



**KINGSTON WHARVES LIMITED**

**INTERIM REPORT TO STOCKHOLDERS**

**UNAUDITED GROUP RESULTS**

**6 MONTHS ENDED 30 JUNE 2016**

## **Chairman's Statement**

### **For the six months ended 30 June 2016**

The Directors of Kingston Wharves Limited are pleased to present the unaudited financial statements for the second quarter and six-month period ended June 30, 2016. Our results are prepared in accordance with International Financial Reporting Standards (IFRS).

The Group generated year to date revenues of \$2.5 billion, representing an increase of 15% over the prior year. We increased gross profit for the period by \$177 million to \$1,067 million. Profit before taxation totalled \$650 million, an increase of \$161 million or 33% over the corresponding period in the prior year. Net profit attributable to KWL shareholders was \$555 million, an increase of \$128 million over the previous year, reflecting the strong performance of our operations.

Profit for the second quarter grew by \$41 million or 17% compared with the corresponding period of 2015, increasing from \$243 million in 2015 to \$284 million in 2016. The year to date earnings per stock unit grew to 38.78 cents (2015 – 29.85 cents).

### **Terminal Operations**

The Terminal Operations Division's year to date operating revenue amounted to \$1,927 million an increase of 15% relative to the prior year. Divisional profits increased by 10% from \$440 million to \$485 million. The earnings growth reflects the strong performance in motor vehicles handled. This contributed significantly to the division which grew revenues by 15%. Our overall container volumes were adversely impacted in the quarter by reduced transshipment volumes arising as a result of a decision by one of our customers to refocus its business away from the provision of feeder services to other lines. Increases in our domestic container moves during the quarter were not sufficient to offset this reduction in our transshipment business. We are actively working with our existing customers to attract additional domestic and transshipment volumes while developing business prospects with

other containerised carriers and expanding our services across the full range of automotive, bulk and break bulk cargo types.

### **Logistics & Ancillary Services**

Logistics and Ancillary Services performed favourably by generating revenues of \$587 million, an increase of 14% over the prior year. Divisional profits increased by 83% to \$181 million. This division benefited from our program to streamline receipt and delivery processes, making them more efficient and customer-friendly. This process will continue in 2017 with the launch of our state-of-the-art Total Logistics Facility which is now under construction.

### **Corporate Social Responsibility**

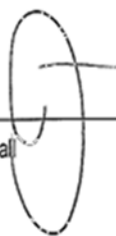
During the second quarter, KWL supported the Shipping Association (SAJ) by acting as a sponsor to its Labour Day Port Clean Up and Beautification project. KWL also sponsored the SAJ's 5K run, proceeds of which contribute to the development of the shipping industry and its community. KWL continued its support of the Missionaries of the Poor (MOP) who provide meals, housing and basic health-care to the most vulnerable among us. As the largest private land owner in Newport West, KWL believes that it shares an important common interest with other members of the community to improve the environment, the livelihood and the security of the area in which we operate.

### **Outlook**

At the end of the second quarter, the Panama Canal Authority commissioned the expansion of the Panama Canal. This important infrastructure project is expected to bring new opportunities for port operations and logistics services over time to the Caribbean. We have sought to develop our facility and make timely investments in cargo handling equipment and logistics capabilities to allow us to capitalise on these opportunities as they arise and will continue to do so.

Also, during the quarter, the Port Authority of Jamaica announced the appointment of a private concessionaire for its Kingston container terminal. This initiative to separate the regulation of Jamaican ports from the management of port assets augurs well for the development of the Jamaican logistics industry.

KWL is well positioned to build on its platform as the region's leading multi-user and multi-purpose terminal. We are grateful to our customers for their loyalty and appreciative of our employees for their dedication to the business.

  
Jeffrey Hall Chairman

**Kingston Wharves Limited**  
**Group Income Statement (Unaudited)**  
**Six months ended 30 June 2016**  
*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 30/06/2016	3 Months to 30/06/2015	6 Months to 30/06/2016	6 Months to 30/06/2015
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	1,275,073	1,138,444	2,472,386	2,154,007
Cost of sales	(765,077)	(663,351)	(1,405,063)	(1,263,539)
<b>Gross Profit</b>	509,996	475,093	1,067,323	890,468
Other Operating income	104,648	47,098	148,131	79,965
Administrative expenses	(222,830)	(197,723)	(459,003)	(396,848)
<b>Operating Profit</b>	391,814	324,468	756,451	573,585
Finance costs	(66,856)	(47,934)	(106,588)	(85,155)
<b>Profit before Taxation</b>	324,958	276,534	649,863	488,430
Taxation	(41,439)	(33,944)	(86,558)	(57,151)
<b>Net Profit for the Period</b>	283,519	242,590	563,305	431,279
<b>Net Profit Attributable to:</b>				
Equity holders of the company	278,033	239,853	554,565	426,962
Minority interest	5,486	2,737	8,740	4,317
	283,519	242,590	563,305	431,279
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>19.44</b>	<b>16.77</b>	<b>38.78</b>	<b>29.85</b>

