



**KINGSTON WHARVES LIMITED**

**INTERIM REPORT TO STOCKHOLDERS**

**UNAUDITED GROUP RESULTS**

**3 MONTHS ENDED 31 MARCH 2018**

## **Chairman's Statement for the three months ended 31 March 2018**

The Board of Directors of Kingston Wharves Limited (KWL) presents the unaudited financial results for the quarter ended March 31, 2018. The Group achieved revenues of \$1.6 billion for the three months ended March 31, 2018, an 18% or \$247 million increase over the corresponding period in 2017. Net profit attributable to shareholders increased by 11% or \$36 million, from \$332 million to \$368 million over the comparable period in 2017.

### **Terminal Operations**

The revenue of the Terminal Operations Division for the first quarter amounted to \$1.3 billion, an increase of 24% year-on-year. Divisional profits increased by 16% from \$331 million for the first quarter in 2017 to \$385 million this year. The growth in revenues and profits reflected the strengthening of our domestic containerized cargo operations along with an improvement in our domestic and transshipment services across a range of cargo types including automotive, bulk and breakbulk cargo.

### **Logistics**

The Logistics Services Division also made considerable gains, with total revenues amounting to \$397 million, an increase of 22% over the relative period of the prior year. One of the drivers behind this revenue growth is the widened range of commercial services and the improved customer experience that have become possible with the Total Logistics Facility. Operating profits for the Logistics Services Division were down by 15% in the quarter as we incurred start-up costs associated with our new facility.

### **Corporate Social Responsibility**

Kingston Wharves Limited continued its corporate social responsibility to contribute to nation building in 2018 by lending support to various charitable initiatives.

### **Outlook**

Kingston Wharves Limited maintains a positive outlook for both its Terminal Operations and its Logistics Services Divisions. The first quarter of the year brought with it both challenges and successes, but KWL continues to pursue growth and development by deepening its service offering to facilitate trade across the region and between the region and its major global trading partners. In the year ahead, KWL will continue to undertake initiatives to increase



**KINGSTON WHARVES LIMITED**

our efficiency and to improve the experience of users of the terminal and our logistics facilities. The projects that are slated for implementation include the demolition of an additional on-dock warehouse, the expansion and re-organisation of our terminal space, additional cargo handling equipment and the design and implementation of enhanced systems and protocols to securely streamline the timely clearance of cargo. These changes are expected to improve the productivity of the loading and discharge of cargo from vessels as well as the turnaround time of trucks that collect cargo from our terminal or dispatch cargo at the terminal.

On behalf of my colleague directors, I take this opportunity to thank our management, staff and customers for their continued support and confidence.

***Jeffrey Hall***  
***Chairman***



**Kingston Wharves Limited**  
**Group Income Statement (Unaudited)**  
**Three months ended 31 March 2018**

*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 31/03/2018	3 Months to 31/03/2017
	\$'000	\$'000
<b>Revenue</b>	1,633,042	1,386,049
Cost of sales	(887,793)	(724,008)
<b>Gross Profit</b>	745,249	662,041
Other operating income	51,637	23,180
Administrative expenses	(300,150)	(252,313)
<b>Operating Profit</b>	496,736	432,908
Finance costs	(59,870)	(30,677)
<b>Profit Before Taxation</b>	436,866	402,231
Taxation	(62,828)	(65,220)
<b>Net Profit for the Period</b>	374,038	337,011
<b>Net Profit Attributable to:</b>		
Equity holders of the company	368,465	332,485
Minority interest	5,573	4,526
	374,038	337,011
<b>EARNINGS PER STOCK UNIT</b>		
attributable to the stockholders of the company expressed in cents per share		
Based on stock units in issue	<b>25.77</b>	<b>23.25</b>
After exclusion of stock units held by ESOP	<b>25.79</b>	<b>23.25</b>

**Kingston Wharves Limited**  
**Group Statement of Comprehensive Income (Unaudited)**  
**Three months ended 31 March 2018**  
*(expressed in Jamaican dollars unless otherwise indicated)*

