



**KINGSTON WHARVES LIMITED**

**INTERIM REPORT TO STOCKHOLDERS**

**UNAUDITED GROUP RESULTS**

**3 MONTHS ENDED 31 MARCH 2017**

## **Chairman's Statement for the three months ended 31 March 2017**

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The Board of Directors of Kingston Wharves Limited (KWL) presents the unaudited financial results for the quarter ended March 31, 2017, which are prepared in accordance with International Financial Reporting Standards (IFRS).

The Group achieved revenues of \$1.4 billion as at March 31, 2017, a 16% or \$189 million increase over the corresponding period in 2016. Profit before taxation increased from \$325 million in 2016 to \$402 million in 2017, representing growth of 24%. Net profit attributable to shareholders increased by 20% or \$56 million to \$333 million over the comparable period in 2016. As a result, earnings per stock unit as at March 31, 2017 grew to 23.25 cents (2016: 19.34 cents).

### **Terminal Operations**

The operating revenue of the Terminal Operations Division amounted to \$1.1 billion, a 14% increase over last year. Divisional profits increased by 21% from \$274 million to \$331 million. The main driver behind this growth was the container handling operations which advanced by 8% over the corresponding period of the prior year.

### **Logistics & Ancillary**

The Logistics and Ancillary Services segment also realized significant improvement in results, with revenues totaling \$327 million, representing an 18% or \$49 million increase over the relative period in the prior year. This was achieved primarily through an expanding customer base as a result of deliberate marketing and business development efforts as well as the deployment of new technology to improve our integrated logistics services and allow for improved security and more efficient systems for the warehousing, delivery and timely receipt of cargo. The Logistics Services division earned operating profits of \$98 million, an increase of 33% over the prior year.

### **Corporate Social Responsibility**

KWL is committed to nation-building by supporting and strengthening our neighbouring communities. This has taken the form of charitable contributions to a number of institutions and agencies that share our mission, particularly where there is a focus on youth and education. We are also committed to playing a leadership role in the further development of the physical space, infrastructure and security of Newport West into a community that reflects

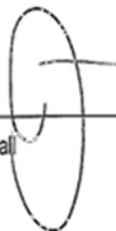
the best aspirations for Jamaica to serve as a global logistics center. This benefits Kingston Wharves but also presents even greater opportunities for employment and development for the wider community in which we operate.

## **Outlook**

In the face of a dynamic and competitive landscape, Kingston Wharves continues to strengthen its core services, while diversifying the range of cargo types that we are able to serve.

We have invested considerably in our physical and technological infrastructure, embarking on significant terminal rehabilitation as well as the construction of a near-port domestic automotive centre to the benefit of both our terminal operations and our integrated logistics efforts. Our Total Logistics Facility, a purpose-built, state-of-the-art logistics complex will open our doors later this year, creating further opportunity to improve on our product offering and to execute planned vertical integration.

We remain confident about the Group's performance in the coming year, recognizing that amidst the challenges, KWL is well-poised to achieve success. On behalf of my colleague directors, I take this opportunity to thank all our stakeholders for their continued support and confidence.



Jeffrey Hall Chairman



**Kingston Wharves Limited**  
**Group Income Statement (Unaudited)**  
**Three months ended 31 March 2017**

*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 31/03/2017	3 Months to 31/03/2016
	\$'000	\$'000
<b>Revenue</b>	1,386,049	1,197,313
Cost of sales	(724,008)	(639,987)
<b>Gross Profit</b>	662,041	557,326
Other Operating income	23,180	43,483
Administrative expenses	(252,313)	(236,173)
<b>Operating Profit</b>	432,908	364,636
Finance costs	(30,677)	(39,732)
<b>Profit before Taxation</b>	402,231	324,904
Taxation	(65,220)	(45,119)
<b>Net Profit for the Period</b>	337,011	279,785
<b>Net Profit Attributable to:</b>		
Equity holders of the company	332,485	276,531
Minority interest	4,526	3,254
	337,011	279,785
Number of Stock Units Issued ('000)	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>23.25</b>	<b>19.34</b>