**Kingston Wharves Limited**  
**Group Statement of Comprehensive Income (Unaudited)**  
**Six months ended 30 June 2016**

*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 30/06/2016	3 Months to 30/06/2015	6 Months to 30/06/2016	6 Months to 30/06/2015
	\$'000	\$'000	\$'000	\$'000
<b>Net Profit for the Period</b>	<b>283,519</b>	<b>242,590</b>	<b>563,305</b>	<b>431,279</b>
<b>Other Comprehensive Income</b>				
Derecognition of revaluation surplus on disposal of property, plant and equipment	-	-	-	(245,000)
Deferred tax effect on derecognition of revaluation surplus	-	-	-	17,322
Effect of change in tax rate on comprehensive income	(38,194)	15,884	(81,719)	57,092
<b>Other Comprehensive Income for period net of Tax</b>	<b>(38,194)</b>	<b>15,884</b>	<b>(81,719)</b>	<b>(170,586)</b>
<b>Total Comprehensive Income</b>	<b>245,325</b>	<b>258,474</b>	<b>481,586</b>	<b>260,693</b>
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the company	239,839	255,737	472,846	256,376
Minority interest	5,486	2,737	8,740	4,317
	<b>245,325</b>	<b>258,474</b>	<b>481,586</b>	<b>260,693</b>



**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Six Months ended 30 June 2016**

*(expressed in Jamaican dollars unless otherwise indicated)*

	Terminal Operations	Logistics and Ancilliary Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,922,728	549,658	-	2,472,386
Operating revenue from segments	4,730	37,562	(42,292)	-
<b>Total revenue</b>	<b>1,927,458</b>	<b>587,220</b>	<b>(42,292)</b>	<b>2,472,386</b>
Operating profit/(loss)	485,422	181,320	(2,877)	663,865
Interest expense	(49,369)	(15,260)	2,877	(61,752)
	436,053	166,060	-	602,113
Foreign exchange gain/(loss)				47,750
Profit before income tax				649,863
Income tax expense				(86,558)
Profit before non-controlling interest				563,305
Non-controlling interest				(8,740)
<b>Net profit attributable to equity holders of the company</b>				<b>554,565</b>
Segment assets	19,846,939	1,779,216	(140,433)	21,485,722
Unallocated assets				629,869
<b>Total assets</b>				<b>22,115,591</b>
Segment liabilities	2,262,601	398,473	(68,402)	2,592,672
Unallocated liabilities				1,467,179
<b>Total liabilities</b>				<b>4,059,851</b>
<b>Other segment items:</b>				
Interest income	36,595	23,068	(2,877)	56,786
Capital expenditure	415,238	1,460	-	416,698
Capital expenditure-Intangible	26,444	-	-	26,444
Depreciation & Amortisation	271,240	12,272	-	283,512



**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Six Months ended 30 June 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations	Logistics and Ancilliary Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,679,893	474,114	-	2,154,007
Operating revenue from segments	3,293	30,157	(33,450)	-
<b>Total revenue</b>	<b>1,683,186</b>	<b>504,271</b>	<b>(33,450)</b>	<b>2,154,007</b>
Operating profit/(loss)	439,968	99,252	(2,988)	536,232
Interest expense	(53,445)	(13,912)	2,988	(64,369)
	<b>386,523</b>	<b>85,340</b>	<b>-</b>	<b>471,863</b>
Foreign exchange gain/(loss)				16,567
Profit before income tax				488,430
Income tax expense				(57,151)
Profit before non-controlling interest				431,278
Non-controlling interest				(4,317)
<b>Net profit attributable to equity holders of the company</b>				<b>426,961</b>
Segment assets	18,608,508	1,672,658	(164,783)	20,116,383
Unallocated assets				689,745
<b>Total assets</b>				<b>20,806,128</b>
Segment liabilities	1,889,465	411,298	(92,752)	2,208,011
Unallocated liabilities				1,371,497
<b>Total liabilities</b>				<b>3,579,508</b>
<b>Other segment items:</b>				
Interest income	22,151	14,904	(2,988)	34,067
Capital expenditure	435,031	1,894	-	436,925
Depreciation & Amortisation	317,844	15,467	-	333,311

**Kingston Wharves Limited**  
**Consolidated Statement of Changes in Equity (Unaudited)**  
**Six Months ended 30 June 2016**

