



KINGSTON WHARVES LIMITED

THIRD QUARTER
9 MONTHS ENDED 30 SEPTEMBER 2014

CHAIRMAN'S REPORT

The Directors of Kingston Wharves are pleased to present the unaudited results of the Group for the nine months ended 30 September 2014.

THE GROUP

Net profit attributable to stockholders for the nine months ending September 30, 2014 increased by 12.9% from \$467.2 million to \$527.9 million. Key contributing factors to this performance include gains derived from management's continued focus on cost reduction measures, the establishment of new shipping line customer relationships, and tax benefits arising from our freezone status granted December 2013. These gains offset the adverse impact to our terminal operations of a reduction in business from a major existing customer, and a generally challenging macroeconomic and business environment.

Revenues for the nine months ended September 2014 were \$2,749.7 million, a decrease of \$331 million or 10.7% when compared to \$3,080.7 million for the corresponding period of 2013. Operating Profit decreased for the period from \$987.7 million to \$800.9 million, a reduction of \$186.8 million or 18.9% when compared to 2013. The Group's decreased results were mainly due to the fall in performance of the terminal operations whose revenue fell by \$213.6 million when compared to the previous year.

During the third quarter, revenues decreased by \$102.2 million or 9.5% over the corresponding quarter of 2013. Operating Profit for the quarter was \$255.8 million, down from \$283.4 million for the quarter ended September 2013, a decrease of \$27.7 million or 9.8%. Notwithstanding the reduction in revenues, net profit attributable to stockholders for the quarter increased by 20% compared to the corresponding quarter of 2013.

Earnings per Stock (EPS) for the nine months of 2014 were 36.91 cents compared to 32.67 cents for the corresponding period in 2013; an increase of 4.24 cents.

KINGSTON WHARVES LIMITED

Kingston Wharves Limited (KWL) revenue for the nine months ended 30 September 2014 was \$2,372.3 million (2013: \$2,585.9M), a decline of \$213.6 million or 8.2% compared to the corresponding period in 2013. Operating Profit for the nine month period was \$723.5 million compared to \$847.2 million for the corresponding period in 2013, a decline of \$123.7 million or 14.6%. The decline in revenue and operating profit for the nine months was influenced by the reduced business from a main shipping line customer and overall economic conditions that affected the volume of cargo imported and exported. We are, however, encouraged by the improved operational efficiencies implemented by management.

HARBOUR COLD STORES LIMITED

Operating profit for Harbour Cold Stores Limited (HCSL) for the nine months ended September 30, 2014 was \$34 million compared to \$4 million for the corresponding period of the prior year, an increase of \$30 million or 750%. HCSL continues to benefit from the operational restructuring implemented in 2013. This restructuring resulted in the cold storage segment of the business being leased to an independent third party, while KWL continues to manage the refrigeration segment of the business and to harvest synergies between this business and our terminal operations.

SECURITY ADMINISTRATORS LIMITED

Security Administrators Limited (SAL) revenue for the nine months ended September 30, 2014 decreased by \$11.8 million or 3.6% when compared to the corresponding period of the prior year. Operating profit also declined for the nine months ended September 30, 2014 to \$16.9 million from \$27.4 million. The decline in revenue and operating profits mainly resulted from the discontinuation of our container sealing operation in May 2013 which contributed \$32 million to the company's revenue for the corresponding period in 2013. SAL was able to obtain a retroactive increase in security rates during the third quarter to offset the increased costs associated with security guards which took effect in February 2014.

COMMUNITY INVOLVEMENT

In keeping with our strong commitment to the development of our community, KWL undertook a number of key outreach initiatives during the period. Among these was the renewal of our sponsorship of the flagship KWL Under 15 Cricket Competition in collaboration with the Jamaica Cricket Association. This year marked our 25th year of sponsorship with accompanied special awards and educational bursaries for a number of our under 15 cricketers.

