



**KINGSTON WHARVES LIMITED**

**INTERIM REPORT TO STOCKHOLDERS**

**UNAUDITED GROUP RESULTS**

**9 MONTHS ENDED 30 SEPTEMBER 2017**

## **Chairman's Statement for the nine months ended 30 September 2017**

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Kingston Wharves Limited achieved revenues of \$4.5 billion for the nine months ended September 30, 2017, a 17% or \$667 million increase over the corresponding period in 2016. Profit before taxation increased from \$1,011 million in 2016 to \$1,348 million in 2017, representing a 33% growth. Net profit attributable to shareholders increased by 36% or \$315 million, from \$865 million to \$1,180 million over the relative period in 2016. Accordingly, earnings per stock unit as at September 30, 2017 grew to 82.49 cents (2016: 60.51 cents). The unaudited financial results for the period ended September 30, 2017, are prepared in accordance with International Financial Reporting Standards (IFRS).

### **Terminal Operations**

The Terminal Operations Division achieved revenues of \$3.5 billion, an increase of 18% year on year. Divisional operating profits increased by 48% from \$766 million to \$1,130 million. We have experienced growth in domestic containerised cargo and domestic and transshipment moves of other cargo types including automotive, bulk and breakbulk cargo.

### **Logistics & Ancillary**

Total revenues earned in the Logistics and Ancillary Services division amounted to \$997 million, with operating profits totaling \$310 million, an increase of 13% and 4% respectively, over the corresponding period of the prior year. During the quarter, the KWL Logistics and Ancillary Services Division expanded its client base. KWL continued its efforts to achieve superior performance in logistics through improved facilities, and the application of technology to improve service delivery and the overall customer experience for third party importers and exporters of cargo who also require secure and efficient handling or storage of this cargo in Kingston. KWL continues to maintain its market leadership in this business.

### **Corporate Social Responsibility**

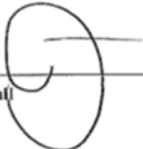
In the third quarter, KWL maintained title sponsorship of its flagship Under-15 Cricket Competition, now in its 28<sup>th</sup> year. We continually renew our commitment to such initiatives

as they provide a viable avenue through which we can have a positive impact on our community and contribute to nation-building.

## **Outlook**

Kingston Wharves Limited maintains a positive outlook for both its Terminal Operations Division and its Logistics and Ancillary Services Division. During the quarter, KWL distinguished itself on the basis of its service levels. The business takes seriously its role as a service provider to the full range of industrial, manufacturing, distributive and service sectors in Jamaica and across the region who depend on international trade. Our investment program on the terminal and within our specialized logistics centers is designed to directly facilitate these users and cuts across cargo types from containerised cargo, automotive cargo, industrial and project cargo, bulk and break bulk cargo. We now have an established track record for working closely with carriers as well as users of the cargo to tailor our land space, equipment, berths, warehousing, security systems and human resources to meet their needs. This flexible approach and heightened attention to service levels will continue. A number of specific initiatives will be launched in the upcoming quarter of 2017, chief of which are the operationalization of our Total Logistics Facility (a purpose built warehousing center for handling palletised cargo) and the opening of KWL's Global Automotive Logistics Centre (which will handle the warehousing of cars for regional markets).

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 2017**

*(expressed in Jamaican dollars unless otherwise indicated)*

	3 Months to 30/09/2017	3 Months to 30/09/2016	9 Months to 30/09/2017	9 Months to 30/09/2016
	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	1,582,256	1,382,346	4,522,066	3,854,732
Cost of sales	(839,088)	(726,242)	(2,358,036)	(2,131,306)
<b>Gross Profit</b>	743,168	656,104	2,164,030	1,723,426
Other Operating income	22,052	34,194	62,078	182,325
Administrative expenses	(244,332)	(282,262)	(786,957)	(741,265)
<b>Operating Profit</b>	520,888	408,036	1,439,151	1,164,486
Finance costs	(30,090)	(46,472)	(91,590)	(153,060)
<b>Profit before Taxation</b>	490,798	361,564	1,347,561	1,011,426
Taxation	(47,668)	(46,416)	(153,859)	(132,974)
<b>Net Profit for the Period</b>	443,130	315,148	1,193,702	878,452
<b>Net Profit Attributable to:</b>				
Equity holders of the company	437,933	309,796	1,179,818	865,360
Minority interest	5,197	5,352	13,884	14,092
	443,130	315,148	1,193,702	878,452
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>30.62</b>	<b>21.66</b>	<b>82.49</b>	<b>60.51</b>

