



**KINGSTON WHARVES LIMITED**

**MINUTES OF ANNUAL GENERAL MEETING  
HELD ON THURSDAY, JUNE 17, 2021 AT 10:00 A.M.  
AT THE TOTAL LOGISTICS FACILITY  
AT 195 SECOND STREET, NEWPORT WEST, KINGSTON 13**

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**Present were:**

Mr Jeffrey Hall	-	Chairman
Mr Grantley Stephenson	-	Deputy Chairman
Mr Bruce Brecheisen	-	Director
Mr Kim Clarke	-	Director
Dr Marshall Hall	-	Director
Mr Mark Williams	-	Director
Mr Roger Hinds	-	Director
Mr Charles Johnston	-	Director
Mrs Charmaine Maragh	-	Director
Mrs Kathleen Moss	-	Director
Mr Robert Scavone	-	Director
Mr Dorian Valdes	-	Director

**In attendance were:**

Mr Alvin Henry	-	Former Director
Ms Clover Moodie	-	Group Chief Financial Officer
Mr Stephan Morrison	-	Corporate Secretary/ Legal Counsel
Mr Leighton McKnight	-	Partner – PriceWaterhouseCoopers (PWC)
Ms Allison Bernard	-	PriceWaterhouseCoopers (PWC)
Mrs Jodenia Ferguson-Bryan	-	Financial Controller, KWL
Mrs Frances Mighty Hutchinson	-	Internal Audit Manager, KWL
Mrs Denise Walcott-Samuels	-	Human Resource & Administration Manager, KWL
Mr Dean Pantou	-	Chief Accountant, KWL
Ms Giselle Riley	-	Financial Reporting & Analysis Manager, KWL
Shareholders	-	See Appendix 1

**Call to order**

The Chairman called the meeting to order at 10:00 a.m. and extended a warm welcome to the shareholders that were participating electronically and by proxy as well as the Company's Auditors and other invited guests.

**Confirmation of Quorum**

The Secretary confirmed that the required quorum was present and that the meeting could proceed to business.

**Notice of Meeting**

The members present at the meeting agreed to take the notice of the meeting found on page 6 of the Annual Report as read.

### **Submission of Proxies and Corporate Representatives**

Shareholders were reminded that proxies were deposited with either the Company Secretary or the Registrar at least 48 hours prior to the date of the meeting. The Chairman also advised shareholders that a list of those proxies which amounted to 79% of all voting shareholders, was available for inspection.

### **Minutes of 2020 AGM, Articles of Incorporation and Share Register**

The Chairman advised the meeting that the Minutes of the last AGM, the Company's Articles of Incorporation and the shareholders' register were available for inspection. He reminded shareholders that all voting would take place by proxy. The Chairman also acknowledged that shareholders have also submitted their questions by email and he reminded shareholders that the Company would continue to take questions by email until 10:30 am.

### **Auditors' Report**

The report of the Auditor to the members was read by Mr. Leighton McKnight of PriceWaterhouseCoopers (PWC).

### **Introduction of Board Members and Senior Management**

The Chairman introduced the other members of the Board, and highlighted the addition of the newest member of the Board, Mrs Charmaine Maragh.

The Chairman also acknowledged the passing of Mr Harriat Maragh in January 2021. The Chairman shared that Mr Maragh served the Company with distinction as a director for fifteen years. He further expressed that the Company and the Board were grateful for Mr Maragh's service to the Company and his contribution to the shipping industry.

The Company's CEO presented the senior management staff of the KWL group to the meeting participants.

### **Directors' Report and CEO's Presentation**

The meeting participants agreed to take the Directors' Report as read, and the Chairman then invited Mr. Williams to make a presentation on the Company's performance for the year 2020 and the outlook for 2021.

