



**KINGSTON WHARVES LIMITED**

**INTERIM REPORT TO STOCKHOLDERS**

**UNAUDITED GROUP RESULTS**

**9 MONTHS ENDED 30 SEPTEMBER 2015**



## CHAIRMAN'S REPORT

The Directors of Kingston Wharves Limited (KWL) are pleased to present the unaudited financial results for the nine months ended September 30, 2015, which are prepared in accordance with International Financial Reporting Standards (IFRS).

Group revenues of J\$3.35 billion recorded during the period represent a 22% increase when compared to the J\$2.75 billion recorded for the same period in the prior year. Net profits attributable to shareholders grew by 42%, moving from J\$527.89 million in the comparative nine months of 2014 to J\$751.22 million as of 30 September 2015. Earnings per stock unit grew from 36.91 cents in the corresponding period of 2014, to 52.53 cents for the 2015 year-to-date.

Revenues of J\$1.19 billion in the third quarter reflected an increase of J\$224.09 million or 23% over 2014. Net profit attributable to shareholders of the Group was J\$324.26 million for the quarter, an increase of 86% relative to the third quarter of 2014. The third quarter and year-to-date results include other operating income of J\$84 million associated with a non-recurring capital asset distribution of shares received by the Group.

The operations of Kingston Wharves Limited are performing satisfactorily with gains being realized in both the core business and developing business lines. Our year-to-date warehousing revenues outperformed 2014 by 38%, arising, in-part, from concentrated efforts at building and marketing KWL's logistics service capacity. The momentum in the logistics business segment has continued since the start of the year and is expected to increase as the company brings more than 160,000 square feet of purpose-built warehousing and manufacturing space on stream at the beginning of 2017.

Trans-shipment and domestic container volumes at the KWL terminal increased by 13% and 26% respectively, while the number of motor units handled grew during the year by 19%. In the context of change and competition in the local and international shipping and port services industry, these positive results reinforce the view that there continues to be opportunities for strategic investments in infrastructure, equipment and technology to position the Group for sustainable growth.

Against this background, a new mobile harbour crane and two container stackers were ordered in August 2015 to expand the pool of container handling equipment at the KWL terminal. The equipment is being acquired at a cost of approximately J\$600 million and is expected to arrive in Kingston in Q4 to support our peak demand for equipment and berth utilisation.


Efforts at maximizing efficiencies have contributed to the increase in gross profit margins over the period, with increases in administrative and operating expenses in line with increased business activity and inflation.

Group subsidiaries, Security Administrators Limited (SAL) and Harbour Cold Stores (HCS) contributed 14% of overall revenue for the nine-month period, increasing by 9% from J\$379.7 million at the end of the corresponding period of 2014 to J\$411.0 million and supporting a corresponding 33% increase in operating profits.

We renewed our commitment as flagship sponsor of the KWL Under-15 Cricket Competition which reached its 26 year mark in August of this year. Additionally, the Group is pleased with its contribution along with other stakeholders, which facilitated the construction of a new best practice early childhood institution in the Union Gardens community. The new school was handed over to the Ministry of Education for opening in September.

As we move into the final and busiest quarter of the year, a number of initiatives are being put in place to ensure the continued execution of a predictably high standard of service delivery to our customers. Taking into account the Group's performance year-to-date and the business indicators for the remaining months, we expect to close the financial year in a strong financial position.

We are in the process of preparing KWL for the heightened competition in the region and are optimistic about the Group's performance in the year ahead but recognise that our success will depend on our ability to remain focused on strengthening our capacity, growing our business and returning value to our shareholders. 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)**  
**Nine months ended 30 September 2015**

