

Kingston Wharves Limited

Unaudited Financial Statements

for the six months ended June 30, 2003

CHAIRMAN'S STATEMENT

The Directors are pleased to present the unaudited results of the group for the second quarter ended June 2003.

GROUP RESULTS

The Group's performance improved significantly in the second quarter when compared to its first quarter's results. The profit attributable to stockholders was \$30.1 Million, up from \$4.7 Million in the first quarter. The first half, which now stands at \$34.8 Million, is however \$19.5 Million behind the corresponding period last year. Earnings per stock unit are now at 3.25 cents against 5.06 cents for the first half of 2002.

Following an agreement between Grace, Kennedy and Company Ltd. and a consortium of other stockholders, a new board was confirmed at the AGM held on 2003, June 13. Since then the new board has met on several occasions and is working closely together to ensure the future success and improved profitability of the company.

KINGSTON WHARVES LIMITED

The volume handled by this company increased by 8.9% over the first quarter of 2003 but by only 1.3% over the same quarter last year. Operating profits increased from \$34.3 Million in the first quarter to \$56.7 Million in the second quarter. The company's net profits also improved significantly to \$17.3 Million, from a loss position of \$5.6 Million in the first quarter. Exceptional items booked in the second quarter amounted to \$21.0M, covering the cost of holding the AGM and terminal gratuity payments. This company now expects to enjoy normal profitability and growth for the remainder of the year.

While the trial of the stevedoring litigation has concluded there has not yet been a judgment in that matter.

During the latter part of the second quarter the directors commenced the development of a new business plan which is expected to be finalized early in the third quarter.

HARBOUR COLD STORAGE LIMITED

While this company experienced a marginal decline in revenues, the profit attributable to stockholders increased to \$9.0 Million for the second quarter, an improvement of 22.2% over the first.

The demand for cold Storage space has not recently been strong, which is in keeping with the general trend in the economy, however there has been a marginal increase in the refrigeration services provided to shipping line customers. Additionally, the company benefited from an increase in interest income.

SECURITY ADMINISTRATORS LIMITED

This company performed exceptionally well in the second quarter, experiencing increases in both revenue and profitability. The profit attributable to stockholders posted in the second quarter amounted to \$6.4 Million, compared to \$1.7 Million in the first.

Currency gains and increased cargo volume accounted for this improvement, along with continued vigilance by the management in controlling expenses.

ACKNOWLEDGMENT

I wish to express on behalf of all the stakeholders in Kingston Wharves Limited special acknowledgement and thanks to Mr. A. R. Diaz from whom I have assumed the chairmanship, for his leadership and hard work over the years. I look forward to Mr. Diazs wise council and support as he continues to serve as a director of the company.

Brian Young
Chairman

2003 August 7

Group Profit and Loss Statement

	Notes	3 Months Period to 30/06/03	6 Months Period to 30/06/03	3 Months Period to 30/06/02	6 Months Period to 30/06/02
Tonnages - Domestic (Berths 1-9)		494,474	948,633	488,261	936,945
		=====	=====	=====	=====
		\$ ' 000	\$ ' 000	\$ ' 000	\$ ' 000
Revenues		305,767	574,175	261,090	492,806
Cost of Sales		(138,483)	(266,413)	(108,726)	(213,428)
Gross Profit		167,284	307,762	152,364	279,378
Other Operating Income		1,881	4,018	2,301	4,331
Administrative Expenses		(100,834)	(202,848)	(109,445)	(210,628)
Operating Profit		68,331	108,932	45,220	73,081
Finance Income/(Cost) Net	1	(2,675)	(19,495)	4,128	8,331
Exceptional Item	2	(21,054)	(43,450)	-	-
Profit Before Taxation		44,602	45,987	49,348	81,412
Taxation	3	14,510	11,174	16,449	27,137
Net Profit Attributable to Stockholders	4	30,092	34,813	32,899	54,275
		=====	=====	=====	=====
Earnings Per Stock Unit of 20 cents		2.81	3.25	3.07	5.06

Notes

1. This amounts include net foreign exchange losses of \$17.46 Million.
2. This amount includes legal fees in connection with the stevedoring litigation, costs associated with the Extra-ordinary General Meeting and termination payments.
3. This amount includes a tax over-provision of \$8.587 Million in respect of the previous year.
4. This balance includes an amount for asset replacement/rehabilitation reserves dealt with in the statement of changes in equity.