The CEO's presentation highlighted the following elements of the Group's performance:

- i. revenue of J\$7.1 billion, a 10% decline when compared to the previous year;
- ii. Operating Profit decreased by 8% to \$2.8 billion in 2020; and
- iii. In 2020, the Company declared dividends of \$772.31 million, which equals the dividend declared in 2019 and remains the highest dividend since the Company was listed on the JSE in 1995.

Mr. Williams noted that in 2020, the Terminal Division accounted for revenue of 69%, while the Logistics Division earned 31% of revenues for the Group. He emphasized that the Company benefited from its diversified revenue sources ranging from containerised cargo, automobile units, project cargo and break bulk supplies.

The CEO shared that the Company felt a corporate responsibility to give back to its community by contributing J\$3 million to the Government's COVID-19 response measures, as part of a

larger donation in conjunction with the Jamaica Producers Group. The Company continued to support the next generation by funding a Wi-Fi infrastructure development project at a local primary school. The CEO noted that the Company also continues its 32-year support for the Jamaica Youth Cricket.

The CEO elaborated on the Company's Q1 2021 performance which reported revenue of J\$1.85 billion, a 1% reduction from the prior year. The Company generated an operating profit of J\$680 million. Mr Williams shared his optimism that the industry was rebounding from the contraction caused by the health pandemic after the Company recorded a 12% growth in the warehouse business, while the motor vehicle business grew by 4% in Q1. The CEO shared that the breakbulk cargo, primarily from the construction industry was up approximately 30%.

Mr Williams outlined the Company's key strategic imperatives of customers, people, process, plant and profit. For the purposes of the AGM the CEO focused on the issues concerning plant and processes. The CEO advised that the Company made a deposit on a mobile harbour crane (at a cost of US\$ 5.2 million) to be delivered in Q4 2021. The Company also recently completed an international tender for the major redevelopment of Berth 7 to optimise our berthing capacity. The Company also upgraded its Integrated Electronic Security Management System, which began last year through partnership with the Port Authority of Jamaica, and is slated for completion in 2021, at a cost of approximately US\$2 million. The upgrade will enhance the Company's credential, access control, intrusion detection and monitoring & control systems. The CEO announced that the Company recently unveiled its Click 'N' Collect web based cargo clearance platform, a first of its kind in the local shipping industry.

Lastly, the CEO briefed the shareholders that the Company was in advanced negotiations with international partners to introduce a new cargo type to the terminal.

In closing his presentation, the CEO underscored that the Kingston Wharves remains a solid business; despite all the upheavals in global trade, the Company maintains a strong balance sheet and our business model is one which is positioned for growth and profitability.

### **Shareholder Q&A**

Following the conclusion of Mr. William's presentation, the Chairman invited questions from shareholders who could not be present at the AGM due to the COVID-19 pandemic, but had submitted written questions to the Company beforehand.

The following written questions were submitted by Mr Staple:

#### **Question 1**

Explain why the group applies the acquisition method to account for business combinations. How does this benefit us as a group and shareholders?

**Response:** The acquisition method is prescribed by IFRS as the methodology to be used when accounting for a subsidiary. The method used is to ensure compliance with financial reporting standards. The acquisition method allows for all the income and expenses of the subsidiary to be recognized line by line, after eliminating related party transactions. It makes it more understandable for users of the financial statements.

### Questions 2 and 3

The loss allowance re receivables for 2019 was J\$54.8 million. This was increased in 2021 to J\$71.6 million (J\$16.8 million or 30.7%). What accounted for this significant increase and what is in place to reduce this expected loss? And;

What has accounted for this increase in bad debt of J\$20.8 million what measures are in place to correct this as we go forward?

**Response:** In 2020, KWL increased its provision for expected credit losses during the period to account for future uncertainties arising from the prolonged economic impact of COVID 19.

### Question 4

Logistics services generated revenues of J\$2.2 billion in 2020 and J\$2.2 billion in 2019 while Terminal Operations generated revenues of J\$5.6 billion in 2020 and J\$6.4 billion in 2019. Logistics Services remained flat while Terminal Operations reduced significantly. Explain how we plan to correct this imbalance. Does this indicate that the shippers are transferring their operations?