	<b>3 Months to 3/31/2018</b>	<b>3 Months to 3/31/2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Profit for the Period</b>	<b>374,038</b>	<b>337,011</b>
<b>Other Comprehensive Income</b>		
Effect of change in tax rate on deferred taxation on revaluation surplus	35,381	-
<b>Other Comprehensive Income for period</b>	<u>35,381</u>	<u>-</u>
<b>Total Comprehensive Income</b>	<u><u>409,419</u></u>	<u><u>337,011</u></u>
<b>Total Comprehensive Income Attributable to:</b>		
Equity holders of the company	403,846	332,485
Minority interest	5,573	4,526
	<u><u>409,419</u></u>	<u><u>337,011</u></u>

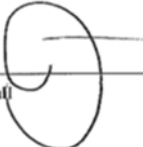
**Kingston Wharves Limited**  
**Group Statement of Financial Position (Unaudited)**


**31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	Mar-18 \$ '000	Audited Dec-17 \$ '000	Mar-17 \$ '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	23,014,014	22,886,762	18,272,946
Intangible asset	116,714	133,844	228,372
Long term investment	128,466	128,466	128,466
Deferred income tax assets	1,123	1,587	1,363
Retirement benefit asset	1,174,675	1,174,675	936,177
	<u>24,434,992</u>	<u>24,325,334</u>	<u>19,567,324</u>
<b>Current Assets</b>			
Inventories	336,705	345,729	366,848
Trade and other receivables	973,754	839,578	759,873
Taxation recoverable	29,279	17,097	12,628
Short term investments	3,133,511	3,573,360	2,369,069
Cash and bank	366,848	374,861	308,195
	<u>4,840,097</u>	<u>5,150,625</u>	<u>3,816,613</u>
<b>Total Assets</b>	<u>29,275,089</u>	<u>29,475,959</u>	<u>23,383,937</u>
<b>EQUITY</b>			
<b>Stockholders' Equity</b>			
Share capital	2,029,398	2,079,398	2,079,398
Capital reserves	14,058,391	14,019,866	10,771,146
Asset replacement/rehabilitation and depreciation reserves	216,361	216,331	216,225
Retained earnings	7,031,490	6,666,199	5,805,962
	<u>23,335,640</u>	<u>22,981,794</u>	<u>18,872,731</u>
<b>Minority Interest</b>	121,096	115,523	101,091
	<u>23,456,736</u>	<u>23,097,317</u>	<u>18,973,822</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Borrowings	2,322,206	2,385,038	1,657,013
Deferred income tax liabilities	1,376,551	1,407,914	1,163,095
Long term liability	-	-	9,409
Retirement benefit obligations	357,792	357,792	276,762
	<u>4,056,549</u>	<u>4,150,744</u>	<u>3,106,279</u>
<b>Current Liabilities</b>			
Trade and other payables	1,264,403	1,641,672	711,212
Taxation	61,632	61,819	16,542
Borrowings	413,897	503,094	546,703
Current portion of long term liability	21,872	21,313	29,379
	<u>1,761,804</u>	<u>2,227,898</u>	<u>1,303,836</u>
<b>Total Equity and Liabilities</b>	<u>29,275,089</u>	<u>29,475,959</u>	<u>23,383,937</u>

Approved for issue by the Board of Directors on May 10, 2018 and signed on its behalf by:

  
 \_\_\_\_\_  
 Jeffrey Hall Chairman

  
 \_\_\_\_\_  
 Alvin Henry Director

**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Three Months ended 31 March 2018**

*(expressed in Jamaican dollars unless otherwise indicated)*

	Terminal Operations	Logistics Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,236,897	396,145	-	1,633,042
Operating revenue from segments	100,795	746	(101,541)	-
<b>Total revenue</b>	<b>1,337,692</b>	<b>396,891</b>	<b>(101,541)</b>	<b>1,633,042</b>
Operating profit	384,756	83,177	-	467,933
Interest expense	(33,954)	(24,359)	-	(58,313)
	350,802	58,818	-	409,620
Foreign exchange gain/(loss)				27,246
Profit before income tax				436,866
Income tax expense				(62,828)
Profit before non-controlling interest				374,038
Non-controlling interest				(5,573)
<b>Net profit attributable to equity holders of the company</b>				<b>368,465</b>
Segment assets	23,208,720	5,175,413	(312,998)	28,071,135
Unallocated assets				1,203,954
<b>Total assets</b>				<b>29,275,089</b>
Segment liabilities	2,876,683	1,386,662	(240,967)	4,022,378
Unallocated liabilities				1,795,975
<b>Total liabilities</b>				<b>5,818,353</b>
<b>Other segment items:</b>				
Interest income	19,666	2,967	-	22,633
Capital expenditure	199,149	96,454	-	295,603
Depreciation & Amortization	153,438	32,034	-	185,472