*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 30/09/2015	3 Months to 30/09/2014	9 Months to 30/09/2015	9 Months to 30/09/2014
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	1,193,695	969,610	3,347,702	2,749,654
Cost of sales	(680,040)	(534,974)	(1,943,579)	(1,540,600)
<b>Gross Profit</b>	513,655	434,636	1,404,123	1,209,054
Other Operating income	139,561	27,029	219,526	190,804
Administrative expenses	(239,029)	(205,872)	(635,877)	(598,961)
<b>Operating Profit</b>	414,187	255,793	987,772	800,897
Finance costs	(45,456)	(40,249)	(130,611)	(170,765)
<b>Profit before Taxation</b>	368,731	215,544	857,161	630,132
Taxation	(41,327)	(38,652)	(98,478)	(98,005)
<b>Net Profit for the Period</b>	327,404	176,892	758,683	532,127
<b>Net Profit Attributable to:</b>				
Equity holders of the company	324,261	174,004	751,223	527,888
Minority interest	3,143	2,888	7,460	4,239
	327,404	176,892	758,683	532,127
Number of Stock Units Issued ('000)	1,430,200	1,430,200	1,430,200	1,430,200
<b>EARNINGS PER STOCK UNIT</b>				
attributable to the stockholders of the company				
expressed in cents per share	<b>22.67</b>	<b>12.17</b>	<b>52.53</b>	<b>36.91</b>

**Kingston Wharves Limited**  
**Group Statement of Comprehensive Income (Unaudited)**  
**Nine months ended 30 September 2015**

*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 30/09/2015	3 Months to 30/09/2014	9 Months to 30/09/2015	9 Months to 30/09/2014
	\$'000	\$'000	\$'000	\$'000
<b>Net Profit for the Period</b>	327,404	176,892	758,683	532,127
<b>Other Comprehensive Income</b>				
Derecognition of revaluation surplus on property, plant and equipment	-	-	(245,000)	-
Deferred tax on other comprehensive income	(9,038)	-	65,375	-
<b>Other Comprehensive Income for period net of Tax</b>	<u>(9,038)</u>	<u>-</u>	<u>(179,625)</u>	<u>-</u>
<b>Total Comprehensive Income for the period</b>	<u>318,366</u>	<u>176,892</u>	<u>579,058</u>	<u>532,127</u>
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the company	315,223	174,004	571,598	527,888
Minority interest	3,143	2,888	7,460	4,239
	<u>318,366</u>	<u>176,892</u>	<u>579,058</u>	<u>532,127</u>

**Kingston Wharves Limited**  
**Group Statement of Financial Position (Unaudited)**  
**30 September 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 30/Sep/15 \$ '000	Audited 31/Dec/14 \$ '000	Unaudited 30/Sep/14 \$ '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	16,051,036	16,121,451	12,508,707
Intangible assets	345,847	367,921	388,620
Investment	84,347	-	-
Recoverable from special reserves fund	-	32,730	63,040 *
Due from related party	102,405	102,405	102,405
Deferred income tax assets	1,337	1,337	1,122
Retirement benefit asset	679,828	679,828	653,321
	<u>17,264,800</u>	<u>17,305,672</u>	<u>13,717,215</u>
<b>Current Assets</b>			
Inventories	208,048	187,420	194,354
Trade and other receivables	443,585	586,747	576,692 *
Taxation recoverable	8,872	11,752	10,544
Short term investments	1,910,135	1,747,912	1,596,354
Cash and bank	1,115,985	1,161,523	1,144,570
	<u>3,686,625</u>	<u>3,695,354</u>	<u>3,522,514</u>
<b>Total Assets</b>	<u>20,951,425</u>	<u>21,001,026</u>	<u>17,239,729</u>
<b>EQUITY</b>			
<b>Stockholders' Equity</b>			
Share capital	2,079,398	2,079,398	2,079,398
Capital reserves	10,751,108	10,979,829	7,187,035
Asset replacement/rehabilitation, depreciation reserves and 16% reserves	215,854	215,668	215,599
Retained earnings	4,281,949	3,683,366	3,592,229
	<u>17,328,309</u>	<u>16,958,261</u>	<u>13,074,261</u>
<b>Minority Interest</b>	<u>73,656</u>	<u>66,196</u>	<u>63,773</u>
	<u>17,401,965</u>	<u>17,024,457</u>	<u>13,138,034</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Borrowings	1,239,814	1,490,542	1,574,016
Deferred income tax liabilities	1,139,083	1,110,748	1,299,521
Long Term Liabilities	41,374	84,510	80,019 *
Retirement benefit obligations	201,449	201,449	179,944
	<u>2,621,720</u>	<u>2,887,249</u>	<u>3,133,500</u>
<b>Current Liabilities</b>			
Trade and other payables	472,682	619,722	475,723 *
Taxation	54,966	31,768	42,411
Borrowings	400,092	437,830	450,061
	<u>927,740</u>	<u>1,089,320</u>	<u>968,195</u>
<b>Total equity and liabilities</b>	<u>20,951,425</u>	<u>21,001,026</u>	<u>17,239,729</u>