As a result of the adoption of International Financial Reporting Standards, there have been significant changes in the accounting policies followed in these interim financial statements compared with those used in the audited financial statements for the year ended December 31, 2002. Details of these changes are outlined in the accompanying notes.

GROUP BALANCE SHEET- UNAUDITED

	SIX MONTHS June 30, 2003 J \$ '000	YEAR ENDED DECEMBER 31, 200 J \$ '000	SIX MONTHS June 30, 2002 J \$ '000
NET ASSETS EMPLOYED			
FIXED ASSETS	3,359,363	3,376,869	3,014,189
NATIONAL HOUSING TRUST	-	-	308
LONG TERM RECEIVABLES	39,200	51,149	63,793
PENSION PLAN SURPLUS	<u>166,770</u>	<u>166,770</u>	<u>148,428</u>
CURRENT ASSETS			
Inventories	2,302	1,743	3,011
Related Companies	55,985	68,830	140,154
Receivables and Prepayments	166,837	172,202	139,398
Taxation Recoverable	5	-	8
Short Term Deposits	398,027	310,156	246,832
Cash	<u>6,265</u>	<u>44,896</u>	<u>1,652</u>
	629,421	597,827	531,055
CURRENT LIABILITIES			
Payables	94,791	131,594	107,081
Taxation	17,323	22,741	24,022
Dividends Payable	382	382	382
Bank Overdraft	2,075	1,667	2,630
Current Portion of Long Term Loans	<u>69,629</u>	<u>56,408</u>	<u>25,817</u>
	184,200	212,792	159,932
NET CURRENT ASSETS	<u>445,221</u>	<u>385,035</u>	<u>371,123</u>
	<u>4,010,554</u>	<u>3,979,823</u>	<u>3,597,841</u>

FINANCED BY:			
SHARE CAPITAL	214,530	214,519	214,173
SHARE PREMIUM	76,962	76,911	75,180
CAPITAL RESERVES	2,304,143	2,293,962	2,108,796
ASSET RESERVE FUND	54,926	37,980	28,148
RETAINED EARNINGS	<u>540,849</u>	<u>516,217</u>	<u>539,729</u>
	3,191,410	3,139,589	2,966,026
LONG TERM LOANS	193,624	212,990	55,254
DEFERRED INCOME	4,342	4,342	6,698
FINANCE LEASE OBLIGATIONS	4,577	6,301	10,136
EMPLOYEE BENEFIT OBLIGATIONS	33,708	33,708	31,461
DEFERRED TAX LIABILITY	<u>582,893</u>	<u>582,893</u>	<u>528,266</u>
	4,010,554	3,979,823	3,597,841
	=====	=====	=====

B.W. Young	D.G. Wehby
Chairman	Director

* Restated to comply with IFRS

Group Statement of Changes in Equity

	Share Capital \$' 000	Share Premium \$' 000	Capital Reserves \$' 000	Asset Replacement/ Rehabilitation & Depreciation Reserves \$' 000	Retained Earnings \$' 000	Total \$' 000
Balance at 1st January,2003						
-as previously reported	214,519	76,911	2,003,462	37,980	445,278	2,778,150
-effect of adopting IFRS						
IAS 12 - Income Taxes	-	-	(532,218)	-	(50,673)	(582,891)
IAS 16 - Property,Plant and Equipment	-	-	822,718	-	(11,450)	811,268
IAS 19 - Employee Benefits					133,062	133,062
-as restated	214,519	76,911	2,293,962	37,980	516,217	3,139,589
Net interest on Asset Replacement/Rehabilitation and Depreciation Reserves	-	-	-	16,946	-	16,946
Net gains not recognised in income statement				16,946		16,946
Net profit for the year	-	-	-	-	34,813	34,813
Issue of shares:	11	51	-	-	-	62
Transfer to Asset Replacement/ Rehabilitation and Depreciation Reserves	-	-	10,181	-	(10,181)	-
Balance at 30 June 2003	214,530	76,962	2,304,143	54,926	540,849	3,191,410

