



INTERIM REPORT TO STOCKHOLDERS

Unaudited Group Results
for the 6 Months Ended
30th June 2019



Chairman's Statement

The Board of Directors of Kingston Wharves Limited (KWL) presents the unaudited financial results for the period ended June 30, 2019. For the six-month period, the Group achieved consolidated revenues of \$3.8 billion, a 12% or \$412 million increase over the corresponding period in 2018. Net profit attributable to shareholders increased by 40% or \$339 million relative to the prior year, to \$1.2 billion.

Terminal Operations

The Terminal Operations division generated operating revenue of \$3 billion for the six-month period, an increase of 10% over the corresponding period of the prior year. Divisional profits increased by 34% from \$855 million to \$1.1 billion year-on-year. The Terminal Operations division handles a range of cargo types including break-bulk, bulk, automotive and containerised cargo. The business also includes both domestic and transshipment cargo. Strategic initiatives over many years to diversify the business have proven

to be valuable. High performance in a number of operational areas, made up for flat showing in some aspects of the business, enabling KWL to maintain the positive growth which marked the start of the year.

Logistics Services

Our Logistics Services division continues to experience strong and steady growth. This business unit generated revenues of \$1 billion, an increase of 21% over the prior year. Divisional profits increased by 42% relative to 2018 to \$280 million. Key investment in logistics facilities and systems have already positioned KWL to capitalize on the rapidly growing logistics services market, in or near the Port of Kingston.

Our automotive logistics service and warehousing operations remain strong, despite some softening of demand for international logistics services connected with motor vehicles and containerised cargo due to global geo-political instability and some local competition from other market participants. KWL has responded well to

these challenges by diversifying and adding value and expertise to its service offering beyond traditional warehousing operations, while continuing to deliver cargo handling

services related to the loading, discharging, stripping and stuffing of full container loads and less-than-container-loads.

Outlook

Kingston Wharves is confident that our diversified range of products and services will enable us to identify and execute on attractive growth opportunities while maintaining our core business profitability. Despite the challenges facing businesses generally and those engaged in global trade in particular, Kingston Wharves is optimistic about the short, medium and long term. We will continue to diversify our product offering, expand our logistic services and forge new partnerships to grow our client base.

Corporate social responsibility remains a key prong of our organizational values, as we undertake activities to foster positive outcomes for children and youth. High on the agenda is support for the Under-15 Cricket Championship, as Kingston Wharves this year celebrates 30 years as the title sponsor for the series.

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
Consolidated Income Statement (Unaudited)
Six months ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	3 Months to 30/06/2019 \$'000	3 Months to 30/06/2018 \$'000	6 Months to 30/06/2019 \$'000	6 Months to 30/06/2018 \$'000
Revenue	1,969,184	1,757,238	3,802,209	3,390,280
Cost of sales	(943,231)	(911,096)	(1,844,798)	(1,798,889)
Gross Profit	1,025,953	846,142	1,957,411	1,591,391
Other operating income	190,507	112,488	166,397	164,125
Administrative expenses	(322,776)	(283,564)	(618,105)	(583,714)
Operating Profit	893,684	675,066	1,505,703	1,171,802
Finance costs	(45,924)	(56,385)	(93,517)	(116,255)
Share of results of associate	244	-	364	-
Profit Before Taxation	848,004	618,681	1,412,550	1,055,547
Taxation	(108,051)	(137,335)	(214,047)	(200,163)
Net Profit for the Period	739,953	481,346	1,198,503	855,384

Net Profit Attributable to:

Equity holders of the company	729,007	473,981	1,181,612	842,446
Minority interest	10,946	7,365	16,891	12,938
	739,953	481,346	1,198,503	855,384

EARNINGS PER STOCK UNIT

attributable to the stockholders of the company
expressed in cents per share

Based on stock units in issue	50.97	33.14	82.62	58.90
After exclusion of stock units held by ESOP	51.01	33.17	82.68	58.95