**Kingston Wharves Limited**  
**Group Statement of Comprehensive Income (Unaudited)**  
**Three months ended 31 March 2017**  
*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 31/03/2017	3 Months to 31/03/2016
	\$'000	\$'000
<b>Net Profit for the Period</b>	<b>337,011</b>	<b>279,785</b>
<b>Other Comprehensive Income</b>		
Effect of change in tax rate on comprehensive income	-	(43,525)
<b>Other Comprehensive Income for period net of Tax</b>	-	(43,525)
<b>Total Comprehensive Income</b>	<b>337,011</b>	<b>236,260</b>
<b>Total Comprehensive Income Attributable to:</b>		
Equity holders of the company	332,485	233,006
Minority interest	4,526	3,254
	<b>337,011</b>	<b>236,260</b>

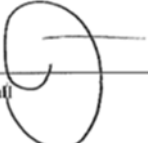
**Kingston Wharves Limited**  
**Group Statement of Financial Position (Unaudited)**

**31 March 2017**

(expressed in Jamaican dollars unless otherwise indicated)

	Mar-17 \$ '000	Audited Dec-16 \$ '000	Mar-16 \$ '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	18,272,946	18,085,443	16,581,648
Intangible asset	228,372	256,871	322,986
Long term Investment	128,466	128,466	84,347
Due from related party	-	-	102,405
Deferred income tax assets	1,363	1,363	1,498
Retirement benefit asset	936,177	936,177	619,083
	<u>19,567,324</u>	<u>19,408,320</u>	<u>17,711,967</u>
<b>Current Assets</b>			
Inventories	366,848	303,994	227,541
Trade and other receivables	759,873	617,395	583,550
Taxation recoverable	12,628	16,253	10,578
Short term investments	2,369,069	2,830,027	3,038,735
Cash and bank	308,195	360,819	298,453
	<u>3,816,613</u>	<u>4,128,488</u>	<u>4,158,857</u>
<b>Total assets</b>	<u>23,383,937</u>	<u>23,536,808</u>	<u>21,870,824</u>
<b>EQUITY</b>			
<b>Stockholders' Equity</b>			
Share capital	2,079,398	2,079,398	2,079,398
Capital reserves	10,771,146	10,768,001	10,720,227
Asset replacement/rehabilitation, depreciation reserves and 16% reserves	216,225	216,161	215,975
Retained earnings	5,805,962	5,476,686	4,714,302
	<u>18,872,731</u>	<u>18,540,246</u>	<u>17,729,902</u>
<b>Minority Interest</b>	101,091	96,565	80,512
	<u>18,973,822</u>	<u>18,636,811</u>	<u>17,810,414</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Borrowings	1,657,013	1,795,373	1,461,774
Deferred income tax liabilities	1,163,095	1,168,265	1,157,343
Long term liabilities	9,409	9,454	45,915
Retirement benefit obligations	276,762	276,762	245,378
	<u>3,106,279</u>	<u>3,249,854</u>	<u>2,910,410</u>
<b>Current Liabilities</b>			
Trade and other payables	711,212	1,002,529	506,049
Taxation	16,542	31,413	20,594
Borrowings	546,703	547,540	525,255
Current portion of Long term Liability	29,379	68,661	98,102
	<u>1,303,836</u>	<u>1,650,143</u>	<u>1,150,000</u>
<b>Total equity and liabilities</b>	<u>23,383,937</u>	<u>23,536,808</u>	<u>21,870,824</u>

Approved for issue by the Board of Directors on May 4, 2017 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 2017**

*(expressed in Jamaican dollars unless otherwise indicated)*

	Terminal Operations	Logistics and Ancilliary 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/(loss)	330,844	97,549	(44)	428,349
Interest expense	(23,618)	(6,767)	44	(30,341)
	307,225	90,783	-	398,008
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
Capital expenditure-Intangible	-	-	-	-
Depreciation	118,542	7,097	-	125,639

**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Three Months ended 31 March 2016**

*(expressed in Jamaican dollars unless otherwise indicated)*

	Terminal Operations	Logistics and Ancilliary Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	940,094	257,219	-	1,197,313
Operating revenue from segments	2,968	20,514	(23,482)	-
<b>Total revenue</b>	<b>943,062</b>	<b>277,733</b>	<b>(23,482)</b>	<b>1,197,313</b>
Operating profit/(loss)	273,581	73,528	(1,563)	345,546
Interest expense	(33,268)	(8,027)	1,563	(39,732)
	<b>240,313</b>	<b>65,501</b>	<b>-</b>	<b>305,814</b>
Foreign exchange gain/(loss)				19,090
Profit before income tax				324,904
Income tax expense				(45,119)
Profit before non-controlling interest				279,785
Non-controlling interest				(3,254)
<b>Net profit attributable to equity holders of the company</b>				<b>276,531</b>
Segment assets	19,103,278	2,333,983	(197,142)	21,240,119
Unallocated assets				630,705
<b>Total assets</b>				<b>21,870,824</b>
Segment liabilities	2,342,818	419,390	(125,111)	2,637,097
Unallocated liabilities				1,423,314
<b>Total liabilities</b>				<b>4,060,411</b>
<b>Other segment items:</b>				
Interest income	16,547	9,150	(1,564)	24,133
Capital expenditure	30,556	20,526	-	51,082
Capital expenditure-Intangible	26,444	-	-	26,444
Depreciation	108,062	6,110	-	114,172



