



KINGSTON WHARVES LIMITED

SECOND QUARTER

6 MONTHS ENDED 30 JUNE 2014

CHAIRMAN'S REPORT

The Directors of Kingston Wharves are pleased to present the unaudited results of the Group for the six months ended 30 June 2014

THE GROUP

Revenues for the six months ended June 2014 were \$1,780 million, a decrease of \$228.86 million or 11.39% when compared to the corresponding period of 2013. Operating Profit decreased for the first half of the financial year from \$704.26 million to \$545.10 million, a reduction of \$159.16 million or 22.60% when compared to 2013. The decline in the Group's performance was mainly due to the fall in terminal operations revenue which decreased by \$139.37 million when compared to the previous year.

For the six months ending June 2014, net profit attributable to stockholders, was \$353.88 million compared to \$322.32 million for the same period in 2013. The improvement in net profit reflects a lower tax charge for the period when compared to the charge for the 2013 period. During the second quarter, revenues decreased by \$81.90 million or 8.11% compared to the corresponding quarter of 2013. Operating Profit for the quarter was \$284.08 million, down from \$330.38 million for the quarter ended June 2013, a decrease of \$46.30 million or 14%.

Earnings per Stock (EPS) for the first six months of 2014 were 24.74 cents compared to 22.54 cents for the corresponding period in 2013; an increase of 2.20 cents.

KINGSTON WHARVES LIMITED

Kingston Wharves Limited (KWL) revenue for the six months ended 30 June 2014 was \$1,535.08 million (2013: \$1,674.45), a decline of \$139.37 million or 8.32% compared to the corresponding period in 2013. Operating Profit excluding dividend for the six month period was \$478.84 million compared with \$558.85 million for the corresponding period in 2013, a decline of \$80.01 million or 14.32%. The decline in revenue and operating profit for the six months was significantly influenced by the loss of business from a main shipping line and the overall decline in economic conditions.

Revenues generated from the acquisition of a new stevedoring business in February 2014 along with various structural cost reduction initiatives have reduced the impact of the losses from the container business.

HARBOUR COLD STORES LIMITED

Operating profit improved for the six months ended June 30, 2014 by \$0.72 million or 3.04% when compared to the corresponding period of the prior year. Operating profits for the second quarter was \$12.89 million compared to \$12.42 million for the second quarter in 2013, an increase of \$0.47 million or 3.78%. The Board's decision to

restructure HCSL in the third quarter of 2013, which saw the cold storage segment being leased to a third party and the refrigeration segment being managed by KWL, has resulted in greater operational synergies and improved profitability.

SECURITY ADMINISTRATORS LIMITED

Security Administrators Limited (SAL) revenue for the six months ended June 30, 2014 decreased by \$22.28 million or 8.80% when compared to the corresponding period of the prior year. Operating profit also declined for the six months ended June 30, 2014 to \$3.39 million from \$24.32 million. The decline in revenue and operating profits mainly resulted from the discontinuation of container sealing operation in May 2013 which contributed \$22.2 million to the company's performance for the corresponding period in 2013.

COMMUNITY INVOLVEMENT

During the quarter, KWL staff participated in various community activities and in the ensuing months will be embarking on other corporate social responsibility programs.

OUTLOOK

As domestic demand is expected to remain flat in the short to medium term, KWL's management will continue to pursue an aggressive growth strategy which involves expansion of the transshipment and logistics businesses.

The benefits of being designated a Free Zone in support of KWL's port expansion program, are beginning to materialize with the purchase and redesign of a new facility to relocate Berth 7 warehouse. The refurbished warehouse will offer a 'one stop' facility with greater efficiency and improved service levels. As we look ahead to the remainder of the financial year, we will continue to expand the profitable segments, improve operational efficiency and costs management.

Thanks to our staff, customers, brokers, management and key stakeholders for their continued support.