(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 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	-	-	124	(124)	-	-	-
Total comprehensive income for period	-	(170,586)	-	426,962	<b>256,376</b>	4,317	<b>260,693</b>
Effect of change in tax rate on deferred taxation	-	(58,530)	-	-	(58,530)	-	(58,530)
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
<b>Balance at 30 June 2015</b>	<b>2,079,398</b>	<b>10,757,003</b>	<b>215,792</b>	<b>4,103,914</b>	<b>17,156,107</b>	<b>70,513</b>	<b>17,226,620</b>
<b>Balance at 1 January 2016</b>	<b>2,079,398</b>	<b>10,760,607</b>	<b>215,917</b>	<b>4,440,974</b>	<b>17,496,896</b>	<b>77,258</b>	<b>17,574,154</b>
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	112	(112)	-	-	-
Total comprehensive income for period	-	-	-	554,565	554,565	8,740	563,305
Effect of change in tax rate on deferred taxation	-	(81,719)	-	-	(81,719)	-	(81,719)
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
<b>Balance at 30 June 2016</b>	<b>2,079,398</b>	<b>10,685,178</b>	<b>216,029</b>	<b>4,989,137</b>	<b>17,969,742</b>	<b>85,998</b>	<b>18,055,740</b>

**Kingston Wharves Limited**  
**Consolidated Statement of Cash Flows (Unaudited)**  
**Six Months ended 30 June 2016**

(expressed in Jamaican dollars unless otherwise indicated)

	June 2016	June 2015
	J\$'000	J\$'000
<b>Cash Provided from Operating Activities</b>		
Net Profit	563,305	431,279
Adjustments for:		
Amortisation	53,717	38,957
Depreciation	229,795	294,354
Net Foreign exchange adjustment	(65,130)	(8,331)
(Gain)/Loss on disposal of property, plant & equipment	(1,080)	4,726
Interest Income	(56,872)	(22,218)
Interest Expense	40,121	43,569
Taxation	86,558	57,151
	850,414	839,487
Changes in operating assets and liabilities:		
Inventories	(50,262)	(26,943)
Trade and other receivables	(163,047)	54,705
Trade and other payables	67,033	(90,757)
Receivable from the Port Authority of Jamaica	-	32,730
Cash provided by operations	<b>704,138</b>	<b>809,222</b>
Tax paid	(133,947)	(54,128)
Net cash provided by operating activities	570,191	755,094
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(416,698)	(436,925)
Purchase of Intangibles	(26,444)	(746)
Proceeds from sale of property plant and equipment	1,080	9,467
Dividend received	773	-
Interest received	55,416	22,340
Cash used in investing activities	(385,873)	(405,864)
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(214,530)	(143,019)
Long term loans received	550,000	-
Long term loans repaid	(230,373)	(198,046)
Interest paid	(40,121)	(43,826)
Net cash provided by/(used in) financing activities	64,976	(384,891)
Net increase/(decrease) in cash and cash equivalents	249,294	(35,661)
Net cash and cash equivalents at beginning of period (January 1,2016)	3,019,868	2,909,435
Exchange adjustment on foreign currency cash and cash equivalents	81,969	14,309
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,351,131</b>	<b>2,888,083</b>

## **Kingston Wharves Limited**

### **Notes to the Financial Statements (Unaudited) for three months ended 30 June 2016**

#### **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, logistics services, security services and the rental of and repairs to cold storage facilities.

The wharfage rates and penal charges billed to customers by the company are subject to regulation by the Port Authority of Jamaica.

The company's registered office is located at the Kingport Building, Third Street, Newport West, Kingston 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 June 2016 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 2015.

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.

## Kingston Wharves Limited

### Notes to the Financial Statements (Unaudited) for three months ended 30 June 2016

#### 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.

#### 6. Deferred Tax

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 10.7% (2015 – 9.7%) for the parent and 25% (2015- 25%) for subsidiaries.

#### 7. 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 and Ancillary - This incorporates the provision for logistics facilities, security services, rental of and repairs to cold storage facilities and property rental.

# KINGSTON WHARVES LIMITED

## TOP TEN SHAREHOLDERS AT JUNE 30, 2016

**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	151,933,715	10.6233
KINGSTON PORTWORKERS SUPERANNUATION FUND	151,405,130	10.5863
MARITIME & TRANSPORT SERVICES LTD	71,475,924	4.9976
LANNAMAN & MORRIS (SHIPPING) LTD	28,845,258	2.0169
SAGICOR POOLED EQUITY FUND	19,638,650	1.3731
NCB INSURANCE CO LTD. - A/C WT 181	10,000,000	0.6992
JCSD TRUSTEE SERVICES LTD - SIGMA OPTIMA	6,610,287	0.4622
SEAFREIGHT LINE	6,029,108	0.4216
	<b>1,347,364,517</b>	<b>94.2081</b>
	JCSD	1,666
	MAIN REGISTER	1,274
NO. OF SHAREHOLDERS AT JUNE 30, 2016	TOTAL	2,940



**KINGSTON WHARVES LIMITED**

**DIRECTORS & SENIOR MANAGERS' SHAREHOLDINGS AT JUNE 30, 2016**

<b>NAMES</b>	<b>SHAREHOLDING</b>	<b>CONNECTED PARTIES</b>	<b>SHAREHOLDING</b>
<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	151,933,715
		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	600,736,635 181,976
BRUCE BRECHEISEN	NIL	S.B.D. LLC	300,689,810
ROBERT SCAVONE	NIL		
DORIAN VALDES	NIL		

**SENIOR MANAGERS**

<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		
VALRIE CAMPBELL	NIL		