 - 60 $'000	Over 60 days $'000	Over 60 days and impaired $'000	Total $'000
31 December 2019					
Expected loss rate	0.1%	0.5%	10%	100%	
Gross carrying amount trade receivables	316,786	111,645	68,075	36,480	532,986
Loss Allowance	317	584	6,808	36,480	44,189

3. Financial Risk Management (Continued)

(a) Credit risk (continued)
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	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
At 1 January	54,771	74,184	44,189	53,673
Receivables written off during the year as uncollectible	-	(9,107)	-	-
Loss allowance	36,363	13,795	31,689	8,653
Amounts recovered	(19,522)	(24,101)	(13,600)	(18,137)
At 31 December	71,612	54,771	62,278	44,189

The movement in the provision for credit losses for the year included $9,230,000 (2019 - $9,269,000) and $9,321,000 (2019 - $10,372,000) 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.

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	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Top ten customers	488,929	557,508	395,515	462,232
Other	55,638	74,455	53,207	70,754
	544,567	631,963	448,722	532,986
Less: Provision for credit losses	(71,612)	(54,771)	(62,278)	(44,189)
	472,955	577,192	386,444	488,797

(ii) Short term investments
The Group's short term investments comprise cash on deposit held with financial institutions.

3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Board of Directors, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

(ii) Maintaining committed lines of credit;

(iii) Optimising cash returns on investment;

(iv) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Notes to the Financial Statements

31 December 2020 (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**
			2020			
Borrowings	20,904	123,295	409,091	1,339,353	2,932	1,895,575
Lease liability	7,465	14,930	67,186	148,840	-	238,421
Trade and other payables	1,348,723	-	-	-	-	1,348,723
Total financial liabilities	1,377,092	138,225	476,277	1,488,193	2,932	3,482,719
			2019			
Borrowings	26,353	138,756	482,931	1,940,209	81,220	2,669,469
Lease liability	6,985	14,597	68,455	238,882	-	328,919
Trade and other payables	1,410,214	-	-	-	-	1,410,214
Total financial liabilities	1,443,552	153,353	551,386	2,179,091	81,220	4,408,602

	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**
			2020			
Borrowings	20,904	123,295	409,091	1,339,353	1,480	1,894,123
Lease liabilities	13,295	26,591	119,659	190,973	-	350,518
Trade and other payables	1,285,599	-	-	-	-	1,285,599
Group companies	11,183	-	-	-	-	11,183
Total financial liabilities	1,330,981	149,886	528,750	1,530,326	1,480	3,541,423
			2019			
Borrowings	26,353	138,756	482,931	1,940,209	79,768	2,668,017
Lease liabilities	10,370	21,530	79,104	238,882	-	349,886
Trade and other payables	1,339,546	-	-	-	-	1,339,546
Group companies	7,753	-	-			7,753
Total financial liabilities	1,384,022	160,286	562,035	2,179,091	79,768	4,365,202

3. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arises 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.

Notes to the Financial Statements

31 December 2020 (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**
		2020	
Financial Assets			
Short term investments	2,021,105	4,537,374	6,558,479
Trade and other receivables	223,484	427,533	651,017
Cash and bank	267,053	108,957	376,010
Total financial assets	2,511,642	5,073,864	7,585,506
Financial Liabilities			
Borrowings	1,680,741	-	1,680,741
Lease liability	-	180,328	180,328
Trade and other payables	1,331,196	17,527	1,348,723
Total financial liabilities	3,011,937	197,855	3,209,792
Net financial position	(500,295)	4,876,009	4,375,714
		2019	
Financial Assets			
Short term investments	1,790,285	3,439,289	5,229,574
Trade and other receivables	239,663	528,688	768,351
Cash and bank	381,968	311,947	693,915
Total financial assets	2,411,916	4,279,924	6,691,840
Financial Liabilities			
Borrowings	2,273,631	-	2,273,631
Lease liability	-	240,049	240,049
Trade and other payables	1,299,236	110,978	1,410,214
Total financial liabilities	3,572,867	351,027	3,923,894
Net financial position	(1,160,951)	3,928,897	2,767,946

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**
		2020	
Financial Assets			
Group companies- non current	697,753	-	697,753
Short term investments	1,706,407	3,874,138	5,580,545
Trade and other receivables	131,686	425,669	557,355
Group companies	168,590	-	168,590
Cash and bank	145,717	34,460	180,177
Total financial assets	2,850,153	4,334,267	7,184,420
Financial Liabilities			
Borrowings	1,679,289	-	1,679,289
Lease liabilities	-	286,140	286,140
Trade and other payables	1,268,072	17,527	1,285,599
Group companies	11,183	-	11,183
Total financial liabilities	2,958,544	303,667	3,262,211
Net financial position	(108,391)	4,030,600	3,922,209
		2019	
Financial Assets			
Loan receivable	476,071	-	476,071
Short term investments	1,508,069	2,993,349	4,501,418
Trade and other receivables	148,487	526,791	675,278
Group companies	59,704	-	59,704
Cash and bank	251,215	192,704	443,919
Total financial assets	2,443,546	3,712,844	6,156,390
Financial Liabilities			
Borrowings	2,272,179	-	2,272,179
Lease liability	-	259,660	259,660
Trade and other payables	1,240,678	98,868	1,339,546
Group companies	7,587	166	7,753
Total financial liabilities	3,520,444	358,694	3,879,138
Net financial position	(1,076,898)	3,354,150	2,277,252

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% (2019 - 4%) appreciation and a 6% (2019 - 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 liabilities. Profit is more sensitive to movements in Jamaican dollar/US dollar exchange rates because of the significant level of US-dollar denominated investments. 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 2020 %	Effect on Profit before Taxation 2020 $'000	Change in Currency Rate 2019 %	Effect on Profit before Taxation 2019 $'000
		The Group		
Currency:				
USD	+2	97,520	+4	157,156
USD	-6	(292,560)	-6	(235,734)
		The Company		
USD	+2	80,612	+4	134,166
USD	-6	(241,836)	-6	(201,249)

(ii) Interest rate risk

Interest rate risk is the risk that the value of 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.

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
	2020						
Assets							
Short term investments	3,549,646	2,834,009	140,769	-	-	34,055	6,558,479
Trade and other receivables	-	-	-	-	-	651,017	651,017
Cash and bank	211,367	-	-	-	-	164,643	376,010
Total financial assets	3,761,013	2,834,009	140,769	-	-	849,715	7,585,506
Liabilities							
Borrowings	140,148	176,786	1,119,000	241,875	-	2,932	1,680,741
Lease liability	-	-	-	180,328	-	-	180,328
Trade and other payables	-	-	-	-	-	1,348,723	1,348,723
Total financial liabilities	140,148	176,786	1,119,000	422,203	-	1,351,655	3,209,792
Total interest repricing gap	3,620,865	2,657,223	(978,231)	(422,203)	-	(501,940)	4,375,714
	2019						
Assets							
Short term investments	2,397,267	2,769,004	63,303	-	-	-	5,229,574
Trade and other receivables	-	-	-	-	-	768,351	768,351
Cash and bank	311,947	-	-	-	-	381,968	693,915
Total financial assets	2,709,214	2,769,004	63,303	-	-	1,150,319	6,691,840
Liabilities							
Borrowings	179,259	255,357	35,715	1,706,175	94,193	2,932	2,273,631
Lease liability	-	-	-	240,049	-	-	240,049
Trade and other payables	-	-	-	-	-	1,410,214	1,410,214
Total financial liabilities	179,259	255,357	35,715	1,946,224	94,193	1,413,146	3,923,894
Total interest repricing gap	2,529,955	2,513,647	27,588	(1,946,224)	(94,193)	(262,827)	2,767,946