**Kingston Wharves Limited**  
**Consolidated Statement of Changes in Equity (Unaudited)**  
**Three Months ended 31 March 2017**

*(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 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	-	-	58	(58)	-	-	-
Total comprehensive income for period	-	-	-	276,531	<b>276,531</b>	3,254	<b>279,785</b>
Effect of change in tax rate on deferred taxation	-	(43,525)	-	-	(43,525)	-	(43,525)
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 2016</b>	<b>2,079,398</b>	<b>10,720,227</b>	<b>215,975</b>	<b>4,714,302</b>	<b>17,729,902</b>	<b>80,512</b>	<b>17,810,414</b>
<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	332,485	4,526	337,011
Effect of change in tax rate on deferred taxation	-	-	-	-	-	-	-
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 paid 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>



**Kingston Wharves Limited**  
**Consolidated Statement of Cash Flows (Unaudited)**  
**Three Months ended 31 March 2017**

*(expressed in Jamaican dollars unless otherwise indicated)*

	<b>March</b>	<b>March</b>
	<b>2017</b>	<b>2016</b>
	<b>J\$'000</b>	<b>J\$'000</b>
<b>Cash Provided from Operating Activities</b>		
Net Profit	337,010	279,785
Adjustments for:		
Amortisation	28,499	26,307
Depreciation	125,639	114,172
Net Foreign exchange adjustment	(4,223)	(6,861)
Interest Income	(18,377)	(24,133)
Interest Expense	30,341	27,325
Taxation	65,220	45,119
	564,109	461,714
Changes in operating assets and liabilities:		
Inventories	(62,854)	(24,492)
Trade and other receivables	(138,852)	(180,576)
Trade and other payables	(44,630)	2,928
Cash provided by operations	<b>317,773</b>	<b>259,574</b>
Tax paid	(89,668)	(98,178)
Net cash provided by operating activities	228,105	161,396
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(313,141)	(51,082)
Purchase of Intangibles	-	(26,444)
Dividend received	-	629
Interest received	18,991	22,671
Cash used in investing activities	(294,150)	(54,226)
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(286,015)	(214,530)
Long term loans received	-	550,000
Long term loans repaid	(137,111)	(113,495)
Interest paid	(30,585)	(27,325)
Net cash (used in)/provided by financing activities	(453,711)	194,650
Net (decrease)/increase in cash and cash equivalents	(519,756)	301,820
Net cash and cash equivalents at beginning of period	3,190,846	3,019,868
Exchange adjustment on foreign currency cash and cash equivalents	6,174	15,500
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,677,264</b>	<b>3,337,188</b>

## **Kingston Wharves Limited**

### **Notes to the Financial Statements (Unaudited) for three months ended 31 March 2017**

#### **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 31 March 2017 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 2016.

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 31 March 2017**

**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 licences 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% (2016 – 10.6%) 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**

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**TOP TEN SHAREHOLDERS AT MARCH 31, 2017**

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**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	6,620,515	0.4629
SEAFREIGHT LINE	6,029,108	0.4216
	<b>1,347,374,745</b>	<b>94.2089</b>
	JCSD	1,834
	MAIN REGISTER	1,269
	<b>TOTAL</b>	<b>3,103</b>

NO. OF SHAREHOLDERS AT MARCH 31, 2017



**KINGSTON WHARVES LIMITED**

**DIRECTORS' SHAREHOLDINGS AT MARCH 31, 2017**

<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
		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	600,736,635 378,205
BRUCE BRECHEISEN	NIL	S.B.D. LLC	300,689,810
ROBERT SCAVONE	NIL		
DORIAN VALDES	NIL		

**SENIOR MANAGERS' SHAREHOLDINGS AT MARCH 31, 2017**

<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		