Kingston Wharves Limited
Consolidated Statement of Comprehensive Income (Unaudited)
Six months ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)


	3 Months to 30/06/2019 \$'000	3 Months to 30/06/2018 \$'000	6 Months to 30/06/2019 \$'000	6 Months to 30/06/2018 \$'000
Net Profit for the Period	739,953	481,346	1,198,503	855,384
Other Comprehensive Income				
Derecognition of revaluation surplus on demolition of property, plant and equipment	-	(232,248)		(232,248)
Adjustment to revaluation surplus on property, plant and equipment	-	-	(17,784)	-
Deferred tax effect on derecognition of revaluation surplus	-	25,803	-	25,803
Effect of change in tax rate on deferred taxation on revaluation surplus	-	(45,484)	(60,568)	(10,103)
Other Comprehensive Income for period	-	(251,929)	(78,352)	(216,548)
Total Comprehensive Income	739,953	229,417	1,120,151	638,836
Total Comprehensive Income Attributable to:				
Equity holders of the company	729,007	222,052	1,103,260	625,898
Minority interest	10,946	7,365	16,891	12,938
	739,953	229,417	1,120,151	638,836

Kingston Wharves Limited
Consolidated Statement of Financial Position (Unaudited)
30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Jun-19	Audited Dec-18	Jun-18
	\$ '000	\$ '000	\$ '000
ASSETS			
Non-current Assets			
Property, plant and equipment	22,435,931	22,607,981	22,829,242
Intangible asset	84,348	74,115	100,470
Right of Use Asset	969,940	-	-
Investment in joint venture	58,397	58,033	-
Financial asset at fair value through other comprehensive income	128,466	128,466	128,466
Deferred income tax asset	3,476	1,250	-
Retirement benefit asset	1,985,258	1,985,258	1,174,675
	<u>25,665,816</u>	<u>24,855,103</u>	<u>24,232,853</u>
Current Assets			
Inventories	413,103	392,006	362,756
Trade and other receivables	1,006,769	697,168	1,221,417
Taxation recoverable	27,657	23,077	31,407
Other financial asset at amortised cost	470,000	470,000	-
Short term investments	4,748,050	4,458,955	4,094,154
Cash and bank	404,916	560,511	405,581
	<u>7,070,495</u>	<u>6,601,717</u>	<u>6,115,315</u>
Total Assets	<u>32,736,311</u>	<u>31,456,820</u>	<u>30,348,168</u>
EQUITY			
Stockholders' Equity			
Share capital	2,043,744	2,036,933	2,029,398
Capital reserves	13,742,680	13,814,743	13,809,606
Asset replacement/rehabilitation and depreciation reserves	216,535	216,447	216,388
Retained earnings	9,544,062	8,697,773	7,216,261
	<u>25,547,021</u>	<u>24,765,896</u>	<u>23,271,654</u>
Minority Interest	158,127	141,236	128,461
	<u>25,705,148</u>	<u>24,907,132</u>	<u>23,400,115</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	2,021,777	2,273,629	2,513,142
Deferred income tax liabilities	1,565,031	1,499,077	1,487,073
Lease liability	886,766	-	-
Retirement benefit obligations	326,782	326,782	357,792
	<u>4,800,356</u>	<u>4,099,488</u>	<u>4,358,007</u>
Current Liabilities			
Trade and other payables	1,548,333	1,829,089	1,964,584
Taxation	99,272	117,312	77,282
Borrowings	503,799	503,799	525,601
Current portion of Long term liability	79,403	-	22,579
	<u>2,230,807</u>	<u>2,450,200</u>	<u>2,590,046</u>
Total Equity and Liabilities	<u>32,736,311</u>	<u>31,456,820</u>	<u>30,348,168</u>

Approved for issue by the Board of Directors on August 8, 2019 and signed on its behalf by:



 Jeffrey Hall Chairman



 Alvin Henry Director

Kingston Wharves Limited
Consolidated Statement of Changes in Equity (Unaudited)
Six Months ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to Stockholders of the company						
	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total	Minority Interest	Total Equity
			\$'000				
Balance at 1 January 2018	2,079,398	14,019,866	216,331	6,666,199	22,981,794	115,523	23,097,317
Profit for the period				842,447	842,447	12,938	855,385
Other comprehensive income	-	(216,548)	-	-	(216,548)	-	(216,548)
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	57	(57)	-	-	-
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,288	(6,288)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves		6,288	(6,288)	-	-	-	-
Transactions with owners:							
Acquisition of treasury shares	(50,000)				(50,000)	-	(50,000)
Dividends				(286,040)	(286,040)	-	(286,040)
Balance at 30 June 2018	2,029,398	13,809,606	216,388	7,216,261	23,271,653	128,461	23,400,114
Balance at 1 January 2019	2,036,933	13,814,743	216,447	8,697,773	24,765,896	141,236	24,907,132
Profit for the period	-	-	-	1,181,612	1,181,612	16,891	1,198,503
Other comprehensive income	-	(78,352)	-	-	(78,352)	-	(78,352)
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	88	(88)	-	-	-
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,289	(6,289)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,289	(6,289)	-	-	-	-
Transactions with owners:							
Sale of treasury shares	6,811	-	-	-	6,811	-	6,811
Dividends	-	-	-	(328,946)	(328,946)	-	(328,946)
Balance at 30 June 2019	2,043,744	13,742,680	216,535	9,544,062	25,547,021	158,127	25,705,148

Kingston Wharves Limited
Consolidated Statement of Cash Flows (Unaudited)
Six Months ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	June 2019 \$'000	June 2018 \$'000
Cash Provided from Operating Activities		
Net Profit	1,198,503	855,384
Adjustments for:		
Amortisation	18,197	34,275
Depreciation	394,910	338,836
Net foreign exchange adjustment	(83,860)	(117,922)
(Gain)/Loss on disposal of property, plant & equipment	-	2,151
Interest Income	(82,432)	(45,556)
Interest Expense	93,517	113,769
Share of results of joint venture	(364)	-
Taxation	214,047	200,163
	<u>1,752,518</u>	<u>1,381,100</u>
Changes in operating assets and liabilities:		
Inventories	(21,097)	(17,027)
Trade and other receivables	(309,601)	(396,148)
Trade and other payables	(252,460)	338,482
Cash provided by operations	<u>1,169,360</u>	<u>1,306,407</u>
Tax paid	(221,885)	(103,954)
Net cash provided by operating activities	<u>947,475</u>	<u>1,202,453</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(206,076)	(515,715)
Purchase of Intangibles	(28,428)	(901)
Investment in joint venture	-	-
Restricted Cash	-	189,000
Interest received	79,188	46,969
Net cash used in investing activities	<u>(155,316)</u>	<u>(280,647)</u>
Cash Flows from Financing Activities		
Dividends paid	(357,243)	(300,342)
Purchase of treasury shares	-	(50,000)
Issue of Treasury shares	6,811	-
Long term loan received	-	518,390
Repayment of finance lease	(41,317)	-
Long term loans repaid	(251,666)	(369,398)
Interest paid	(87,571)	(114,635)
Net cash used by financing activities	<u>(730,986)</u>	<u>(315,985)</u>
Net decrease in cash and cash equivalents	61,173	605,821
Net cash and cash equivalents at beginning of period	5,019,466	3,759,221
Exchange adjustment on foreign currency cash and cash equivalents	72,327	134,693
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>5,152,966</u>	<u>4,499,735</u>