**Response:** The CEO explained that it is not an issue of business being shifted, but rather that there has been a global decline in shipping and port activities during 2020 especially as it relates to containerized cargo. Similarly, this is reflected in KWL's terminal division with the exception of our motor unit & bulk and break bulk activities. There are new patterns emerging where commercial interests are favouring more LCL shipments and hence the sustained logistic operations. Management believes the diversified operations of KWL will be able to sustain its profitability and allow for greater flexibility in implementing other strategic initiatives.

### Question 5

What accounts for expenses not deductible for tax purposes increasing from J\$2.7 million in 2019 to J\$32.3 million in 2020 for the group?

**Response:** The CFO explained that the \$32 million mainly relates to the increase in provisions for operating expenses as well IFRS 9 ECL provisions (general) and the treatment of tax allowances associated with SEZs.

### Question 6

Kingston Wharves Logistics Ltd. made a loss of J\$58.4 million in SSL Reit despite management's estimate that the company would have made a contribution of J\$43.4 million?

**Response:** The CFO clarified that the question related to Note 21, which was carried forward from the 2019 Annual Report. The CFO elaborated that the J\$58.4 million was not a loss but was instead the carrying cost of the investment in SSL Reit, as of 31 October 2019, when the investment, which is a 114,000 square foot warehouse, was being treated as a joint venture. The company experienced a two-month loss of J\$58,000 mentioned in Note 21 in November and December 2019.

The following written questions were submitted by Mr Owen Williams:

### **Question 7**

Given the relatively high dividend payout ratio, is the firm missing opportunities to invest in its operations that will increase shareholder value? How does the dividend policy compare with other companies in the industry?

**Response:** The Chairman noted that the Company reviewed dividend declarations of various entities and agreed that the Company does have an attractive pay out ratio when compared to other entities. When determining our dividend ratio, the Company considers returning funds to shareholders but also a primary concern is that the Company maintains sufficient capital to develop the facility and the best opportunities for the Company. The Chairman pointed out that the CEO highlighted a number of areas for expansion and capacity building in his presentation, and assured shareholders that the Company has identified funding for all of its investments and net of that sum, the Board makes its determination regarding dividend declarations.

The Chairman further noted that the Board of Directors met prior to the AGM and have approved Management's recommendation for a an interim dividend declaration.

### **Question 8**

Given the rise in Cybersecurity issues, what steps is the management team taking to shore up its cyber defences?

**Response:** The CFO shared that Management is constantly reviewing and enhancing KWL's IT security procedures against current best practices. The Company engaged international security experts to conduct an audit of the Company's systems and processes and they have provided a roadmap to enhance the Company's defences. Additionally, KWL systems are protected by firewalls, anti-malware, monitoring tools and a robust system of training and sensitising staff on the best cyber security practises.

### **Question 9**

Did you report any internal control "significant deficiencies" to the audit committee this year? If so, please describe the deficiencies in detail, and tell us why weren't they called "material weaknesses." And, by the way, did you initially conclude any were "material weaknesses" and then later change your mind?

**Response:** The Chairman outlined that the Board of the Company has an Audit Committee which is chaired by an Independent Director, Mrs Kathleen Moss. The Audit Committee meets at least once every quarter and it receives a detailed report from the head of internal audit of the Company.

The Company's External Auditors PWC commented that they found no material weaknesses during the audit and the weaknesses identified have been addressed by Management. The company also has a robust internal audit function which have done a number of reviews during the year and these audit findings have been reported to the Audit Committee. There were no significant deficiencies noted and all items have been/are being actioned by Management.

Following the question-and-answer segment, attention reverted to the formal agenda and the following resolutions were tabled and passed. Voting at the AGM was conducted by proxy only, and Mr Jeffrey Hall and Mr Mark Williams were appointed as proxies for all shareholders that submitted proxy forms.