In addition to initiatives in sport, we continue to extend support to activities with an educational focus including a shipping industry back-to-school health fair which benefitted the children of the nearby Greenwich Farm Community. KWL continues its longstanding support of the Union Gardens Christian Academy, an early childhood institution, located in our community.

OUTLOOK

As we approach the end of 2014, KWL expects a marginal increase in domestic demand while transshipment is expected to remain flat. KWL's management remains optimistic about future growth prospects and continues its strategic emphasis on expanding its customer base and offering a wider range of competitive regional and international logistics services.

KWL broke ground for a new total logistics facility that is estimated to cost US\$20 million and at the same time commenced the process of transferring the warehouse activity from the docks by relocating Berth number 7 operations to its new Kingport Warehouse Complex. This will enable KWL to offer a higher level of service to cargo consolidators and freight forwarding customers which will result in greater returns to our shareholders. As we look ahead to the remainder of the financial year, we will continue to improve operational efficiency and control costs in an effort to reduce expenses and increase profitability.

Kingston Wharves Limited (KWL) has once again been voted the Best Multi-Purpose Port Operator in the Caribbean by regional shipping lines, agents and other key port users located in the Caribbean, Latin America and the Gulf of Mexico. Our success is based on the continued support and confidence of our customers, employees and other stakeholders for which we are truly thankful.



Jeffrey Hall
Chairman



Kingston Wharves Limited
Group Statement of Comprehensive Income (Unaudited)
Nine months ended 30 September 2014

(expressed in Jamaican dollars unless otherwise indicated)

	3 Months to 30/09/2014	3 Months to 30/09/2013	9 Months to 30/09/2014	9 Months to 30/09/2013
	\$'000	\$'000	\$'000	\$'000
Revenue	969,610	1,071,768	2,749,654	3,080,665
Cost of sales	(534,974)	(600,881)	(1,540,600)	(1,714,288)
Gross Profit	434,636	470,887	1,209,054	1,366,377
Other Operating income	27,029	73,517	190,804	324,149
Administrative expenses	(205,872)	(260,930)	(598,961)	(702,790)
Operating Profit	255,793	283,474	800,897	987,736
Finance costs	(40,249)	(61,127)	(170,765)	(256,384)
Profit before Taxation	215,544	222,347	630,132	731,352
Taxation	(38,652)	(77,035)	(98,005)	(257,302)
Net Profit for the Period	176,892	145,312	532,127	474,050
Total Comprehensive Income	176,892	145,312	532,127	474,050
Net Profit Attributable to:				
Equity holders of the company	174,004	144,864	527,888	467,186
Minority interest	2,888	448	4,239	6,864
	176,892	145,312	532,127	474,050
Total Comprehensive Income Attributable to:				
Equity holders of the company	174,004	144,864	527,888	467,186
Minority interest	2,888	448	4,239	6,864
	176,892	145,312	532,127	474,050
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	12.17	10.13	36.91	32.67