Grantley Stephenson
Chairman and Chief Executive Officer

Kingston Wharves Limited
Group Statement of Comprehensive Income (Unaudited)
Six months ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	3 Months to 6/30/2014	3 Months to 6/30/2013	6 Months to 6/30/2014	6 Months to 6/30/2013
	\$'000	\$'000	\$'000	\$'000
Revenue	927,510	1,009,412	1,780,044	2,008,897
Cost of sales	(510,083)	(543,799)	(1,005,626)	(1,113,407)
Gross Profit	417,427	465,613	774,418	895,490
Other Operating income	66,520	83,016	163,775	250,632
Administrative expenses	(199,864)	(218,248)	(393,089)	(441,860)
Operating Profit	284,083	330,381	545,104	704,262
Finance costs	(59,445)	(69,820)	(130,516)	(195,257)
Profit before Taxation	224,638	260,561	414,588	509,005
Taxation	(4,744)	(85,120)	(59,353)	(180,267)
Net Profit for the Period	219,894	175,441	355,235	328,738
Total Comprehensive Income	219,894	175,441	355,235	328,738
Net Profit Attributable to:				
Equity holders of the company	218,758	170,361	353,884	322,322
Minority interest	1,136	5,080	1,351	6,416
	219,894	175,441	355,235	328,738
Total Comprehensive Income Attributable to:				
Equity holders of the company	218,758	170,361	353,884	322,322
Minority interest	1,136	5,080	1,351	6,416
	219,894	175,441	355,235	328,738
Number of Stock Units Issued ('000)	1,430,200	1,430,200	1,430,200	1,430,200
EARNINGS PER STOCK UNIT attributable to the stockholders of the company expressed in cents per share	15.30	11.91	24.74	22.54

Kingston Wharves Limited
Consolidated Statement of Financial Position
at 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 30/Jun/14 \$ '000	Audited 31/Dec/13 \$ '000	Restated Unaudited 30/Jun/13 \$ '000
ASSETS			
Non-current Assets			
Property, plant and equipment	12,317,014	11,981,800	11,799,214
Intangible asset	391,032	98,172	103,343
Due from related party	101,472	81,291	-
Deferred income tax assets	1,122	1,122	2,788
Retirement benefit asset	653,321	653,321	612,710
	<u>13,463,961</u>	<u>12,815,706</u>	<u>12,518,055</u>
Current Assets			
Inventories	182,816	137,902	73,019
Trade and other receivables	659,148	586,285	749,095
Taxation recoverable	10,544	16,872	8,554
Short term investments	1,451,255	2,099,333	2,006,065
Cash and bank	1,112,910	1,060,566	1,023,403
	<u>3,416,673</u>	<u>3,900,958</u>	<u>3,860,136</u>
Total assets	<u><u>16,880,634</u></u>	<u><u>16,716,664</u></u>	<u><u>16,378,191</u></u>
EQUITY			
Stockholders' Equity			
Share capital	2,079,398	2,079,398	2,079,398
Capital reserves	7,183,891	7,177,601	7,171,312
Asset replacement/rehabilitation, depreciation reserves and 16% reserves	215,526	215,391	215,276
Retained earnings	3,564,462	3,217,003	2,849,476
	<u>13,043,277</u>	<u>12,689,393</u>	<u>12,315,462</u>
Minority Interest	<u>60,885</u>	<u>59,534</u>	<u>58,231</u>
	<u>13,104,162</u>	<u>12,748,927</u>	<u>12,373,693</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	1,321,361	1,498,689	1,439,031
Deferred income tax liabilities	1,299,521	1,299,521	1,333,236
Retirement benefit obligations	179,944	179,944	203,315
	<u>2,800,826</u>	<u>2,978,154</u>	<u>2,975,582</u>
Current Liabilities			
Trade and other payables	505,924	359,029	455,376
Taxation	10,315	127,634	76,514
Borrowings	459,407	502,920	497,026
	<u>975,646</u>	<u>989,583</u>	<u>1,028,916</u>
Total equity and liabilities	<u><u>16,880,634</u></u>	<u><u>16,716,664</u></u>	<u><u>16,378,191</u></u>

Approved for issue by the Board of Directors on August 13, 2014 and signed on its behalf by:

Grantley St. J. Stephenson Chairman/CEO

Alvin Henry Director

KINGSTON WHARVES LIMITED

Financial Information by Operating Segment (Unaudited)

Six Months ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other Eliminations \$'000	\$'000	Group \$'000
External operating revenue	1,533,551	42,143	204,350	-	-	1,780,044
Operating revenue from segments	1,532	2,280	26,568	970	(31,350)	-
Total revenue	1,535,083	44,423	230,917	970	(31,350)	1,780,044
Operating profit/(loss)	747,162	24,263	5,404	(27,638)	(204,087)	545,104
Interest Expense	(65,843)	(61)	-	(380)	4,087	(62,197)
	681,319	24,202	5,404	(28,018)	(200,000)	482,907
Foreign exchange loss						(68,319)
Profit before taxation						414,588
Taxation						(59,353)
Profit before minority interest						355,235
Minority Interest						(1,351)
Net Profit						353,884
Segment assets	12,580,009	798,146	222,029	2,808,932	(193,469)	16,215,647
Unallocated assets						664,987
Total assets						16,880,634
Segment liabilities	2,309,351	9,620	50,710	13,123	(96,110)	2,286,694
Unallocated liabilities						1,489,779
Total liabilities						3,776,473
Other segment items:						
Interest Income	13,821	16,220	2,018	6,633	(4,087)	34,605
Capital expenditure	672,070	-	637	-	-	672,707
Depreciation charge	156,841	10,210	2,180	35,441	-	204,672

KINGSTON WHARVES LIMITED

Financial Information by Operating Segment (Unaudited)

Six Months ended 30 June 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other \$'000	Eliminations \$'000	Group \$'000
External operating revenue	1,674,020	105,407	229,470	-	-	2,008,897
Operating revenue from segments	425	2,022	23,731	970	(27,148)	-
Total revenue	1,674,445	107,429	253,201	970	(27,148)	2,008,897
Operating profit/(loss)	689,601	23,547	25,665	(29,988)	(4,563)	704,262
Interest Expense	(68,741)	(63)	-	(265)	4,563	(64,506)
	620,860	23,484	25,665	(30,253)	-	639,756
Foreign exchange loss						(130,751)
Profit before taxation						509,005
Taxation						(180,267)
Loss before minority interest						328,738
Minority Interest						(6,416)
Net Profit						322,322
Segment assets	11,898,535	1,003,252	224,370	2,867,808	(239,826)	15,754,139
Unallocated assets						624,052
						16,378,191
Segment liabilities	2,456,968	23,323	55,017	11,509	(155,384)	2,391,433
Unallocated liabilities						1,613,065
						4,004,498
Other segment items:						
Interest income	28,121	19,417	1,339	4,409	(4,563)	48,723
Capital expenditure	221,481	-	5,285	-	-	226,766
Depreciation charge	121,028	9,900	1,900	35,257	-	168,085

Kingston Wharves Limited

Consolidated Statement of Changes in Equity (Unaudited)

Six months ended 30 June 2014

Attributable to Stockholders of the company

	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total	Minority Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2013 (Restated)	2,079,398	7,165,022	215,168	2,676,572	12,136,160	51,815	12,187,975
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	108	(108)	-	-	-
Total comprehensive income for period	-	-	-	322,322	322,322	6,416	328,738
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
Dividend payable to shareholders	-	-	-	(143,020)	(143,020)	-	(143,020)
Balance at 30 June 2013	2,079,398	7,171,312	215,276	2,849,476	12,315,462	58,231	12,373,693
Balance at 1 January 2014	2,079,398	7,177,601	215,391	3,217,003	12,689,393	59,534	12,748,927
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	135	(135)	-	-	-
Total comprehensive income for period	-	-	-	353,884	353,884	1,351	355,235
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
Balance at 30 June 2014	2,079,398	7,183,891	215,526	3,564,462	13,043,277	60,885	13,104,162

Kingston Wharves Limited
Consolidated Statement of Cash Flows (Unaudited)
Six months ended June 30, 2014
(expressed in Jamaican dollars unless otherwise indicated)