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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
				2020			
Assets							
Group companies – non current	-	-	-	697,753	-	-	697,753
Short term investments	3,237,697	2,170,554	140,769	-	-	31,525	5,580,545
Trade and other receivables	-	-	-	-	-	557,355	557,355
Group companies	-	-	-	-	-	168,590	168,590
Cash and bank	136,870	-	-	-	-	43,307	180,177
Total financial assets	3,374,567	2,170,554	140,769	697,753	-	800,777	7,184,420
Liabilities							
Borrowings	140,148	176,786	1,119,000	241,875	-	1,480	1,679,289
Lease Liability	-	-	19,612	266,528	-	-	286,140
Trade and other payables	-	-	-	-	-	1,285,599	1,285,599
Group companies	-	-	-	-	-	11,183	11,183
Total financial liabilities	140,148	176,786	1,138,612	508,403	-	1,298,262	3,262,211
Total interest repricing gap	3,234,419	1,993,768	(997,843)	189,350	-	(497,485)	3,922,209
				2019			
Assets							
Loan receivable	-	-	-	476,071	-	-	476,071
Short term investments	2,236,029	2,265,389	-	-	-	-	4,501,418
Trade and other receivables	-	-	-	-	-	675,278	675,278
Group companies	-	-	-	-	-	59,704	59,704
Cash and bank	192,704	-	-	-	-	251,215	443,919
Total financial assets	2,428,733	2,265,389	-	476,071	-	986,197	6,156,390
Liabilities							
Borrowings	179,259	255,357	35,715	1,706,175	94,193	1,480	2,272,179
Lease Liability	-	-	19,612	240,048	-	-	259,660
Trade and other payables	-	-	-	-	-	1,339,546	1,339,546
Group companies	-	-	-	-	-	7,753	7,753
Total financial liabilities	179,259	255,357	55,327	1,946,223	94,193	1,348,779	3,879,138
Total interest repricing gap	2,249,474	2,010,032	(55,327)	(1,470,152)	(94,193)	(362,582)	2,277,252

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
				2020 $'000	2019 $'000	2020 $'000	2019 $'000
Change in basis points							
2020 JMD	2020 USD	2019 JMD	2019 USD				
+100	+100	+100	+100	43,757	27,679	39,222	22,773
-100	-100	-100	-100	(43,757)	(27,679)	(39,222)	(22,773)

(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 2020, the Group's strategy, which was unchanged from 2019, was to maintain the gearing ratio no higher than 75%. The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020 $'000	2019 $'000
Total long term borrowings (Note 31)	1,680,741	2,273,631
Total stockholders' equity	32,582,332	26,593,460
Gearing ratio (%)	5.16%	8.55%

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 2020, instruments included within this level comprised unquoted equities classified as financial assets at fair value through other comprehensive income which totalled $537,112,000 and $358,802,000 for the Group and company, respectively. There were no transfers between levels in 2020 and 2019.

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 carrying value of other financial assets (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 and are repayable after one year.

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 was variable and based on approved methodology, and in 2019 was 10.92% (Note 10). The company was granted approval to operate as an approved developer under the Special Economic Zone Act (SEZA) in 1 January 2020 thereby ending the variable tax rate regime. Under the SEZA, a corporate income tax rate of 12.50% is now applicable.

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.

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.

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 times 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 0.5% from estimates applied in valuation of the benefits, the consolidated net profit would be an estimated $25,881 lower or $29,751 higher (Note 23). 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 23).

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 Services - Operation of warehousing and logistics facilities, security services, rental of cold storage facilities and property rental.

Transactions between the business segments are on normal commercial terms and conditions. The Group derives revenue from the transfer of services at a point in time in the following major operating segments.

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

	Terminal Operations	Logistics Services	Eliminations	Group
Year ended 31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**
External operating revenue	4,955,439	2,182,899	-	7,138,338
Operating revenue from segments	647,279	88,082	(735,361)	-
Total revenue	5,602,718	2,270,981	(735,361)	7,138,338
Operating profit	1,985,116	867,644	-	2,852,760
Finance costs	(91,970)	(116,836)	53,930	(154,876)
Profit before tax	1,893,146	750,808	53,930	2,697,884
Tax expense				(421,987)
Profit before non-controlling interest				2,275,897
Non-controlling interest				(38,178)
Net profit attributable to equity holders of the company				2,237,719
Segment assets	31,135,401	6,826,036	(1,294,495)	36,666,942
Unallocated assets				1,566,564
Total assets				38,233,506
Segment liabilities	3,586,536	803,329	(1,180,073)	3,209,792
Unallocated liabilities				2,225,291
Total liabilities				5,435,083
Other segment items:				
Interest income (Note 8)	199,369	25,459	(39,883)	184,945
Capital expenditure (Note 15)	578,631	110,188	-	688,819
Capital expenditure (Note 18)	6,502	1,586	-	8,088
Amortisation (Note 18)	24,219	430	-	24,649
Depreciation	688,913	206,739	(114,927)	780,725

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5. Segment Financial Information (Continued)

	Terminal Operations	Logistics Services	Eliminations	Group
Year ended 31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**
External operating revenue	5,753,386	2,144,821	-	7,898,207
Operating revenue from segments	610,586	86,915	(697,501)	-
Total revenue	6,363,972	2,231,736	(697,501)	7,898,207
Operating profit	2,432,711	670,233	-	3,102,944
Finance costs	(102,390)	(94,503)	18,976	(177,917)
	2,330,321	575,730	18,976	2,925,027
Gain on disposal of interest in joint venture				22,162
Gain on acquisition of subsidiary				16,120
Share of results of joint venture				329
Profit before tax				2,963,638
Tax expense				(326,144)
Profit before non-controlling interest				2,637,494
Non-controlling interest				(36,677)
Net profit attributable to equity holders of the company				2,600,817
Segment assets	26,563,603	5,800,761	(1,872,149)	30,492,215
Unallocated assets				2,088,479
Total assets				32,580,694
Segment liabilities	4,868,131	794,424	(1,738,662)	3,923,893
Unallocated liabilities				1,885,428
Total liabilities				5,809,321
Other segment items:				
Interest income (Note 8)	165,364	13,995	(10,824)	168,535
Capital expenditure (Note 15)	506,176	68,030	-	574,206
Capital expenditure (Note 18)	30,085	-	-	30,085
Amortisation (Note 18)	29,446	406	-	29,852
Depreciation	730,496	183,306	(113,468)	800,334

Revenues of approximately $1,778,379,000 (2019 – $1,941,595,000) were earned from two customers. The revenues are attributable to the Terminal Operations segment.