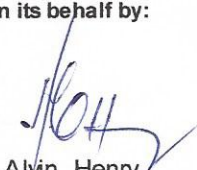
Kingston Wharves Limited
Consolidated Statement of Financial Position
at 30 September 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 30/Sep/14 \$ '000	Audited 31/Dec/13 \$ '000	Restated Unaudited 30/Sep/13 \$ '000
ASSETS			
Non-current Assets			
Property, plant and equipment	12,508,707	11,981,800	11,865,092
Intangible assets	388,620	98,172	100,384
Due from related party	102,405	81,291	-
Deferred income tax assets	1,122	1,122	1,570
Retirement benefit asset	653,321	653,321	612,710
	<u>13,654,175</u>	<u>12,815,706</u>	<u>12,579,756</u>
Current Assets			
Inventories	194,354	137,902	108,472
Trade and other receivables	639,732	586,285	720,544
Taxation recoverable	10,544	16,872	9,944
Short term investments	1,596,354	2,099,333	2,140,634
Cash and bank	1,144,570	1,060,566	1,013,840
	<u>3,585,554</u>	<u>3,900,958</u>	<u>3,993,434</u>
Total assets	<u><u>17,239,729</u></u>	<u><u>16,716,664</u></u>	<u><u>16,573,190</u></u>
EQUITY			
Stockholders' Equity			
Share capital	2,079,398	2,079,398	2,079,398
Capital reserves	7,187,035	7,177,601	7,174,456
Asset replacement/rehabilitation, depreciation reserves and 16% reserves	215,599	215,391	215,332
Retained earnings	3,592,229	3,217,003	2,991,141
	<u>13,074,261</u>	<u>12,689,393</u>	<u>12,460,327</u>
Minority Interest	63,773	59,534	58,679
	<u>13,138,034</u>	<u>12,748,927</u>	<u>12,519,006</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	1,574,016	1,498,689	1,358,329
Deferred income tax liabilities	1,299,521	1,299,521	1,333,236
Retirement benefit obligations	179,944	179,944	203,315
	<u>3,053,481</u>	<u>2,978,154</u>	<u>2,894,880</u>
Current Liabilities			
Trade and other payables	555,742	359,029	529,841
Taxation	42,411	127,634	147,297
Borrowings	450,061	502,920	482,166
	<u>1,048,214</u>	<u>989,583</u>	<u>1,159,304</u>
Total equity and liabilities	<u><u>17,239,729</u></u>	<u><u>16,716,664</u></u>	<u><u>16,573,190</u></u>

Approved for issue by the Board of Directors on November 12, 2014 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 2014

(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	2,369,968	62,563	317,123	-	-	2,749,654
Operating revenue from segments	2,293	4,059	40,653	1,455	(48,460)	-
Total revenue	2,372,261	66,622	357,776	1,455	(48,460)	2,749,654
Operating profit/(loss)	997,689	34,067	16,956	(41,921)	(205,894)	800,897
Interest expense	(101,840)	(82)	-	(575)	5,894	(96,603)
	895,849	33,985	16,956	(42,496)	(200,000)	704,294
Foreign exchange loss						(74,162)
Profit before taxation						630,132
Taxation						(98,005)
Profit before minority interest						532,127
Minority Interest						(4,239)
Net Profit						527,888
Segment assets	12,933,808	805,746	219,426	2,794,526	(178,764)	16,574,742
Unallocated assets						664,987
Total assets						17,239,729
Segment liabilities	2,595,899	9,559	38,701	13,127	(77,465)	2,579,821
Unallocated liabilities						1,521,874
Total liabilities						4,101,695
Other segment items:						
Interest Income	34,716	21,851	3,266	10,052	(5,894)	63,991
Capital expenditure	972,065	-	1,051	-	-	973,116
Depreciation charge	243,336	15,315	3,332	53,162	-	315,145

KINGSTON WHARVES LIMITED

Financial Information by Operating Segment (Unaudited)

Nine Months ended 30 September 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	2,585,240	166,535	328,890	-	-	3,080,665
Operating revenue from segments	637	2,979	38,272	1,455	(43,343)	-
Total revenue	2,585,877	169,514	367,162	1,455	(43,343)	3,080,665
Operating profit/(loss)	1,007,830	4,115	27,455	(45,161)	(6,503)	987,736
Interest expense	(101,750)	(103)	-	(391)	6,503	(95,741)
	906,080	4,012	27,455	(45,552)	-	891,995
Foreign exchange loss						(160,643)
Profit before taxation						731,352
Taxation						(257,302)
Loss before minority interest						474,050
Minority Interest						(6,864)
Net Profit						467,186
Segment assets	12,107,848	992,214	206,563	2,851,698	(209,357)	15,948,966
Unallocated assets						624,224
						16,573,190
Segment liabilities	2,408,754	34,512	37,286	11,052	(121,268)	2,370,336
Unallocated liabilities						1,683,848
						4,054,184
Other segment items:						
Interest income	39,270	29,335	2,137	6,541	(6,503)	70,780
Capital expenditure	368,536	-	6,324	-	-	374,860
Depreciation charge	182,354	14,850	3,114	52,887	-	253,205