Kingston Wharves Limited
Financial Information by Operating Segment (Unaudited)
Six Months ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations	Logistics Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	2,841,878	960,331	-	3,802,209
Operating revenue from segments	205,591	38,953	(244,544)	-
Total revenue	3,047,469	999,284	(244,544)	3,802,209
Profit from operations	1,141,972	279,871	-	1,421,843
Foreign exchange gain/(loss)	-	-	-	83,860
Operating profit				1,505,703
Finance cost	(49,219)	(46,589)	2,291	(93,517)
Share of results of associate		364	-	364
Profit before income tax				1,412,550
Income tax expense				(214,047)
Profit before non-controlling interest				1,198,503
Non-controlling interest				(16,891)
Net profit attributable to equity holders of the company				1,181,612
Segment assets	26,793,530	4,295,305	(368,915)	30,719,920
Unallocated assets				2,016,391
Total assets				32,736,311
Segment liabilities	2,966,134	2,370,829	(296,884)	5,040,079
Unallocated liabilities				1,991,085
Total liabilities				7,031,164
Other segment items:				
Interest income	77,940	6,783	(2,291)	82,432
Capital expenditure	177,530	56,974	-	234,504
Depreciation & Amortization	292,255	120,852	-	413,107

Kingston Wharves Limited
Financial Information by Operating Segment (Unaudited)
Six Months ended 30 June 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations	Logistics Services	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000
External operating revenue	2,587,675	802,605	-	3,390,280
Operating revenue from segments	194,442	22,855	(217,297)	-
Total revenue	2,782,117	825,460	(217,297)	3,390,280
Profit from operations	854,890	196,505	-	1,051,395
Foreign exchange gain/(loss)				117,921
Operating profit				1,169,316
Interest expense	(64,447)	(49,322)		(113,769)
Profit before income tax				1,055,547
Income tax expense				(200,163)
Profit before non-controlling interest				855,384
Non-controlling interest				(12,938)
Net profit attributable to equity holders of the company				842,446
Segment assets	24,231,427	5,317,294	(406,635)	29,142,086
Unallocated assets				1,206,082
Total assets				30,348,168
Segment liabilities	3,566,473	1,794,038	(334,604)	5,025,907
Unallocated liabilities				1,922,147
Total liabilities				6,948,054
Other segment items:				
Interest income	39,686	5,870	-	45,556
Capital expenditure	368,171	148,444	-	516,615
Depreciation	294,174	78,937	-	373,111

Kingston Wharves Limited

**Notes to the Financial Statements (Unaudited)
for six months ended 30 June 2019**

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 30 June 2019 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 2018.

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 standard effective in the current year

IFRS 16, Leases

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassification and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognised a lease liability in relation to a lease, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. The liability is measured at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate

Kingston Wharves Limited

**Notes to the Financial Statements (Unaudited)
for six months ended 30 June 2019**

2. Basis of Preparation (cont'd)

IFRS 16, Leases (cont'd)

applied on 1 January 2019. The associated right-of-use asset for the property lease is measured at the amount equal to the lease liability.

The lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar

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.

6. Cash & Cash Equivalents

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

Kingston Wharves Limited

**Notes to the Financial Statements (Unaudited)
for six months ended 30 June 2019**

7. Deferred Tax

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 12.5% (2018 – 11.3%) for the parent and 25% (2018- 25%) for subsidiaries.

8. Segment Reporting

Segment information is presented in respect of the group's strategic business segments. The identification of the business segments is based on the group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The Group's business segment reflect its current strategy and focus. The profit or loss before finance cost and taxation is used to measure the segment result. 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, port security services and refrigerated services.

9. Employee Share Ownership Trust

The company established an Employee Share Ownership Trust and earnings per share is calculated by dividing profit attributable to the group by the number of ordinary shares in issue excluding those held by the ESOP during the period.

10. Interest in Joint Venture

The group entered into a joint venture arrangement through the purchase of a 50% shareholding in SSL REIT Limited whose primary business is the rental of warehousing facilities. "Other financial asset at amortised cost" reflects a loan made to this associate.