Approved for issue by the Board of Directors on November 5, 2015 and signed on its behalf by:

Jeffrey Hall  Chairman

Alvin Henry  Director

reclassification

## **Kingston Wharves Limited**

### **Financial Information by Operating Segment (Unaudited)**

#### **Nine Months ended 30 September 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>Terminal Operations \$'000</b>	<b>Cold Storage Services \$'000</b>	<b>Security Services \$'000</b>	<b>Other Eliminations \$'000</b>	<b>\$'000</b>	<b>Group \$'000</b>
External operating revenue	2,936,682	63,271	347,749	0.00	-	3,347,702
Operating revenue from segments	3,830	3,609	42,820	1,454	(51,713)	-
<b>Total revenue</b>	<b>2,940,512</b>	<b>66,880</b>	<b>390,569</b>	<b>1,454</b>	<b>(51,713)</b>	<b>3,347,702</b>
Operating profit/(loss)	936,122	40,333	27,429	(69,278)	(4,524)	930,082
Interest Expense	(134,713)	-	-	(422)	4,524	(130,611)
	801,409	40,333	27,429	(69,700)	-	799,471
Foreign exchange gain/( loss)						57,690
Profit before taxation						857,161
Taxation						(98,478)
Profit before minority interest						758,683
Minority Interest						(7,460)
<b>Net Profit</b>						<b>751,223</b>
Segment assets	15,509,332	975,179	262,164	3,684,416	(169,410)	20,261,681
Unallocated assets						689,744
<b>Total assets</b>						<b>20,951,425</b>
Segment liabilities	2,177,297	13,553	45,548	14,942	(97,381)	2,153,959
Unallocated liabilities						1,395,501
<b>Total liabilities</b>						<b>3,549,460</b>
<b>Other segment items:</b>						
Interest Income	28,738	17,471	3,855	8,472	(4,524)	54,012
Capital expenditure	617,785	-	7,590	-	-	625,375
Depreciation charge	311,565	15,648	2,963	121,981	-	452,157

## **Kingston Wharves Limited**

### **Financial Information by Operating Segment (Unaudited)**

#### **Nine Months ended 30 September 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>Terminal Operations \$'000</b>	<b>Cold Storage Services \$'000</b>	<b>Security Services \$'000</b>	<b>Other Eliminations \$'000</b>		<b>Group \$'000</b>
External operating revenue	2,369,968	62,563	317,123	-	-	2,749,654
Operating revenue from segments	2,293	4,059	40,653	1,455	(48,460)	-
Total revenue	<u>2,372,261</u>	<u>66,622</u>	<u>357,776</u>	<u>1,455</u>	<u>(48,460)</u>	<u>2,749,654</u>
Operating profit/(loss)	997,689	34,067	16,956	(41,921)	(205,894)	800,897
Interest Expense	(176,002)	(82)	-	(575)	5,894	(170,765)
	<u>821,687</u>	<u>33,985</u>	<u>16,956</u>	<u>(42,496)</u>	<u>(200,000)</u>	<u>630,132</u>
Foreign exchange gain/( loss)						-
Profit before taxation						<u>630,132</u>
Taxation						<u>(98,005)</u>
Profit before minority interest						<u>532,127</u>
Minority Interest						<u>(4,239)</u>
<b>Net Profit</b>						<b><u>527,888</u></b>
Segment assets	12,933,808	805,746	219,426	2,794,526	(178,764)	16,574,742
Unallocated assets						<u>664,987</u>
Total assets						<u>17,239,729</u>
Segment liabilities	2,595,899	9,559	38,701	13,127	(77,465)	2,579,821
Unallocated liabilities						<u>1,521,874</u>
Total liabilities						<u>4,101,695</u>
<b>Other segment items:</b>						
Interest Income	34,716	21,851	3,266	10,052	(5,894)	63,991
Capital expenditure	972,065	-	1,051	-	-	973,116
Depreciation charge	<u>243,336</u>	<u>15,315</u>	<u>3,332</u>	<u>53,162</u>	<u>-</u>	<u>315,145</u>