6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Advertising and public relations	28,398	47,982	27,436	46,951
Amortisation (Note 18)	24,649	29,852	24,219	29,446
Auditors' remuneration				
Current year	18,443	16,611	11,038	10,721
Prior year	-	67	-	-
Bad debts	20,823	(5,621)	22,069	(4,799)
Bank charges	48,175	50,064	47,632	49,642
Claims	22,482	17,625	20,482	17,625
Cleaning and sanitation	47,865	50,282	47,865	48,651
Customs overtime	43,984	56,947	43,984	56,947
Depreciation	780,725	800,334	700,061	714,899
Directors' fees	25,930	18,764	25,256	18,566
Equipment rental	111,451	135,660	111,431	135,660
Fuel	132,778	178,829	132,778	178,829
Information technology	90,833	86,047	84,836	84,712
Insurance	196,736	177,051	160,277	153,040
Irrecoverable General Consumption Tax	42,797	46,763	30,242	34,697
Legal and consultation expenses	33,595	33,523	23,671	30,102
Occupancy: property taxes and rent	9,419	8,430	9,770	10,192
Repairs and maintenance	594,063	439,472	581,487	422,076
Security	397,669	425,393	84,053	88,345
Staff costs (Note 7)	1,656,902	1,907,404	1,422,221	1,601,888
Utilities	272,578	257,583	265,660	252,348
Other	265,782	278,221	268,093	297,709
	4,866,077	5,057,283	4,144,561	4,278,247

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7. Staff Costs

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Wages and salaries	1,391,056	1,490,828	1,171,057	1,286,276
Payroll taxes – employer's contributions	149,462	197,407	124,967	126,225
Pension costs – defined benefit plan (Note 23)	(107,322)	(78,864)	(107,322)	(78,864)
Pension costs – defined contribution plan	7,473	7,379	-	-
Other retirement benefits (Note 23)	43,098	39,422	43,098	39,422
Meal and travelling allowances	56,736	59,791	50,883	54,372
Termination costs	14,915	23,758	14,915	23,758
Other	101,484	167,683	124,623	150,699
	1,656,902	1,907,404	1,422,221	1,601,888

8. Other Operating Income

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Dividends	5,555	7,106	3,711	4,747
Interest	184,945	168,535	199,124	165,153
Foreign exchange gains	270,747	47,963	233,130	36,920
Management fees	-	-	6,490	6,490
Proceeds from claims	122,813	4,057	122,813	4,057
Loss/gain on disposal of fixed assets	(3,575)	34,345	(3,575)	32,285
Other	14	14	-	-
	580,499	262,020	561,693	249,652

9. Finance Costs

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest expense	136,926	177,917	138,480	180,113
Foreign exchange losses	17,950	-	808	-
	154,876	177,917	139,288	180,113

10. Tax Expense

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current tax on profit for the year	382,591	393,015	310,017	314,608
Prior year under/(over) provision	(2,112)	(603)	-	1,794
Deferred income tax (Note 32)	41,508	(66,268)	65,360	(30,188)
	421,987	326,144	375,377	286,214

The tax on profit differs from the theoretical amount that would arise using a basic statutory rate of 12.50% (2019 – 10.92%) as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit before tax	2,697,884	2,963,638	2,525,762	2,794,123
Tax calculated at a tax rate of 12.50% (2019 – 10.92%)	337,235	323,629	315,720	305,118
Adjusted for the effects of:				
Income not subject to tax	-	(3,557)	-	(3,525)
Income taxed at higher rate	39,421	14,664	-	-
Expenses not deductible for tax purposes	32,313	2,730	32,313	2,580
Change in rate for deferred income taxes	27,314	(10,297)	27,314	(10,297)
Prior year (over)/under provision	(2,112)	(603)	-	1,794
Other	(12,184)	(422)	30	(9,456)
Tax expense	421,987	326,144	375,377	286,214

The company was granted free zone status under the Jamaica Export Free Zones Act effective December 2013, resulting in income tax being charged on applicable profits at zero for export activities and 25% for non-export activities. This resulted in an effective statutory rate of 10.92% in the prior year. This rate was also applied in determining the amounts for deferred taxation for the company in the 2019 financial statements (Note 32).

The Jamaica Export Free Zones Act was repealed in 2016 by the Special Economic Zones Act (SEZA). Effective 1 January 2020, the company was granted approval to operate as an approved developer under the SEZA. Under the SEZA, a corporate income tax rate of 12.50% is applicable to approved developers and occupants.

Notes to the Financial Statements

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11. Profit Attributable to Equity Holders of the Company

	2020 $'000	2019 $'000
(a) Net profit is dealt with as follows in the financial statements of:		
Holding company	2,150,385	2,507,909
Gain on acquisition of subsidiary	-	16,120
Subsidiaries	87,335	76,459
Joint venture	-	329
	2,237,720	2,600,817
(b) Retained earnings are dealt with as follows in the financial statements of:		
Holding company	11,580,757	10,754,507
Subsidiaries	(164,287)	(251,458)
	11,416,470	10,503,049

12. Non-controlling Interest

	2020 $'000	2019 $'000
At beginning of year	177,913	141,236
Share of net profit of subsidiary	38,178	36,677
	216,091	177,913

13. Earnings Per Stock Unit

The calculation of basic earnings per stock unit (EPS) is based on the net profit attributable to equity holders and the weighted average number of stock units in issue during the year, excluding ordinary stock units purchased by the Group and held as treasury stock.

	2020	2019
Net profit attributable to equity holders of the company ($'000)	2,237,719	2,600,817
Weighted average number of ordinary stock units in issue (thousands)	1,429,342	1,429,367
Basic earnings per stock unit	$1.57	$1.82

14. Dividends

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

	2020 $'000	2019 $'000
Ordinary dividends, gross – 54 cents (2019 – 54 cents)	772,308	772,308

In December 2020, the company declared a dividend of 31 cents per share which is payable on 18 January 2021 to shareholders on record at 17 December 2020, and which is included in the total dividends above.

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
				2020				
Cost or Valuation -								
At 31 December 2019	7,302,071	20,656,602	3,549,832	267,404	347,588	342,880	329,984	32,796,361
Additions	-	1,798	5,146	-	3,816	6,960	671,099	688,819
Transfers	134,688	522,955	43,206	-	1,057	-	(701,906)	-
Transfers to Intangible assets	-	-	-	-	-	-	(43,630)	(43,630)
Revaluation	3,296,773	1,650,850	-	-	-	-	-	4,947,623
Disposals	-	-	(27,495)	-	-	(19,160)	(2,033)	(48,688)
At 31 December 2020	10,733,532	22,832,205	3,570,689	267,404	352,461	330,680	253,514	38,340,485
Depreciation -								
At 31 December 2019	-	8,474,504	1,416,782	267,032	170,565	178,633	-	10,507,516
Charge for the year	-	457,451	191,113	372	23,246	34,679	-	706,861
On revaluation	-	(80,051)	-	-	-	-	-	(80,051)
Relieved on disposals	-	-	(27,495)	-	1,057	(11,022)	-	(37,460)
At 31 December 2020	-	8,851,904	1,580,400	267,404	194,868	202,290	-	11,096,866
Net Book Value -								
At 31 December 2020	10,733,532	13,980,301	1,990,289	-	157,593	128,390	253,514	27,243,619
				2019				
Cost or Valuation -								
At 31 December 2018	7,302,071	20,591,888	3,552,713	267,404	328,555	308,852	94,475	32,445,958
Additions	-	12,180	39,256	-	13,105	17,197	492,468	574,206
Transfers	-	213,758	9,075	-	6,121	28,005	(256,959)	-
Disposals	-	(161,224)	(51,212)	-	(193)	(11,174)	-	(223,803)
At 31 December 2019	7,302,071	20,656,602	3,549,832	267,404	347,588	342,880	329,984	32,796,361
Depreciation -								
At 31 December 2018	-	8,019,478	1,252,792	265,311	148,206	152,190	-	9,837,977
Charge for the year	-	460,578	205,339	1,721	22,385	37,619	-	727,642
Adjustment to effect of revaluation surplus	-	17,784	-	-	-	-	-	17,784
Relieved on disposals	-	(23,336)	(41,349)	-	(26)	(11,176)	-	(75,887)
At 31 December 2019	-	8,474,504	1,416,782	267,032	170,565	178,633	-	10,507,516
Net Book Value -								
At 31 December 2019	7,302,071	12,182,098	2,133,050	372	177,023	164,247	329,984	22,288,845