	June 2014	June 2013
	J\$'000	J\$'000
Cash Provided from Operating Activities	363,553	541,783
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(512,610)	(122,209)
Purchase of Intangibles	(160,097)	(104,558)
Proceeds from sale of property plant and equipment	-	815
Cash used in investing activities	(672,707)	(225,952)
Cash Flows from Financing Activities		
Dividends paid	-	(143,020)
Long term loans received	-	-
Long term loans repaid	(286,580)	(241,053)
Net cash provided by/(used in) financing activities	(286,580)	(384,073)
Net increase/(decrease) in cash and cash equivalents	(595,734)	(68,242)
Net cash and cash equivalents at beginning of period (January 1,2014)	3,159,899	3,097,710
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,564,165	3,029,468
Comprising:		
Cash and bank	1,112,910	1,023,403
Short term investments	1,451,255	2,006,065
	2,564,165	3,029,468

Kingston Wharves Limited

Notes to the Financial Statements (Unaudited) for six months ended 30 June 2014

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, security services and the provision and installation of 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 tariff rate structure which was approved by the Port Authority of Jamaica became effective in April 1998.

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 2014 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 2013.

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.

For the interim period ended 30 June 2013, the results were restated to include the adoption of the amendments to IAS 19.

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. 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) Cold Storage operations - This incorporates the provision and installation of cold storage facilities and air conditioning units.
- (c) Security operations - This incorporates provision of security services.
- (d) Other - Other operations of the Group comprise property rental.

KINGSTON WHARVES LIMITED

TOP TEN SHAREHOLDING AT JUNE 30, 2014

1,430,199,578

NAMES	SHAREHOLDING	% OF CAPITAL
JAMAICA PRODUCERS GROUP LTD	431,777,188	30.1900
NCB JAMAICA LIMITED	360,807,145	25.2277
SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	168,933,715	11.8119
KINGSTON PORTWORKERS SUPERANNUATION FUND	159,405,130	11.1457
NCB CAPITAL MARKETS A/C NO. 2231	105,283,757	7.3615
MARITIME & TRANSPORT SERVICES LTD	71,475,924	4.9976
LANNAMAN & MORRIS (SHIPPING) LTD	28,845,258	2.0169
SAGICOR POOLED EQUITY FUND	11,575,633	0.8094
NCB INSURANCE CO LTD. - A/C WT 181	10,000,000	0.6992
SEAFREIGHT LINE	6,029,108	0.4216
	1,354,132,858	94.6814
	JCS D	1,557
	MAIN REGISTER	1,290
	TOTAL	2,847

NO. OF SHAREHOLDERS AT JUNE 30, 2014



KINGSTON WHARVES LIMITED

DIRECTORS & SENIOR MANAGERS' SHAREHOLDINGS

NAMES	SHAREHOLDING	CONNECTED PARTIES	SHAREHOLDING
DIRECTORS			
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	168,933,715
	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	709,507
		JAMAICA PRODUCERS GROUP LIMITED	431,777,188
RAMON PITTER	NIL	NCB JAMAICA LIMITED	360,807,145
		NCB CAPITAL MARKETS A/C NO. 2231	105,283,757
ALVIN HENRY	91,333		
STEPHEN LYN KEE CHOW	150,000		
KARLENE BAILEY	NIL		
KATHLEEN MOSS	2,000	JAMAICA PRODUCERS GROUP LIMITED	431,777,188
		ASSURANCE BROKERS LIMITED	1,000,000
JEFFREY HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED	431,777,188
	599,160		2,044,175,235

SENIOR MANAGERS

NAMES	SHAREHOLDING	CONNECTED PARTIES	SHAREHOLDING
MARCELLO RICHARDS	NIL		
RYAN PEART	NIL		
DEAN PANTON	NIL		
LLOYD SMITH	NIL		
STEVE WHYTE	NIL		
MARK F. WILLIAMS	NIL		
VALARIE CAMPBELL	Nil		
CLOVER MOODIE	NIL		