**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Three Months ended 31 March 2017**

*(expressed in Jamaican dollars unless otherwise indicated)*

	Terminal Operations	Logistics Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,075,541	310,508	-	1,386,049
Operating revenue from segments	1,991	16,121	(18,112)	-
<b>Total revenue</b>	<b>1,077,532</b>	<b>326,629</b>	<b>(18,112)</b>	<b>1,386,049</b>
Operating profit	330,844	97,549	(44)	428,349
Interest expense	(23,618)	(6,767)	44	(30,341)
	<b>307,226</b>	<b>90,782</b>	<b>-</b>	<b>398,008</b>
Foreign exchange gain/(loss)				4,223
Profit before income tax				402,231
Income tax expense				(65,220)
Profit before non-controlling interest				337,011
Non-controlling interest				(4,526)
<b>Net profit attributable to equity holders of the company</b>				<b>332,485</b>
Segment assets	19,460,270	3,162,666	(189,167)	22,433,769
Unallocated assets				950,168
<b>Total assets</b>				<b>23,383,937</b>
Segment liabilities	2,632,499	438,356	(117,139)	2,953,716
Unallocated liabilities				1,456,399
<b>Total liabilities</b>				<b>4,410,115</b>
<b>Other segment items:</b>				
Interest income	14,866	3,555	(44)	18,377
Capital expenditure	35,998	277,143	-	313,141
Depreciation	118,542	7,097	-	125,639



**Kingston Wharves Limited**  
**Consolidated Statement of Changes in Equity (Unaudited)**  
**Three Months ended 31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total	Minority Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2017</b>	<b>2,079,398</b>	<b>10,768,001</b>	<b>216,161</b>	<b>5,476,686</b>	<b>18,540,246</b>	<b>96,565</b>	<b>18,636,811</b>
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	64	(64)	-	-	-
Total comprehensive income for period	-	-	-	332,485	<b>332,485</b>	4,526	<b>337,011</b>
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	3,145	(3,145)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	3,145	(3,145)	-	-	-	-
Dividend payable to shareholders	-	-	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>2,079,398</b>	<b>10,771,146</b>	<b>216,225</b>	<b>5,805,962</b>	<b>18,872,731</b>	<b>101,091</b>	<b>18,973,822</b>
<b>Balance at 1 January 2018</b>	<b>2,079,398</b>	<b>14,019,866</b>	<b>216,331</b>	<b>6,666,199</b>	<b>22,981,794</b>	<b>115,523</b>	<b>23,097,317</b>
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	30	(30)	-	-	-
Total comprehensive income for period	-	-	-	368,465	368,465	5,573	374,038
Purchase of Treasury Shares	(50,000)	-	-	-	(50,000)	-	(50,000)
Effect of change in tax rate on deferred taxation	-	35,381	-	-	35,381	-	35,381
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	3,144	(3,144)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	3,144	(3,144)	-	-	-	-
Dividend payable to shareholders	-	-	-	-	-	-	-
<b>Balance at 31 March 2018</b>	<b>2,029,398</b>	<b>14,058,391</b>	<b>216,361</b>	<b>7,031,490</b>	<b>23,335,640</b>	<b>121,096</b>	<b>23,456,736</b>