Notes to the Financial Statements

31 December 2020 (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
	2020							
Cost or Valuation -								
At 31 December 2019	4,899,666	14,639,771	3,515,486	19,137	333,544	326,477	268,249	24,002,330
Additions	-	1,798	4,404	-	3,816	-	549,633	559,651
Transfers	80,636	396,835	43,206	-	-	-	(520,677)	-
Transfers to intangible assets	-	-	-	-	-	-	(43,630)	(43,630)
Revaluation	2,099,992	1,154,869	-	-	-	-	-	3,254,861
Disposals	-	-	(27,495)	-	-	(13,486)	(1,711)	(42,692)
At 31 December 2020	7,080,294	16,193,273	3,535,601	19,137	337,360	312,991	251,864	27,730,520
Depreciation -								
At 31 December 2019	-	4,853,642	1,376,987	17,901	157,744	167,944	-	6,574,218
Charge for the year	-	343,850	188,715	1,023	22,886	31,594	-	588,068
On revaluation	-	70,194	-	-	-	-	-	70,194
Relieved on disposals	-	-	(27,495)	-	-	(5,619)	-	(33,114)
At 31 December 2020	-	5,267,686	1,538,207	18,924	180,630	193,919	-	7,199,366
Net Book Value -								
At 31 December 2020	7,080,294	10,925,587	1,997,394	213	156,730	119,072	251,864	20,531,154
	2019							
Cost or Valuation -								
At 31 December 2018	4,899,666	14,575,057	3,521,255	19,137	314,626	283,475	94,475	23,707,691
Additions	-	12,180	36,368	-	12,990	17,197	430,733	509,468
Transfers	-	213,758	9,075	-	6,121	28,005	(256,959)	-
Disposals	-	(161,224)	(51,212)	-	(193)	(2,200)	-	(214,829)
At 31 December 2019	4,899,666	14,639,771	3,515,486	19,137	333,544	326,477	268,249	24,002,330
Depreciation -								
At 31 December 2018	-	4,515,173	1,215,321	16,630	135,784	136,071	-	6,018,979
Charge for the year	-	344,021	203,015	1,271	21,986	34,073	-	604,366
Adjustment to effect of revaluation surplus	-	17,784	-	-	-	-	-	17,784
Relieved on disposals	-	(23,336)	(41,349)	-	(26)	(2,200)	-	(66,911)
At 31 December 2019	-	4,853,642	1,376,987	17,901	157,744	167,944	-	6,574,218
Net Book Value -								
At 31 December 2019	4,899,666	9,786,129	2,138,499	1,236	175,800	158,533	268,249	17,428,112

15. Property, Plant and Equipment (Continued)

(a) Freehold land of the Group was revalued as at 31 December 2020 on the basis of open market value by D.C. Tavares and Finson Realty Limited, independent qualified valuators. The freehold plant and buildings of the Group were also revalued as at 31 December 2020 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 resultant increase in value net of deferred income taxes has been recognised in capital reserves (Note 30).

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 2020 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-20	-	10,733,532	-
Plant and Buildings	Dec-20	-	-	13,980,301
Total		-	10,733,532	13,980,301
		The Company		
Freehold Land	Dec-20	-	7,080,294	-
Plant and Buildings	Dec-20	-	-	10,925,587
Total		-	7,080,294	10,925,587

15. Property, Plant and Equipment (Continued)

(a) (continued)
Level 2 fair values of land have been derived using the sales comparison approach and are 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	12,182,098	9,786,129
Additions/transfers in	524,753	398,633
Revaluation Adjustment to accumulated depreciation	1,736,781	1,084,675
Depreciation through profit or loss	(463,331)	(343,850)
Closing balance	13,980,301	10,925,587

The Group

	Fair value at 31 December 2020 $'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value 2020 $'000
Description					
Plant and Building	13,980,301	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 lower by $31,013,000 and higher by $40,398,000 .

15. Property, Plant and Equipment (Continued)

(a) (continued)

The Company

	Fair value at 31 December 2020 $'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value 2020 $'000
Plant and Building	10,925,587	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 lower by $21,054,000 and higher by $28,201,000.

(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 31).

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cost	9,175,737	8,516,296	8,787,459	8,308,190
Accumulated depreciation	(1,232,467)	(1,086,968)	(1,178,353)	(1,045,445)
Net book value	7,943,270	7,429,328	7,609,106	7,262,745

16. Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, see Note 34.

(a) Amounts recognised in the statement of financial position (IFRS 16)

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Right-of-use assets				
Land and buildings	175,855	241,801	279,297	261,412
Lease liabilities				
Current	82,886	77,442	123,257	97,053
Non-current	97,442	162,607	162,883	162,607
	180,328	240,049	286,140	259,660

(b) Amounts recognised in the statement of profit or loss IFRS16

The statement of profit or loss shows the following amounts relating to right-of-use assets:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets				
Land and buildings	65,946	71,311	111,993	110,533
Interest expense (Included in finance costs ,Note 9)	11,943	5,955	13,497	8,151
	77,889	77,266	125,490	118,684

The total cash outflow for leases was $90,787,000 (2019 - $84,441,000). Income from the sub-lease of right of use assets was $140,883,000 (2019 - $84,441,000) within the Group.

17. Investment Property

	Land	Plant and Buildings	Total
	$'000	$'000	$'000
Cost -			
At 1 November 2019, 31 December 2019 and At 31 December 2020	250,000	320,000	570,000
Accumulated Depreciation -			
At 31 December 2018	-	-	-
Charge for the year	-	1,381	1,381
At 31 December 2019	-	1,381	1,381
Charge for the year	-	7,918	7,918
At 31 December 2020	-	9,299	9,299
Net Book Value -			
31 December 2020	250,000	310,701	560,701
31 December 2019	250,000	318,619	568,619

17. Investment Property (Continued)

The investment property, which is carried at cost less accumulated depreciation, was valued at its last valuation in 2019 at $570,000,000, based on open market value by D.C. Tavares and Finson Realty Limited, independent qualified valuators.

Amounts recognised in profit or loss for investment property:

	2020 $'000	2019 $'000
Rental income	43,865	7,236
Direct operating expenses from property that generated rental income	(7,918)	(1,381)

The investment property is leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as shown below:

	2020 $'000	2019 $'000
Receivable as follows:		
Within one year	46,569	45,659
Later than one year but not later than 5 years	212,710	212,755
Later than 5 years	63,105	110,649
	322,384	369,063

18. Intangible Assets

	Computer Software $'000	Rights to Customer Contracts $'000	Total $'000
		The Group	
At Cost -			
At 31 December 2018	52,743	470,637	523,380
Additions	30,085	-	30,085
At 31 December 2019	82,828	470,637	553,465
Additions	8,088	-	8,088
Transfers from property plant and equipment	43,630	-	43,630
Disposal	(1,754)	-	(1,754)
At 31 December 2020	132,792	470,637	603,429
Amortisation -			
At 31 December 2018	30,687	418,578	449,265
Amortisation charge for year	10,924	18,928	29,852
At 31 December 2019	41,611	437,506	479,117
Amortisation charge for year	14,193	10,456	24,649
Disposal	(351)	-	(351)
At 31 December 2020	55,453	447,962	503,415
Net Book Value -			
31 December 2020	77,339	22,675	100,014
31 December 2019	41,217	33,131	74,348

18. Intangible Assets (Continued)

	Computer Software $'000	Rights to Customer Contracts $'000	Total $'000
	The Company		
At Cost -			
At 31 December 2018	50,708	470,637	521,345
Additions	30,085	-	30,085
At 31 December 2019	80,793	470,637	551,430
Additions	5,920	-	5,920
Transfers from property plant and equipment	43,630	-	43,630
Disposal	(1,754)	-	(1,754)
At 31 December 2020	128,589	470,637	599,226
Amortisation -			
At 31 December 2018	30,280	418,578	448,858
Amortisation charge for year	10,517	18,929	29,446
At 31 December 2019	40,797	437,507	478,304
Amortisation charge for year	13,763	10,456	24,219
Disposal	(351)	-	(351)
At 31 December 2020	54,209	447,963	502,172
Net Book Value -			
31 December 2020	74,380	22,674	97,054
31 December 2019	39,996	33,130	73,126

The amortisation period for the contracts classified as rights to customer contracts are amortised over five – ten years.