## Kingston Wharves Limited

### Condensed Statement of Changes in Equity (Unaudited)

#### Nine Months ended 30 September 2015

(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 2014</b>	<b>2,079,398</b>	<b>7,177,601</b>	<b>215,391</b>	<b>3,217,003</b>	<b>12,689,393</b>	<b>59,534</b>	<b>12,748,927</b>
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	208	(208)	-	-	-
Total comprehensive income for period	-	-	-	527,888	<b>527,888</b>	4,239	<b>532,127</b>
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	9,434	(9,434)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	9,434	(9,434)	-	-	-	-
Dividend payable to shareholders	-	-	-	(143,020)	<b>(143,020)</b>	-	<b>(143,020)</b>
<b>Balance at 30 September 2014</b>	<b>2,079,398</b>	<b>7,187,035</b>	<b>215,599</b>	<b>3,592,229</b>	<b>13,074,261</b>	<b>63,773</b>	<b>13,138,034</b>
<b>Balance at 1 January 2015</b>	<b>2,079,398</b>	<b>10,979,829</b>	<b>215,668</b>	<b>3,683,366</b>	<b>16,958,261</b>	<b>66,196</b>	<b>17,024,457</b>
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	186	(186)	-	-	-
Total comprehensive income for period	-	(179,625)	-	751,223	571,598	7,460	579,058
Effect of change in tax rate on deferred taxation	-	(58,530)	-	-	(58,530)	-	(58,530)
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	9,434	(9,434)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	9,434	(9,434)	-	-	-	-
Dividend paid to shareholders	-	-	-	(143,020)	(143,020)	-	(143,020)
<b>Balance at 30 September 2015</b>	<b>2,079,398</b>	<b>10,751,108</b>	<b>215,854</b>	<b>4,281,949</b>	<b>17,328,309</b>	<b>73,656</b>	<b>17,401,965</b>

**Kingston Wharves Limited**  
**Consolidated Statement of Cash Flows (Unaudited)**  
**Nine Months ended 30 September 2015**  
*(expressed in Jamaican dollars unless otherwise indicated)*

	September 2015	September 2014
	J\$'000	J\$'000
<b>Cash Provided from Operating Activities</b>	1,253,054	746,094
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(588,982)	(796,382)
Purchase of Intangibles	(36,392)	(176,735)
Investment	(84,347)	
Proceeds from sale of property plant and equipment	9,467	-
Cash used in investing activities	(700,254)	(973,117)
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(143,020)	(143,020)
Long term loans received	-	352,000
Long term loans repaid	(314,398)	(400,933)
Net cash provided by/(used in) financing activities	(457,418)	(191,953)
Net decrease in cash and cash equivalents	95,382	(418,975)
Net cash and cash equivalents at beginning of period	2,909,435	3,159,899
Exchange adjustment on foreign currency cash and cash equivalents	21,303	-
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,026,120</b>	<b>2,740,924</b>
<b>Comprising:</b>		
Cash and bank	1,115,985	1,144,570
Short term investments	1,910,135	1,596,354
	<b>3,026,120</b>	<b>2,740,924</b>

## **Kingston Wharves Limited**

### **Notes to the Financial Statements (Unaudited) for nine months ended 30 September 2015**

#### **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, security services and the provision and installation of cold storage facilities.