**Kingston Wharves Limited**  
**Consolidated Statement of Cash Flows (Unaudited)**  
**Three Months ended 31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	March 2018	March 2017
	J\$'000	J\$'000
<b>Cash Provided from Operating Activities</b>		
Net Profit	374,038	337,010
Adjustments for:		
Amortisation	17,130	28,499
Depreciation	168,342	125,639
Net foreign exchange adjustment	(27,449)	(4,223)
Interest Income	(22,632)	(18,377)
Interest Expense	58,313	30,341
Taxation	62,828	65,220
	630,570	564,109
Changes in operating assets and liabilities:		
Inventories	9,024	(62,854)
Trade and other receivables	(146,358)	(138,852)
Trade and other payables	(95,715)	(44,630)
Cash provided by operations	<b>397,521</b>	<b>317,773</b>
Tax paid	(52,058)	(89,668)
Net cash provided by operating activities	345,463	228,105
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(295,603)	(313,141)
Interest received	25,184	18,991
Cash used in investing activities	(270,419)	(294,150)
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(280,994)	(286,015)
Purchase of treasury shares	(50,000)	-
Long term loans repaid	(152,721)	(137,111)
Interest paid	(58,653)	(30,585)
Net cash used by financing activities	(542,368)	(453,711)
Net decrease in cash and cash equivalents	(467,324)	(519,756)
Net cash and cash equivalents at beginning of period	3,759,221	3,190,846
Exchange adjustment on foreign currency cash and cash equivalents	19,462	6,174
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,311,359</b>	<b>2,677,264</b>

## **Kingston Wharves Limited**

### **Notes to the Financial Statements (Unaudited) for three months ended 31 March 2018**

#### **Summary of Significant Accounting Policies**

##### **1. Identification and Principal Activities**

The Company and its subsidiaries (the Group) are incorporated and resident in Jamaica. The principal activities of the Company and its subsidiaries comprise the operation of public wharves, stevedoring, logistics services and security services.

The wharfage rates and specified 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.

##### **2. Basis of Preparation**

The condensed interim financial information for the period ended 31 March 2018 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 December 2017.

Accounting policies used are consistent with those used in the consolidated financial statements. Presentation of the condensed interim financial information is consistent with the annual financial statements. Where necessary the financials have been reclassified or extended from the previously reported condensed interim financial information to take into account any presentational changes made in the annual consolidated financial statements or in those condensed financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of the current events and action, actual results could differ from those estimates. The procedures in determining these estimates are disclosed in Note 3.

##### **New standards effective in the current year**

A number of new or amended standards became applicable for the current reporting period being IFRS 9 - Financial Instruments, and IFRS 15 - Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

**Kingston Wharves Limited**

**Notes to the Financial Statements (Unaudited)  
for three months ended 31 March 2018**

**IFRS 9, Financial Instruments**

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, and impairment of financial assets. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and no material adjustments were recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 [7.2.15], comparative figures have not been restated.

For assets measured at fair value, gains or 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). Dividends from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established and the Group measured its equity investments at fair value through comprehensive income.

The available for sale (AFS) category under IAS39 is no longer applicable.

**IFRS 15 'Revenue from Contracts with Customers'**

IFRS 15 replaces the provisions of IAS 18 that relate to the recognition of revenue. The adoption of IFRS 15 from 1 January 2018 resulted in changes in accounting policies and the Group's adoption of IFRS 15 has not resulted in any material adjustments in the financial statements. In accordance with the transitional provisions in IFRS 15 [C3(b)], comparative figures have not been restated.

**3. Critical Accounting Estimates and Assumptions in Applying Accounting Policies**

The Group makes estimates and assumptions that affect the reported amounts of the assets and liabilities within the next financial year. Estimates and judgments 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.

**4. Fixed Assets**

All fixed assets are initially recorded at cost. Freehold land, plant and building are subsequently shown at market value, based on periodic (triennial) valuations by external independent valuers, less subsequent depreciation of plant and building. All other fixed assets are carried at cost less accumulated depreciation.

**5. Intangible Assets**

Separately-acquired rights and benefits under third party contracts with a finite useful life are shown at historical cost less subsequent amortisation. This is tested annually for impairment and carried at cost less accumulated losses. Other intangible assets which include computer software licenses are shown at historical cost and amortised over their estimated useful lives.

**Kingston Wharves Limited**

**Notes to the Financial Statements (Unaudited)  
for three months ended 31 March 2018**

**6. Cash & Cash Equivalents**

Net cash and cash equivalents at the end of the period represents cash and bank, short term deposits net of restricted cash.

**7. Deferred Tax**

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 10.5% (2017 – 11%) for the parent and 25% (2017- 25%) for subsidiaries.

**8. Segment Reporting**

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. The Group is organised into the following business segments:

- (a) Terminal Operations - This incorporates the operation of public wharves and the stevedoring of vessels.
- (b) Logistics Services - This incorporates the provision of logistics facilities and security services.