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

19. Investments in Subsidiaries

	2020 $'000	2019 $'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

20. Investment in Joint Venture

The Group through its subsidiary KW Logistics Limited entered into a joint venture agreement with effect from 31 August 2018, under the terms of which it acquired a fifty percent (50%) share in SSL REIT Limited (SSL REIT), a company incorporated in Jamaica. SSL REIT's primary business is the rental of warehousing facilities. The Group's investment of $58 million was accounted for using the equity method up to 31 October 2019 when it acquired control of SSL REIT through an additional investment (Note 21).

Summarised Unaudited Statement of Comprehensive Income.

	Ten months ended 31 October 2019 $'000
Revenue	36,180
Interest income	4,114
Depreciation	(6,872)
Interest expense	(29,375)
Other operating expense	(3,389)
Net profit	658

When acquired the company had pre-acquisition losses of approximately $29 million. As at 31 October 2019, the Group's share was profits of $329,000.

21. Acquisition of Subsidiary

With effect from 1 November 2019, the Group through its subsidiary KW Logistics Limited acquired control of SSL REIT, formerly a joint venture interest. The Group previously held a 50% share of the issued share capital of the company and subsequently acquired the remaining 50%. SSL REIT's primary business is the rental of warehousing facilities.

Since 1 November 2019, SSL REIT contributed revenues of $7.2 million and loss after tax of $58 thousand to the Group's results in 2019. If the acquisition had occurred on 1 January 2019, management estimates that the company would have contributed revenues of $43.4 million and profit after tax of $0.5 million to the Group.

Step 1 – Deemed disposal

	2019 $'000
Fair value of net assets of joint venture at 31 October 2019	80,524
Less carrying value of investment in joint venture at 31 October 2019	(58,362)
Gain on disposal of interest in joint venture	22,162

21. Acquisition of Subsidiary (Continued)

Step 2 - Acquisition of subsidiary
The following summarises the fair value of the identifiable assets and liabilities recognised by the group at 1 November 2019

	2019 $'000
Property, plant and equipment	570,000
Cash and cash equivalents	16,538
Receivables from related parties	34,929
Other current assets	9,761
Short term loan payable	(470,000)
Current liabilities	(180)
Net identifiable assets acquired	161,048

	2019 $'000
Assets acquired	631,228
Less liabilities taken over	470,180
Net assets acquired	161,048
Total purchase price	(144,928)
Gain on acquisition of subsidiary	16,120

Subsequent to the completion of the transaction, SSL REIT's name was changed to KW Warehousing Services Limited.

22. Investments

(a) Classification of financial assets at fair value through other comprehensive income

Investments comprise equity securities which are classified as financial assets at fair value through other comprehensive income and which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant. On disposal of these equity investments, any balances within fair value reserve are reclassified through retained earnings.

(b) Equity investments at fair value through other comprehensive income

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Unquoted equities in a related company				
Opening balance	128,466	128,466	85,818	85,818
Fair value movement	408,646	-	272,984	-
	537,112	128,466	358,802	85,818

23. Retirement Benefit Asset and Obligations

	The Group and Company	
	2020 $'000	2019 $'000
Statement of financial position obligations/(asset) for:		
Pension benefits	(1,549,850)	(2,071,885)
Other retirement benefits	384,517	370,149
Profit or loss for (Note 7):		
Pension benefits	(107,322)	(78,864)
Other retirement benefits	43,098	39,422
Remeasurements for:		
Pension benefits	633,488	(3,444)
Other retirement benefits	(17,204)	15,235
	616,284	11,791

(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 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 the employer's contribution of 5% and the members mandatory contribution of 5%. Members may also voluntarily contribute up to an additional 5% of their earnings to the scheme. The total contribution to the scheme during the year was $7,473,000 (2019 - $7,379,000).

The plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation dated 31 December 2019 revealed that the scheme was adequately funded as at that date.

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 of 5% and employer contributions of 1% of salary as recommended by independent actuaries. Members may also voluntarily contribute up to an additional 5% of their earnings to the scheme.

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 2020 for the purposes of the financial statements.

Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 31 December 2017 revealed that the scheme was adequately funded as at that date. The valuation report for 31 December 2020 will be completed in the second quarter of 2021.

23. 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	
	2020 $'000	2019 $'000
Fair value of plan assets	(3,730,537)	(4,200,906)
Present value of funded obligations	2,180,687	2,129,021
Surplus of funded plan/Asset in the statement of financial position	(1,549,850)	(2,071,885)

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

	The Group and Company	
	2020 $'000	2019 $'000
Asset at beginning of year	(2,071,885)	(1,985,258)
Amounts recognised in statement of comprehensive income	526,166	(82,308)
Contributions paid	(4,131)	(4,319)
Asset at end of year	(1,549,850)	(2,071,885)

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

	The Group and Company	
	2020 $'000	2019 $'000
Balance at beginning of year	(4,200,906)	(3,779,712)
Interest income	(312,780)	(262,327)
Re-measurements -		
Return on plan assets, excluding amounts included in interest expense	722,145	(223,246)
Members' contributions	(37,933)	(37,946)
Employer's contributions	(4,131)	(4,319)
Benefits paid	97,332	101,118
Administrative expenses	5,736	5,526
Balance at end of year	(3,730,537)	(4,200,906)

23. 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	
	2020 $'000	**2019 $'000**
Balance at beginning of year	2,129,021	1,794,454
Current service cost	81,788	70,102
Interest cost	161,933	127,616
Re-measurements -		
(Gain)/loss from change in financial assumptions	(88,657)	219,802
Members' voluntary contributions	17,279	18,165
Benefits paid	(97,332)	(101,118)
Gain on curtailment	(23,345)	-
Balance at end of year	2,180,687	2,129,021

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately $1,321,681,000 relating to active employees, $119,583,000 relating to deferred members, $733,026,000 relating to members in retirement and $6,397,000 representing other liabilities.

The amounts recognised in profit or loss are as follows:

	The Group and Company	
	2020 $'000	**2019 $'000**
Current service cost	61,134	50,321
Interest income, net	(150,847)	(134,711)
Administrative expenses	5,736	5,526
Gain on curtailment	(23,345)	-
Total, included in staff costs (Note 7)	(107,322)	(78,864)

23. Retirement Benefit Asset and Obligations (Continued)

(a) Pension benefits (continued)

Plan assets are comprised as follows:

	The Group and Company			
	2020		2019	
	$'000	%	$'000	%
Quoted securities:				
Equity securities	1,893,780	50.8	2,404,769	57.2
Government of Jamaica securities	856,006	22.9	971,257	23.1
Corporate bonds, promissory notes and preference shares	588,357	15.8	570,891	13.6
Repurchase agreements	205,057	5.5	84,167	2.0
Leases	20,136	0.5	33,084	0.8
Real estate	125,485	3.4	117,809	2.8
Other	41,716	1.1	18,929	0.5
	3,730,537	100.0	4,200,906	100.0

The pension plan assets include ordinary stock units of the company with a fair value of $405,000,000 (2019 - $549,000,000).