Kingston Wharves Limited

Consolidated Statement of Changes in Equity (Unaudited)

Nine months ended 30 September 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	-	-	163	(163)	-	-	-
Total comprehensive income for period	-	-	-	467,186	467,186	6,864	474,050
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	-	-	-	(143,020)	(143,020)	-	(143,020)
Balance at 30 September 2013	2,079,398	7,174,456	215,332	2,991,141	12,460,327	58,679	12,519,006
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	-	-	208	(208)	-	-	-
Total comprehensive income for period	-	-	-	527,888	527,888	4,239	532,127
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 paid to shareholders	-	-	-	(143,020)	(143,020)	-	(143,020)
Balance at 30 September 2014	2,079,398	7,187,035	215,599	3,592,229	13,074,261	63,773	13,138,034

Kingston Wharves Limited

Consolidated Statement of Cash Flows (Unaudited)

Nine months ended 30 September 2014

(expressed in Jamaican dollars unless otherwise indicated)

	September 2014	September 2013
	J\$'000	J\$'000
Cash Provided from Operating Activities	746,094	940,335
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(796,382)	(274,476)
Purchase of Intangibles	(176,735)	(100,384)
Proceeds from sale of property plant and equipment	-	815
Cash used in investing activities	(973,116)	(374,045)
Cash Flows from Financing Activities		
Dividends paid	(143,020)	(143,020)
Long term loans received	352,000	-
Long term loans repaid	(400,933)	(366,506)
Net cash provided by/(used in) financing activities	(191,953)	(509,526)
Net increase/(decrease) in cash and cash equivalents	(418,975)	56,764
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	2,740,924	3,154,474
Comprising:		
Cash and bank	1,144,570	1,013,840
Short term investments	1,596,354	2,140,634
	2,740,924	3,154,474

Kingston Wharves Limited

Notes to the Financial Statements (Unaudited) for nine months ended 30 September 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 September 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 September 2013, the results were restated to include the adoption of the amendment 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. 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 license are shown at historical cost and amortised over their estimated useful lives.

6. 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 SEPTEMBER 30, 2014

1,430,199,578

NAMES	SHAREHOLDING	% OF CAPITAL
JAMAICA PRODUCERS GROUP LTD	597,523,090	41.7790
S.B.D. LLC	300,689,810	21.0243
SHIPPING ASSOCIATION OF JAMAICA PROPERTY LIMITED	168,933,715	11.8119
KINGSTON PORTWORKERS SUPERANNUATION FUND	159,405,130	11.1457
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
A. E. PARNELL COMPANY LIMITED	4,277,776	0.2991
	1,354,477,668	94.7055
	JCS D	1,552
	MAIN REGISTER	1,284
NO. OF SHAREHOLDERS AT SEPTEMBER 30, 2014	TOTAL	2,836

KINGSTON WHARVES LIMITED

DIRECTORS & SENIOR MANAGER'S SHAREHOLDING AT SEPTEMBER 30, 2014

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
HARRIAT MARAGH	NIL	A.E. PARNELL COMPANY LIMITED	4,277,776
		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	597,523,090
ALVIN HENRY	91,333		
KATHLEEN MOSS	2,000	JAMAICA PRODUCERS GROUP LIMITED	597,523,090
		ASSURANCE BROKERS LIMITED	1,000,000
JEFFREY HALL	NIL	JAMAICA PRODUCERS GROUP LIMITED	597,523,090

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		
VALRIE CAMPBELL	NIL		
CLOVER MOODIE	NIL		