**Ordinary Resolution No. 1 – Audited Financial Statements and Director’s Reports**

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT the Audited Financial Statements for the year ended December 31, 2020 and the reports of Directors and Auditors circulated with the notice convening the meeting be adopted.

**Ordinary Resolution No. 2 – To approve and ratify dividend payments**

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT as recommended by the Directors, the interim dividend of Twenty cents (\$0.20) per share paid on August 19, 2020 and of Thirty-Four cents (\$0.34) per share paid on January 18, 2021, be and are hereby declared as final, and no further dividend be paid in respect of the year under review.

**Ordinary Resolution No. 3 – Rotation and Election of Directors**

The directors retiring from office by rotation pursuant to Article 107 of the Company’s Articles of Incorporation are Messrs. Grantley Stephenson, Roger Hinds, Kathleen Moss and Kim Clarke. All the retiring Directors, being eligible, offer themselves for re-election.

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT Mr Grantley Stephenson be and is hereby re-elected a Director of the Company.

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT Mr Roger Hinds be and is hereby re-elected a Director of the Company.

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT Mrs Kathleen Moss be and is hereby re-elected a Director of the Company.

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT Mr Kim Clarke be and is hereby re-elected a Director of the Company.

**Ordinary Resolution No. 4 – To appoint Auditors and authorize the Directors to fix the remuneration of the Auditors.**

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT PriceWaterhouseCoopers, Chartered Accountants, having agreed to continue in office as auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

**Ordinary Resolution No. 5 – To fix fees of the Directors**

The following resolution was passed unanimously on a motion by Mr Jeffrey Hall which was seconded by Mr. Mark Williams:

THAT the amounts shown in the accounts of the company for the year ended December 31, 2020 as fees paid to the Directors for their services as Directors, be and are hereby approved.

**Termination**

There being no further business, the Chairman terminated the meeting at 11:25 a.m.

## **APPENDIX 1**

### **Proxy Register**

<b>Shareholder</b>	<b>Proxy</b>
1. Maritime & Transport Services Limited	Mr Jeffrey Hall
2. A.E. Parnell & Co. Limited	Mr Jeffrey Hall
3. SAJE Logistics Infrastructure Limited	Mr Jeffrey Hall
4. S.B.D. L.L.C.	Mr Jeffrey Hall
5. Jamaica Producers Group Limited	Mr Jeffrey Hall
6. Ms Clover Moodie	Mr Jeffrey Hall
7. Ms Valrie Campbell	Mr Jeffrey Hall
8. Mr Garfield Parris	Mr Jeffrey Hall
9. Mr Lancelot Green	Mr Jeffrey Hall
10. Mr Mark Sibbles and De-Havaland Levy	Mr Jeffrey Hall
11. Mr Orrette Staple	Mr Jeffrey Hall

### **List of Non-Director Shareholders in Attendance In-Person**

1. Ms Clover Moodie

### **List of Non-Director Shareholders Present by Video Conference**

2. Ms Lisa Johnston
3. Mr Jermaine Robinson
4. Mr Garfield Parris
5. Ms Candi - Ann Whyte
6. Ms Corah Ann Sylvester
7. Ms June Pinto
8. Mr Tariq Kelly
9. Mr Stephen Bell
10. M. Campbell
11. Mr Alvin Henry
12. Ms Valrie Campbell
13. Ms Donna Seymour
14. Ms Abigail Williams
15. Mr David Rose
16. Mr Owen Williams

### **List of Directors Present In-Person**

1. Mr Jeffrey Hall
2. Mr Mark Williams

### **List of Directors Present by Video Conference**

1. Mr Grantley Stephenson
2. Mr Bruce Brecheisen
3. Dr Marshall Hall



4. Mr Roger Hinds
5. Mr Charles Johnston
6. Mrs Charmaine Maragh
7. Mrs Kathleen Moss
8. Mr Robert Scavone
9. Mr Dorian Valdes
10. Mr Kim Clarke