Expected contributions to the post-employment plan for the year ending 31 December 2021 are $4,272,000.

The significant actuarial assumptions used were as follows:

	2020	2019
Discount rate	9.0%	7.5%
Future salary increases	7.0%	5.0%
Expected pension increase	4.5%	3.0%

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	0.5%	(130,462)	146,154
Future salary increases	0.5%	18,873	(17,830)
Expected pension increase	0.5%	116,264	(104,364)
Life expectancy	1 year	37,606	(37,185)

23. Retirement Benefit Asset and Obligations (Continued)

(a) Pension benefits (continued)

Sensitivity (continued):

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

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

(b) Other retirement benefits

The Group operates both a group health plan and a group life plan. The parent company covers 100% of the premiums of both plans. However pensioners under the health plan have the option to pay an additional premium for single dependant or multiple dependants' coverage.

The method of accounting and the frequency of valuations for these plans are similar to those used for the pension scheme. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 8% per year (2019 – 6%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 7% per year (2019 – 5%).

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

	The Group and Company	
	2020	**2019**
	$'000	**$'000**
Present value of unfunded obligations	384,517	370,149

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

	The Group and Company	
	2020	**2019**
	$'000	**$'000**
Liability at beginning of year	370,149	326,782
Amounts recognised in the statement of comprehensive income	25,894	54,657
Contributions paid	(11,526)	(11,290)
Liability at end of year	384,517	370,149

23. 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	
	2020 $'000	2019 $'000
Balance at beginning of year	370,149	326,782
Current service cost	21,182	15,834
Interest cost	28,664	23,588
Gain on curtailment	(6,748)	-
Included in staff costs in profit or loss (Note 7)	43,098	39,422
Re-measurements -		
(Gain)/loss from change in financial assumptions	(17,204)	23,760
Experience losses/(gains)	-	(8,525)
Total, included in other comprehensive income	(17,204)	15,235
Benefits paid	(11,526)	(11,290)
Balance at end of year	384,517	370,149

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	0.5%	(2,036)	2,094
Future salary increases	0.5%	606	(611)

	Impact on Post-employment Obligations - Medical		
	Change in Assumption	Increase in Assumption $'000	Decrease in Assumption $'000
Discount rate	0.5%	(25,881)	29,751
Future medical cost rate	0.5%	29,751	(25,881)

23. 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 intend 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 2020 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 2020. 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.

23. 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 the pension scheme is 15 years. The weighted average duration of the defined benefit obligation for post-employment medical and life insurance benefits is 17 years and 11 years respectively.

24. Inventories

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fuel	6,627	6,815	6,627	6,815
Operating supplies	407,225	426,230	404,713	424,210
	413,852	433,045	411,340	431,025

Operating supplies for the Group and company are shown net of provision for impairment of $16,094,000 (2019 – $5,000,000).

25. Related Party Transactions and Balances

(a) During the year the Group had normal business transactions with related parties as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(i) Revenue earned from sales of services				
Subsidiaries	-	-	11,085	9,044
Companies controlled by directors/members or related by virtue of common directorships	2,497,719	2,927,757	1,821,819	2,238,673
	2,497,719	2,927,757	1,832,904	2,247,717

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

(ii) Other income				
Subsidiaries – management fees	-	-	6,490	6,490
Subsidiaries – interest	-	-	39,883	5,875
Joint venture - interest	-	29,375	-	29,375
Companies controlled by directors/members or related by virtue of common directorships - dividends	5,555	2,330	3,711	1,556
(iii) Purchases of goods and services				
Subsidiaries	-	-	122,136	144,648
Companies controlled by directors/members related by virtue of common directorships	209,882	294,133	209,878	334,159
	209,882	294,133	332,014	478,807

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

25. Related Party Transactions and Balances (Continued)

(a) Transactions (continued)

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(iv) Interest expense				
Companies controlled by directors/members or related by virtue of common directorships	4,325	6,791	4,325	6,791

(b) Year-end balances with related parties:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(i) Due from related companies				
Subsidiaries				
Long term receivables	-	-	697,753	706,721
Current accounts	-	-	168,590	59,704
Companies controlled by directors/members or related by virtue of common directorships				
Trade receivables (Note 26)	259,246	358,751	188,492	286,221
	259,246	358,751	1,054,835	1,052,646

The long term receivables are comprised of

- loan to subsidiary of $470 million (2019 – $470 million), which is due and is repayable in 36 months. Interest is charged at a rate of 7.5% per annum. The current account includes accrued interest of $6,071,000 (2019 - $6,071,000) in relation to this loan.
- loan of $61 million (2019 - $61 million) which earns interest at 7.5% (2019 – 7.5%) and is repayable on 30 June 2022. Accrued interest relating to the loan of $9,254,000 is recorded in the current account.
- Advances of $167 million (2019 - $167 million) to fund an acquisition. The balance of the long term amount receivable is interest free and not due for repayment in twelve months.

Loss allowances of $7,033,000 (2019 - $16,464,000) and $1,821,000 (2019 - $11,290,000) for the Group and company respectively are held against trade accounts receivable from related parties.

(ii) Due to related companies				
Subsidiaries	-	-	11,183	7,753
Companies controlled by directors/members or related by virtue of common directorships (Note 33)	7,368	37,595	7,096	37,595
	7,368	37,595	18,279	45,348

25. Related Party Transactions and Balances (Continued)

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
(iii) Borrowings				
Companies controlled by directors/members or related by virtue of common directorships	-	94,194	-	94,194

(c) Key management compensation:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Salaries and other short term employee benefits	74,528	117,348	61,353	105,320
Payroll taxes – employer's contributions	8,481	7,010	7,201	5,806
Pension benefits	799	678	673	558
Other	4,841	41,317	3,327	39,545
	88,649	166,353	72,554	151,229
Directors' emoluments –				
Fees	25,930	18,764	25,256	18,566
Management remuneration (included in salaries above)	59,682	99,733	43,587	84,609

26. Trade and Other Receivables

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables	544,567	631,963	448,722	532,986
Less: Loss allowance	(71,612)	(54,771)	(62,278)	(44,189)
	472,955	577,192	386,444	488,797
Prepayments	50,283	65,251	44,863	47,535
Other	178,062	191,159	170,911	186,481
	701,300	833,602	602,218	722,813

Trade receivables include amounts receivable from related parties (Note 25). The fair values for trade and other receivables approximate the carrying values.

Included in "Other" receivables are amounts totalling $91,316,000 (2019 - $141,778,000) relating to repairs to damaged berths. These amounts are recoverable from the principals of the offending ships.

27. Cash and Cash Equivalents

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Short term investments	6,558,479	5,229,574	5,580,545	4,501,418
Less: Short term investments with maturities in excess of three months	(140,769)	(63,303)	(140,769)	-
	6,417,710	5,166,271	5,439,776	4,501,418
Cash and bank	376,010	693,915	180,177	443,919
	6,793,720	5,860,186	5,619,953	4,945,337

The weighted average effective interest rate on short term investments was 3.28% (2019 – 2.98%) per annum for United States dollar denominated investments and 3.15% (2019 – 2.67%) per annum for Jamaican dollar investments. These short term investments have an average maturity of 89 days.