**9. Employee Share Ownership Trust**

In March 2018, the company established an Employee Share Ownership Trust and through this Trust purchased 1,217,329 units of its own shares at a fair value of \$50 million. Therefore, the earnings per share is calculated by dividing profit attributable to the group of \$368,465,000 by the weighted average number of ordinary shares in issue excluding those held by the ESOP during the period.



**KINGSTON WHARVES LIMITED**

**TOP TEN SHAREHOLDERS AT MARCH 31, 2018**

<b>NAMES</b>	<b>SHAREHOLDING</b>	<b>% OF CAPITAL</b>
JAMAICA PRODUCERS GROUP LTD	600,736,635	42.0037
S.B.D. LLC	300,689,810	21.0243
THE SHIPPING ASSOCIATION OF JAMAICA	151,532,638	10.5952
KINGSTON PORTWORKERS	151,405,130	10.5863
MARITIME & TRANSPORT SERVICES LTD	71,695,305	5.0130
LANNAMAN & MORRIS (SHIPPING) LTD	28,845,258	2.0169
SAGICOR POOLED EQUITY FUND	26,486,592	1.8520
NCB INSURANCE CO LTD. - A/C WT 181	10,000,000	0.6992
SEAFREIGHT LINE LTD	6,029,108	0.4216
SJIML A/C 3119	6,000,000	0.4195
	<b>1,353,420,476</b>	<b>94.6316</b>
	JCSD	1,258
	MAIN REGISTER	1,939
	<b>TOTAL</b>	<b>3,197</b>

NO. OF SHAREHOLDERS AT MARCH 31, 2018



**KINGSTON WHARVES LIMITED**

**DIRECTORS' SHAREHOLDINGS AT MARCH 31, 2018**

<b>NAMES</b>	<b>SHAREHOLDING</b>	<b>CONNECTED PARTIES</b>	<b>SHAREHOLDING</b>
<b>DIRECTORS</b>			
GRANTLEY STEPHENSON	331,369	SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	151,532,638
ROGER HINDS	NIL	TRANSOCEAN SHIPPING LIMITED SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	1,481,481 151,532,638
KIM CLARKE	NIL	MARITIME & TRANSPORT SERVICES LTD. SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	71,695,305 151,532,638
	NIL	A.E. PARNELL COMPANY LIMITED KINGSTON PORTWORKERS SUPERANNUATION FUND	4,277,776 151,405,130
HARRIAT MARAGH	NIL	LANNAMAN & MORRIS SHIPPING LTD. SEAFREIGHT LINE LIMITED SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED KINGSTON PORTWORKERS SUPERANNUATION FUND	28,845,258 6,029,108 151,532,638 151,405,130
CHARLES JOHNSTON	47,058	JAMAICA FRUIT & SHIPPING LIMITED JAMAICA PRODUCERS GROUP LIMITED SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED KINGSTON PORTWORKERS SUPERANNUATION FUND	709,507 600,736,635 151,532,638 151,405,130
ALVIN HENRY	91,333		
KATHLEEN MOSS	2,000	JAMAICA PRODUCERS GROUP LIMITED ASSURANCE BROKERS LIMITED	600,736,635 1,000,000
JEFFREY HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	600,736,635 151,532,638
MARSHALL HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED MCGOWAN PROPERTIES LIMITED ASSURANCE BROKERS LIMITED	600,736,635 378,205 1,000,000
BRUCE BRECHEISEN	NIL	S.B.D. LLC	300,689,810
ROBERT SCAVONE	NIL		
DORIAN VALDES	NIL		

**SENIOR MANAGERS' SHAREHOLDINGS AT MARCH 31, 2018**

<b>NAMES</b>	<b>SHAREHOLDING</b>	<b>CONNECTED PARTIES</b>	<b>SHAREHOLDING</b>
ANNA HARRY	NIL		
CLOVER MOODIE	NIL		
DEAN PANTON	NIL		
JODENIA FERGUESON BRYAN	NIL		
LANCELOT GREEN	NIL		
LLOYD SMITH	NIL		
LORNA DWYER	NIL		
MARCELLO RICHARDS	NIL		
MARK WILLIAMS	NIL		
MICHAEL ARBOUINE	NIL		
SIMONE MURDOCK	NIL		
VALRIE CAMPBELL	NIL		