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

The company's registered office is located at the Kingport Building, Third Street, Newport West, Kingston 13.

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

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

The condensed interim financial information for the period ended 30 September 2015 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 2014.

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.

##### **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.

Warehouse 7 removal has been accounted for based on IFRS and the associated net book value arising from revaluation including the deferred income taxes has been accounted for through Other Comprehensive Income.

#### **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.

#### **6. Investment**

A non-recurring asset distribution in the form of shares issued to the Group has been recorded as investment and has been deemed as dividend in kind and accounted for in the Income Statement.

#### **7. Deferred Tax**

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 9% (2014 . 8.5%) for the parent and 25% (2014- 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) Cold Storage services - This incorporates the provision and installation of cold storage facilities and air conditioning units.
- (c) Security services - This incorporates provision of security services
- (d) Other - Other operations of the Group comprise primarily property rental.

# KINGSTON WHARVES LIMITED

## TOP TEN SHAREHOLDERS AT SEPTEMBER 30, 2015

**1,430,199,578**

NAMES	SHAREHOLDING	% OF CAPITAL
JAMAICA PRODUCERS GROUP LTD	600,736,635	42.0037
S.B.D. LLC	300,689,810	21.0243
SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	168,933,715	11.8119
KINGSTON PORTWORKERS SUPERANNUATION FUND	159,405,130	11.1457
MARITIME & TRANSPORT SERVICES LTD	71,475,924	4.9976
LANNAMAN & MORRIS (SHIPPING) LTD	28,845,258	2.0169
SAGICOR POOLED EQUITY FUND	11,575,633	0.8094
NCB INSURANCE CO LTD. - A/C WT 181	10,000,000	0.6992
SEAFREIGHT LINE	6,029,108	0.4216
A. E. PARNELL	4,277,776	0.2991
	<b>1,361,968,989</b>	<b>95.2293</b>
	JCSD	1,537
	MAIN REGISTER	1,280
NO. OF SHAREHOLDERS AT SEPTEMBER 30, 2015	TOTAL	<b>2,817</b>

**KINGSTON WHARVES LIMITED**

**DIRECTORS & SENIOR MANAGERS' SHAREHOLDINGS AT SEPTEMBER 30, 2015**

NAMES	SHAREHOLDING	CONNECTED PARTIES	SHAREHOLDING
<b>DIRECTORS</b>			
GRANTLEY STEPHENSON	331,369		
ROGER HINDS	NIL	TRANSOCEAN SHIPPING LIMITED	1,481,481
KIM CLARKE	NIL	MARITIME & TRANSPORT SERVICES LTD.	71,475,924
		SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	168,933,715
	NIL	A.E. PARNELL COMPANY LIMITED	4,277,776
HARRIAT MARAGH	NIL	LANNAMAN & MORRIS SHIPPING LTD. SEAFREIGHT LINE LIMITED	28,845,258 6,029,108
CHARLES JOHNSTON	24,458	JAMAICA FRUIT & SHIPPING LIMITED JAMAICA PRODUCERS GROUP LIMITED	709,507 600,736,635
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	600,736,635
MARSHALL HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED MCGOWAN PROPERTIES LIMITED	600,736,635 381,976
BRUCE BRECHEISEN	NIL	S.B.D. LLC	300,689,810
ROBERT SCAVONE	NIL		
DORIAN VALDES	NIL		

**SENIOR MANAGERS**

NAMES	SHAREHOLDING	CONNECTED PARTIES	SHAREHOLDING
ANNA HARRY	NIL		
CLOVER MOODIE	NIL		
DEAN PANTON	NIL		
JODENIA FERGUESON BRYAN	NIL		
LLOYD SMITH	NIL		
MARCELLO RICHARDS	NIL		
MARK WILLIAMS	NIL		
RYAN PEART	NIL		
STEVE WHYTE	NIL		
VALRIE CAMPBELL	NIL		