**Kingston Wharves Limited**  
**Group Statement of Comprehensive Income (Unaudited)**  
**Nine months ended 30 September 2017**

*(expressed in Jamaican dollars unless otherwise indicated)*

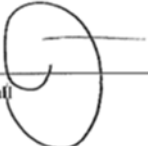
	3 Months to 30/09/2017	3 Months to 30/09/2016	9 Months to 30/09/2017	9 Months to 30/09/2016
	\$'000	\$'000	\$'000	\$'000
<b>Net Profit for the Period</b>	443,130	315,148	1,193,702	878,452
<b>Other Comprehensive Income</b>				
Effect of change in tax rate on deferred taxation on revaluation surplus	(10,384)	(74,811)	(10,384)	(156,530)
<b>Other Comprehensive Income for period</b>	(10,384)	(74,811)	(10,384)	(156,530)
<b>Total Comprehensive Income</b>	432,746	240,337	1,183,318	721,922
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the company	427,549	234,985	1,169,434	707,830
Minority interest	5,197	5,352	13,884	14,092
	432,746	240,337	1,183,318	721,922


**Kingston Wharves Limited**  
**Group Statement of Financial Position (Unaudited)**  
**30 September 2017**

(expressed in Jamaican dollars unless otherwise indicated)

	Sep-17 \$ '000	Audited Dec-16 \$ '000	Sep-16 \$ '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	19,109,830	18,085,443	17,862,357
Intangible asset	173,143	256,871	270,806
Long term Investment	128,466	128,466	86,518
Due from related party	-	-	103,185
Deferred income tax assets	1,546	1,363	1,498
Retirement benefit asset	936,177	936,177	619,083
	<u>20,349,162</u>	<u>19,408,320</u>	<u>18,943,447</u>
<b>Current Assets</b>			
Inventories	368,212	303,994	273,113
Trade and other receivables	681,541	617,395	665,533
Taxation recoverable	18,365	16,253	10,482
Short term investments	3,246,941	2,830,027	2,789,621
Cash and bank	408,882	360,819	250,571
	<u>4,723,941</u>	<u>4,128,488</u>	<u>3,989,320</u>
<b>Total assets</b>	<u>25,073,103</u>	<u>23,536,808</u>	<u>22,932,767</u>
<b>EQUITY</b>			
<b>Stockholders' Equity</b>			
Share capital	2,079,398	2,079,398	2,079,398
Capital reserves	10,767,051	10,768,001	10,613,511
Asset replacement/rehabilitation and Depreciation reserves	216,299	216,161	216,093
Retained earnings	6,403,798	5,476,686	5,095,496
	<u>19,466,546</u>	<u>18,540,246</u>	<u>18,004,498</u>
<b>Minority Interest</b>	110,449	96,565	91,350
	<u>19,576,995</u>	<u>18,636,811</u>	<u>18,095,848</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Borrowings	2,588,597	1,795,373	1,928,862
Deferred income tax liabilities	1,141,666	1,168,265	1,267,454
Long term liabilities	9,408	9,454	35,114
Retirement benefit obligations	276,762	276,762	245,378
	<u>4,016,433</u>	<u>3,249,854</u>	<u>3,476,808</u>
<b>Current Liabilities</b>			
Trade and other payables	955,419	1,002,529	724,530
Taxation	50,717	31,413	41,786
Borrowings	460,548	547,540	547,947
Current portion of Long term Liability	12,991	68,661	45,848
	<u>1,479,675</u>	<u>1,650,143</u>	<u>1,360,111</u>
<b>Total equity and liabilities</b>	<u>25,073,103</u>	<u>23,536,808</u>	<u>22,932,767</u>

Approved for issue by the Board of Directors on November 9, 2017 and signed on its behalf by:

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

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

**Kingston Wharves Limited**  
**Financial Information by Operating Segment (Unaudited)**  
**Nine Months ended 30 September 2017**

*(expressed in Jamaican dollars unless otherwise indicated)*

	Terminal Operations	Logistics and Ancilliary Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	3,524,920	997,146	-	4,522,066
Operating revenue from segments	4,010	53,375	(57,385)	-
<b>Total revenue</b>	<b>3,528,930</b>	<b>1,050,521</b>	<b>(57,385)</b>	<b>4,522,066</b>
Operating profit/(loss)	1,129,935	310,124	(50)	1,440,009
Interest expense	(68,785)	(19,005)	50	(87,740)
	1,061,150	291,119	-	1,352,269
Foreign exchange gain/(loss)				(4,708)
Profit before income tax				1,347,561
Income tax expense				(153,859)
Profit before non-controlling interest				1,193,702
Non-controlling interest				(13,884)
<b>Net profit attributable to equity holders of the company</b>				<b>1,179,818</b>
Segment assets	20,477,060	3,781,141	(141,186)	24,117,015
Unallocated assets				956,088
<b>Total assets</b>				<b>25,073,103</b>
Segment liabilities	1,993,719	2,102,400	(69,156)	4,026,963
Unallocated liabilities				1,469,145
<b>Total liabilities</b>				<b>5,496,108</b>
<b>Other segment items:</b>				
Interest income	52,452	9,370	(50)	61,772
Capital expenditure	530,041	891,888	-	1,421,929
Capital expenditure-Intangible	968	-	-	968
Depreciation & Amortization	461,206	21,301	-	482,507

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

*(expressed in Jamaican dollars unless otherwise indicated)*

	Terminal Operations	Logistics and Ancilliary Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	2,978,699	876,033	-	3,854,732
Operating revenue from segments	6,716	52,240	(58,956)	-
<b>Total revenue</b>	<b>2,985,415</b>	<b>928,273</b>	<b>(58,956)</b>	<b>3,854,732</b>
Operating profit/(loss)	766,154	298,966	(3,282)	1,061,838
Interest expense	(80,223)	(23,108)	3,282	(100,049)
	685,931	275,858	-	961,789
Foreign exchange gain/(loss)				49,637
Profit before income tax				1,011,426
Income tax expense				(132,974)
Profit before non-controlling interest				878,452
Non-controlling interest				(14,092)
<b>Net profit attributable to equity holders of the company</b>				<b>864,360</b>
Segment assets	20,594,232	1,838,241	(130,634)	22,301,839
Unallocated assets				630,928
<b>Total assets</b>				<b>22,932,767</b>
Segment liabilities	2,922,476	418,428	(58,603)	3,282,301
Unallocated liabilities				1,554,618
<b>Total liabilities</b>				<b>4,836,919</b>
<b>Other segment items:</b>				
Interest income	51,824	31,580	(3,282)	80,122
Capital expenditure	1,073,857	499,431	-	1,573,288
Capital expenditure-Intangible	29,127	-	-	29,127
Depreciation	409,939	18,521	-	428,460



**Kingston Wharves Limited**  
**Consolidated Statement of Changes in Equity (Unaudited)**  
**Nine Months ended 30 September 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	-	-	176	(176)	-	-	-
Total comprehensive income for period	-	-	-	864,360	<b>864,360</b>	14,092	<b>878,452</b>
Effect of change in tax rate on deferred taxation	-	(156,530)	-	-	(156,530)	-	(156,530)
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 payable to shareholders	-	-	-	(200,228)	<b>(200,228)</b>	-	<b>(200,228)</b>
<b>Balance at 30 September 2016</b>	<b>2,079,398</b>	<b>10,613,511</b>	<b>216,093</b>	<b>5,095,496</b>	<b>18,004,498</b>	<b>91,350</b>	<b>18,095,848</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	-	-	138	(138)	-	-	-
Total comprehensive income for period	-	-	-	1,179,818	1,179,818	13,884	1,193,702
Effect of change in tax rate on deferred taxation	-	(10,384)	-	-	(10,384)	-	(10,384)
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	-	-	-	(243,134)	(243,134)	-	(243,134)
<b>Balance at 30 September 2017</b>	<b>2,079,398</b>	<b>10,767,051</b>	<b>216,299</b>	<b>6,403,798</b>	<b>19,466,546</b>	<b>110,449</b>	<b>19,576,995</b>