KINGSTON WHARVES LIMITED

TOP TEN SHAREHOLDERS AT JUNE 30, 2019

NAMES	SHAREHOLDING	% OF CAPITAL
JAMAICA PRODUCERS GROUP LTD	600,736,635	42.00
S.B.D. LLC	300,689,810	21.02
KINGSTON PORTWORKERS SUPERANNUATION FUND	158,765,745	11.10
SAJE LOGISTICS INFRASTRUCTURE LIMITED	139,833,715	9.78
MARITIME & TRANSPORT SERVICES LTD	67,636,638	4.73
SAGICOR POOLED EQUITY FUND	32,859,889	2.30
LANNAMAN & MORRIS (SHIPPING) LTD	28,845,258	2.02
NCB INSURANCE CO LTD. - A/C WT 181	9,000,000	0.63
SEAFREIGHT LINE LTD	6,029,108	0.42
SJIML A/C 3119	6,000,000	0.42
	1,350,396,798	94.4202
	JCSD	2,462
	MAIN REGISTER	1,238
NO. OF SHAREHOLDERS AT JUNE 30, 2019	TOTAL	3,700

KINGSTON WHARVES LIMITED

DIRECTORS' SHAREHOLDINGS AT JUNE 30, 2019

NAMES	SHAREHOLDING	CONNECTED PARTIES	SHAREHOLDING	TOTAL
DIRECTORS				
BRUCE BRECHEISEN	NIL	S.B.D. LLC	300,689,810	300,689,810
KIM CLARKE	NIL	MARITIME & TRANSPORT SERVICES LTD. SAJE LOGISTICS INFRASTRUCTURE LIMITED A.E. PARNELL COMPANY LIMITED KINGSTON PORTWORKERS SUPERANNUATION FUND	67,636,638 139,833,715 4,277,776 158,765,745	370,513,874
JEFFREY HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED SAJE LOGISTICS INFRASTRUCTURE LIMITED	600,736,635 139,833,715	740,570,350
MARSHALL HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED	600,736,635	600,736,635
ALVIN HENRY	91,333			91,333
ROGER HINDS	NIL	TRANSOCEAN SHIPPING LIMITED SAJE LOGISTICS INFRASTRUCTURE LIMITED	1,481,481 139,833,715	141,315,196
CHARLES JOHNSTON	47,058	JAMAICA FRUIT & SHIPPING LIMITED JAMAICA PRODUCERS GROUP LIMITED SAJE LOGISTICS INFRASTRUCTURE LIMITED KINGSTON PORTWORKERS SUPERANNUATION FUND	624,649 600,736,635 139,833,715 158,765,745	900,007,802
HARRIAT MARAGH	NIL	LANNAMAN & MORRIS SHIPPING LTD. SEAFREIGHT LINE LIMITED SAJE LOGISTICS INFRASTRUCTURE LIMITED KINGSTON PORTWORKERS SUPERANNUATION FUND	28,845,258 6,029,108 139,833,715 158,765,745	333,473,826
KATHLEEN MOSS	2,000	JAMAICA PRODUCERS GROUP LIMITED	600,736,635	600,738,635
ROBERT SCAVONE	NIL			NIL
GRANTLEY STEPHENSON	193,981	SAJE LOGISTICS INFRASTRUCTURE LIMITED	139,833,715	140,027,696
DORIAN VALDES	NIL			NIL



KINGSTON WHARVES LIMITED

SENIOR MANAGERS' SHAREHOLDINGS AT JUNE 30, 2019

NAMES	SHAREHOLDING	CONNECTED PARTIES	SHAREHOLDING	TOTAL
JODENIA FERGUESON BRYAN	NIL			NIL
VALRIE CAMPBELL	25,000			25,000
LORNA DWYER	NIL			NIL
LANCELOT GREEN	NIL			NIL
ANNA HARRY	9,730			9,730
CLOVER MOODIE	40,000			40,000
KEISHA PALMER	NIL			NIL
CAPTAIN GEORGE REYNOLDS	NIL			NIL
MARK WILLIAMS	90,000			90,000