Cash at bank includes United States dollar savings accounts and an interest earning current account. Interest is currently 0.08% (2019 – 0.15%) per annum and 1% (2019 – 1%) per annum respectively.

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 31.

28. Share Capital

The total authorised number of ordinary shares is 1,507,550,000 (2019 - 1,507,550,000) units. All issued shares are fully paid. The no par shares in issue comprise the stated capital of the company.

	2020 Units ('000)	2019 Units ('000)	2020 $'000	2019 $'000
Issued and fully paid				
Ordinary stock units	1,430,200	1,430,200	2,079,398	2,079,398
Treasury shares	(858)	(858)	(35,654)	(35,654)
Issued and outstanding	1,429,342	1,429,342	2,043,744	2,043,744

28. Share Capital (Continued)

Treasury Shares
The treasury shares are shares in the company that are held by a Trust for the purpose of issuing shares under the Kingston Wharves Limited Employee Share Ownership Scheme and the Kingston Wharves Limited Executive Share Ownership Scheme. The company established an Employee Share Ownership Trust (the Trust) and through this Trust purchased 1,217,329 units of its own shares at a fair value of $50 million.

During the prior year, the company through this Trust sold 50,000 shares to key management personnel at a value of $2,050,000. Included in the number of shares at the year-end are 101,000 units which were granted to employees and are being held by the Trust until the expiration of the vesting period.

	2020		2019	
	Number of shares ’000	$’000	Number of shares ’000	$’000
Shares purchased for ESOP	1,217	50,000	1,217	50,000
Executive share ownership scheme sale	(359)	(14,346)	(359)	(14,346)
Balance at end of year	858	35,654	858	35,654

29. Other Reserves

Other reserves comprise:

	The Group		The Company	
	2020 $’000	2019 $’000	2020 $’000	2019 $’000
Capital reserves	18,454,763	13,788,121	11,649,475	8,669,388
Fair value reserve	450,594	41,948	300,752	27,768
	18,905,357	13,830,069	11,950,227	8,697,156

29. Other Reserves (Continued)

Capital Reserves

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Unrealised surplus on revaluation of property, plant and equipment	19,717,828	14,690,154	12,053,860	8,869,193
Less: Deferred taxation	(1,800,330)	(1,426,719)	(777,667)	(560,508)
	17,917,498	13,263,435	11,276,193	8,308,685
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	-	-
Asset replacement reserve	369,655	357,076	369,655	357,076
Capitalisation of depreciation reserve	66	66	10	10
Arising on consolidation	3,419	3,419	-	-
	18,454,763	13,788,121	11,649,475	8,669,388

Fair Value Reserve
This represents unrealised surplus on revaluation of assets through other comprehensive income.

30. Asset Replacement/Rehabilitation and Depreciation Reserves

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

The Port Authority of Jamaica also stipulated that the depreciation charged on the historical cost of property, plant and equipment be matched with amounts placed in a Depreciation Fund. The requirement for these reserves became effective in 1998.

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

The balance of the reserves comprises:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Asset Replacement/Rehabilitation Reserve	-	-	-	-
Depreciation Fund	216,761	216,598	212,968	212,968
	216,761	216,598	212,968	212,968

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

The movement in each category of reserves was as follows:

(a) Asset Replacement/Rehabilitation Reserve

	The Group and Company	
	2020 $'000	2019 $'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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At beginning of year	216,598	216,447	212,968	212,968
Transfer from retained earnings (net interest)	163	151	-	-
At end of year	216,761	216,598	212,968	212,968

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

The company is awaiting approval from The Port Authority of Jamaica for amounts spent to undertake capital projects which have exceeded the value of the Reserve Fund. As such, all related cash, deposits or highly liquid securities pertaining to reserves have been fully utilised.

31. Borrowings

		The Group		The Company	
		2020 $'000	2019 $'000	2020 $'000	2019 $'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 Jamaica Limited	1,107,000	1,359,000	1,107,000	1,359,000
(d)	SAJE Logistics Infrastructure Limited	-	94,194	-	94,194
(e)	Development Bank of Jamaica/CIBC FirstCaribbean International Bank (Jamaica) Limited	-	35,714	-	35,714
(f)	CIBC FirstCaribbean International Bank (Jamaica) Limited	140,148	179,259	140,148	179,259
(g)	CIBC FirstCaribbean International Bank (Jamaica) Limited	176,786	255,357	176,786	255,357
(h)	CIBC FirstCaribbean International Bank (Jamaica) Limited	241,875	306,375	241,875	306,375
(i)	First Global Bank Limited	12,000	40,800	12,000	40,800
		1,680,741	2,273,631	1,679,289	2,272,179
	Less: Current portion	(446,183)	(504,168)	(446,183)	(504,168)
		1,234,558	1,769,463	1,233,106	1,768,011

(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 loan of $1.8 billion from The Bank of Nova Scotia for the financing of the company's Total Logistics Facility. This loan facility was renegotiated; the loan remains repayable over a 7 year period and had a moratorium on principal which ended 30 June 2018. Thereafter, principal is repayable in 20 quarterly instalments of $63,000,000 each and one final payment of $540,000,000. The interest rate varies over the life of the loan with rates fixed at 7.0% per annum for three years and 5.0% per annum for the remainder of the loan. This is scheduled to be repaid in June 2023.

(d) This represented a loan facility of $110 million from SAJE Logistics Infrastructure Limited, a related party, for financing of the company's capital projects. The interest rate is fixed at 7% and the loan, which was scheduled to be repaid in July 2031, was paid out during the year.

(e) This represented 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 DBJ portion of the loan was repaid during the year and refinanced by CIBC FirstCaribbean International Bank. The interest rate was fixed at 5% p.a. and the loan was fully repaid in December 2020.

(f) This represents a loan facility from CIBC FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program for the amount of $352 million. The loan is being amortised over a period of ten years 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.

31. Borrowings (Continued)

(g) This represents a loan facility from CIBC FirstCaribbean International Bank (Jamaica) Limited toward the company's capital expenditure program in the amount of $550 million. The loan is being amortised over a 7 year period and interest is currently computed based on a six-month WATBY plus 2.5%; subject to a cap of 10.25% and is scheduled to be repaid in March 2023.

(h) This represents a credit facility of $372 million granted by the Development Bank of Jamaica (DBJ) 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 DBJ portion of the loan was repaid during the year and refinanced by CIBC FirstCaribbean International Bank. The loan is currently fixed at 5% p.a. and is to be repaid in September 2024.

(i) This represents a credit facility of $88.8 million granted by First Global Bank toward the company's capital expenditure program. The loan is being amortised over 3 years, with a current interest rate of 6.75% p.a for 12 months and variable thereafter, subject to change by the Bank. The principal is repayable in monthly instalments of $2,400,000 and is scheduled to be fully repaid in May 2021. The loan is 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 (e)-(h) above and including the bank overdrafts (Notes 3 and 27) and guarantees (Note 35), 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 27)) total $150 million for capital expenditure.

The facility with SAJE Logistics Infrastruture Limited (d) was 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, 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 27).

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	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
At beginning of year	2,273,631	2,777,428	2,272,179	2,775,976
Financing cash outflows	(592,890)	(503,797)	(592,890)	(503,797)
At end of year	1,680,741	2,273,631	1,679,289	2,272,179

32. Deferred Income Tax

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 12.50% (2019 - 10.92%) for the company and 25% (2019 - 25%) for the subsidiaries.