**Kingston Wharves Limited**  
**Consolidated Statement of Cash Flows (Unaudited)**  
**Nine Months ended 30 September 2017**

(expressed in Jamaican dollars unless otherwise indicated)

	September 2017	September 2016
	J\$'000	J\$'000
<b>Cash Provided from Operating Activities</b>		
Net Profit	1,193,702	878,452
Adjustments for:		
Amortisation	84,696	81,171
Depreciation	397,811	347,290
Net Foreign exchange adjustment	2,708	(49,637)
(Gain)/Loss on disposal of property, plant & equipment	-	680
Interest Income	(61,772)	(80,122)
Interest Expense	87,740	100,049
Taxation	153,859	132,974
	1,858,744	1,410,857
Changes in operating assets and liabilities:		
Inventories	(64,218)	(70,064)
Trade and other receivables	(66,256)	(263,244)
Trade and other payables	171,202	158,354
Cash provided by operations	<b>1,899,472</b>	<b>1,235,903</b>
Tax paid	(161,337)	(167,734)
Net cash provided by operating activities	1,738,135	1,068,169
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(1,421,929)	(1,573,288)
Purchase of Intangibles	(968)	(29,127)
Proceeds from sale of property plant and equipment	-	7,699
Purchase of Investments	-	(2,172)
Dividend received	-	773
Interest received	62,475	82,201
Cash used in investing activities	(1,360,422)	(1,513,914)
<b>Cash Flows from Financing Activities</b>		
Dividends paid	(529,174)	(414,758)
Long term loans received	1,118,110	1,275,250
Long term loans repaid	(413,676)	(389,569)
Interest paid	(88,854)	(101,337)
Net cash provided by financing activities	86,406	369,586
Net (decrease)/increase in cash and cash equivalents	464,119	(76,159)
Net cash and cash equivalents at beginning of period	3,190,846	3,019,868
Exchange adjustment on foreign currency cash and cash equivalents	858	96,483
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>3,655,823</b>	<b>3,040,192</b>

**Kingston Wharves Limited**

**Notes to the Financial Statements (Unaudited)  
for nine months ended 30 September 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, 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 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 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 nine months ended 30 September 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 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 10.8% (2016 – 10.6%) for the parent and 25% (2016- 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 and security services.



**KINGSTON WHARVES LIMITED**

**TOP TEN SHAREHOLDERS AT SEPTEMBER 30, 2017**

<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 PROPERTY LIMITED	151,933,715	10.6233
KINGSTON PORTWORKERS SUPERANNUATION FUND	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	19,638,650	1.3731
NCB INSURANCE CO LTD. - A/C WT 181	10,000,000	0.6992
JCSD TRUSTEE SERVICES LTD - SIGMA OPTIMA	6,408,553	0.4481
SEAFREIGHT LINE LTD	6,029,108	0.4216
	<b>1,347,382,164</b>	<b>94.2094</b>
	JCSD	1,262
	MAIN REGISTER	1,898
	<b>TOTAL</b>	<b>3,160</b>

NO. OF SHAREHOLDERS AT SEPTEMBER 30, 2017



**KINGSTON WHARVES LIMITED**

**DIRECTORS' SHAREHOLDINGS AT SEPTEMBER 30, 2017**

<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	151,933,715
ROGER HINDS	NIL	TRANSOCEAN SHIPPING LIMITED SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	1,481,481 151,933,715
KIM CLARKE	NIL	MARITIME & TRANSPORT SERVICES LTD. SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	71,695,305 151,933,715
	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 6,029,108 151,933,715 151,405,130
CHARLES JOHNSTON	24,458	JAMAICA FRUIT & SHIPPING LIMITED JAMAICA PRODUCERS GROUP LIMITED SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED KINGSTON PORTWORKERS SUPERANNUATION FUND	709,507 600,736,635 151,933,715 151,405,130
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	600,736,635 151,933,715
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 SEPTEMBER 30, 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		