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Statement of financial position (assets)/liabilities for:				
Deferred income tax assets	(6,250)	(2,605)	-	-
Deferred income tax liabilities	1,756,649	1,414,921	1,035,168	829,685
	1,750,399	1,412,316	1,035,168	829,685

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred income tax assets -				
Vacation leave accrual	2,305	3,684	1,471	2,631
Other payables	3,898	1,872	-	-
Employee benefit obligations	48,065	40,420	48,065	40,420
Property, plant and equipment	3,436	1,874	-	-
Unrealised foreign exchange losses	6,283	3,948	1,011	2,320
	63,987	51,798	50,547	45,371
Deferred income tax liabilities -				
Property, plant and equipment	1,614,301	1,233,890	886,127	645,219
Unrealised foreign exchange gains	-	-	-	-
Interest receivable	6,354	3,974	5,857	3,587
Retirement benefit asset	193,731	226,250	193,731	226,250
	1,814,386	1,464,114	1,085,715	875,056
Net deferred income tax liabilities	1,750,399	1,412,316	1,035,168	829,685

32. 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Net liabilities at beginning of year	1,412,316	1,497,827	829,685	881,692
Profit or loss (Note 10)	41,508	(66,268)	65,360	(32,764)
Effect on re-measurements of post- employment benefits	(77,036)	1,288	(77,036)	1,288
Stockholders' equity on revaluation surplus	292,512	-	136,060	-
Effect of change in tax rate on previous years' revaluation surplus	81,099	(20,531)	81,099	(20,531)
Net liabilities at end of year	1,750,399	1,412,316	1,035,168	829,685

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Vacation leave accrual	1,379	(33)	1,160	52
Other payables	(2,026)	(1,751)	-	-
Employee benefit obligations	(9,795)	(5,091)	(9,795)	(5,091)
Unrealised foreign exchange losses	(2,335)	(3,948)	1,309	(2,320)
Property, plant and equipment	5,238	(58,761)	23,749	(28,485)
Unrealised foreign exchange gains	-	(601)	-	(601)
Interest receivable	2,380	2,023	2,270	1,787
Retirement benefit asset	46,667	1,894	46,667	1,894
	41,508	(66,268)	65,360	(32,764)

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Retirement benefit asset	(79,186)	(375)	(79,186)	(375)
Employee benefit obligations	2,150	1,663	2,150	1,663
	(77,036)	1,288	(77,036)	1,288

32. 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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred income tax assets to be recovered -				
After more than 12 months	60,101	42,294	49,076	40,420
Deferred income tax liabilities to be extinguished -				
After more than 12 months	1,808,032	1,460,140	1,079,858	871,469

33. Trade and Other Payables

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables	76,941	221,354	54,881	195,178
Dividends payable	493,590	450,400	493,590	450,400
Provision for 16% wharfage reserve	141,241	111,148	141,241	111,148
Contract retention	-	4,325	-	4,325
Other payables and accruals	636,951	622,987	595,887	578,495
	1,348,723	1,410,214	1,285,599	1,339,546

Trade and other payables include amounts payable to related parties (Note 25).

34. Operating Leases

The Group earned property rental income of $215,709,000 (2019- $181,642,000) under operating leases.

The future minimum lease payments receivable under operating leases (excluding investment property – Note17) are as follows:

	2020 $'000	2019 $'000
No later than 1 year	234,392	177,795
Within 1 to 5 years	106,270	144,472
	340,662	322,267

35. 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.

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

Other
The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. The Group was active in managing the crisis by establishing a COVID-19 committee to implement prevention measures to safeguard its employees, customers and other stakeholders. Additionally, steps were taken to stabilize the Group's operations through business continuity strategies aimed at streamlining processes and ensuring continuous operational efficiency. At this stage, there has been a modest decline in revenue and profit; however there has been no deterioration of the Group's receivables and the Group maintains a favourable liquidity position with an increase in cash and short-term deposit balances.

The Group will continue to follow the various government policies and advice and will do its utmost to continue operations in the best and safest way possible to ensure the health of its employees.

36. Commitments

The Group and company had capital commitments at year-end as follows:

	2020 $'000	2019 $'000
Authorised and contracted for	24,800	76,270

Notes

Notes

KINGSTON WHARVES LIMITED

Proxy Form

I/We .....

of .....

being a member/members of KINGSTON WHARVES LIMITED hereby appoint .....

.....

of .....

or failing him/her .....

of .....

As my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held by electronic means and broadcasted to shareholders from our head office at 195 Second Street, Newport West, Kingston 13 on **Thursday, June 17, 2021 at 10 a.m.** and at any adjournment thereof.

For more information please visit: www.kingstonwharves.com

RESOLUTIONS	FOR	AGAINST
Resolution 1	◯	◯
Resolution 2	◯	◯
Resolution 3 (i)	◯	◯
Resolution 3 (ii)	◯	◯
Resolution 3 (iii)	◯	◯
Resolution 3 (iv)	◯	◯
Resolution 4	◯	◯
Resolution 5	◯	◯

Place **$100** Stamp Here

Date this ..... day of 2021

.....

Signature

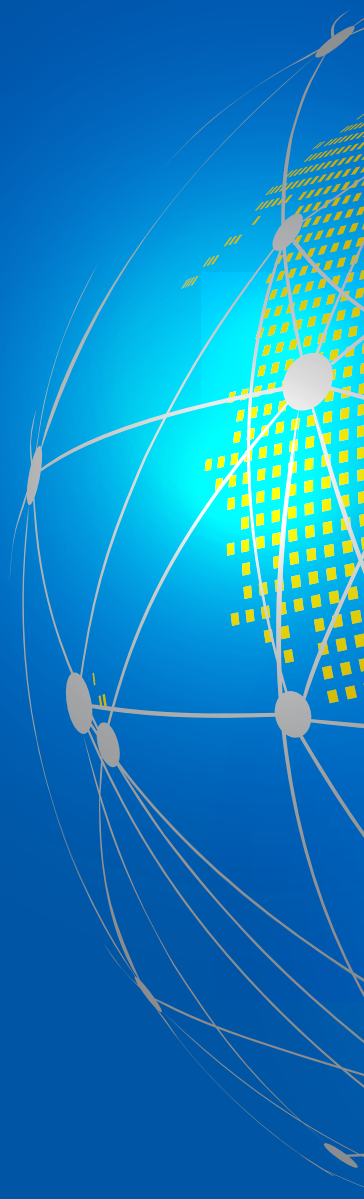
.....

Signature

NOTES:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead.
2. If the appointer is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorized in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.
4. If the form is returned without any indication as to how the person appointed proxy shall vote, the proxy shall exercise his discretion as to how he votes or whether to abstain from voting.
5. To be valid this proxy must be deposited with the Registrar and Transfer Agent, Jamaica Central Securities Depository Limited, 40 Harbour Street, Kingston, Jamaica, or with the Company Secretary at Total Logistics Facility, 195 Second Street, Newport West, Kingston 13, St. Andrew, Jamaica, not less than 48 hours before the time appointed for holding the meeting.
6. A proxy need not be a member of the Company.

The Caribbean's
Leading Multi-Purpose
Multi-User Port Terminal



CELEBRATING 1945 - 2020

KINGSTON WHARVES LIMITED

195 Second Street Newport West, Kingston 13
Tel: 1 (876) 618-1068 / (872) 923-9211 | **Fax:** 1 (876) 923-5361
www.kingstonwharves.com | customer.services@kwljm.com