Group Statement of Changes in Equity

	Share Capital \$' 000	Share Premium \$' 000	Capital Reserves \$' 000	Asset Replacement/ Rehabilitation & Depreciation Reserves \$' 000	Retained Earnings \$' 000	Total \$' 000
Balance at 1 January 2002						
as previously reported	214,173	75,180	1,961,823	21,844	422,834	2,695,854
effect of adopting IFRS						
IAS 12 - Income Taxes			(498,778)		(29,487)	(528,265)
IAS 16 - Property, Plant and Equipment	-	-	632,792	-	(11,901)	620,891
IAS 19 - Employee Benefits					116,967	116,967
-as restated	214,173	75,180	2,096,837	21,844	498,413	2,905,447
Net profit for the year	-	-	-	-	54,275	54,275
Prior Year Adjustment						
Net interest on Asset Replacement/Rehabilitation and Depreciation Reserves	-	-	-	6,304		6,304
Net gains not recognised in income statement	-	-	-	6,304		6,304
Issue of shares:						
Transfer to Asset Replacement/ Rehabilitation and Depreciation Reserves	-	-	-	12,959	(12,959)	-
Transfer from Asset Replacement/Rehabilitation and Depreciation Reserves	-	-	12,959	(12,959)	-	-
Balance at 30 June 2002	214,173	75,180	2,108,796	28,148	539,729	2,966,026

SEGMENT REPORTING FOR SIX MONTHS

ENDED 30th JUNE 2003

	Wharf Operations \$'000	Cold Storage/ Refrigeration Operations \$'000	Security Operations \$'000	Eliminations \$'000	Group \$'000
Revenues	<u>412,787</u>	<u>74,911</u>	<u>107,325</u>	<u>(20,848)</u>	<u>574,175</u>
Segment Result	89,758	9,174	10,000	-	108,932
Finance (net)	(37,790)	16,160	2,135	-	(19,495)
Exceptional	<u>(43,450)</u>			<u>-</u>	<u>(43,450)</u>
Profit before tax	8,518	25,334	12,135	-	45,987
Taxation					<u>11,174</u>
Net Profit					<u>348,131</u> =====

SEGMENT REPORTING FOR SIX MONTHS

ENDED 30th JUNE 2002

	Wharf Operations \$ '000	Cold Storage/ Refrigeration Operations \$ '000	Security Operations \$ '000	Eliminations \$ '000	Group \$ '000
Revenues	<u>382,993</u>	<u>67,928</u>	<u>97,894</u>	<u>(56,009)</u>	<u>492,806</u>
Segment Result	61,200	11,120	761		73,081
Finance (net)	3,387	10,771	947		8,331
Exceptional	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Profit before tax	57,813	21,891	1,708		81,412
Taxation					<u>27,137</u>
Net Profit					<u>54,275</u> =====

CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

	UNAUDITED SIX MONTHS 30-Jun-03 J\$ '000	UNAUDITED SIX MONTHS 30-Jun-02 J\$ '000
<u>SOURCES/ (USE) OF CASH</u>		
Operating Activities		
Net Profit	34,813	54,275
Items not affecting Cash	71,420	39,991
	106,233	94,266
Changes in non-cash Working Capital Components	(24,576)	(5,164)
Cash provided by operating activities	81,657	89,102
Cash provided by financing activities	(13,281)	(469)
Cash used in investing activities	(19,544)	(66,382)
Increase in cash and cash equivalent	48,832	22,251
Net cash and cash equivalents at the beginning of year	353,385	223,603
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	402,217	245,854
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Notes

1. Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

The Group adopted International Financial Reporting Standards as at 2003 January 1. The financial effect of adopting these standards is reported in the Statement of Changes in Equity.

(b) Fixed Assets

Freehold land and buildings are initially recorded at cost and subsequently shown at market valuation based on valuations by external independent valuers, less subsequent depreciation of buildings less any impairment losses. Other fixed assets are stated at cost less accumulated depreciation less any impairment losses.

(c) Investments

Investments are classified as originated or held-to-maturity and are initially recorded at cost. Management at the time of purchase determines an appropriate classification and re-evaluates such designation on a regular basis.

Originated and held-to-maturity investments are subsequently measured at amortized cost.

(d) Employee Benefit Costs

(i) Pension Plan Assets

The Group participates in a defined benefit pension plan. The asset in respect of the plan is the fair value of plan assets at the balance sheet date minus the present value of the defined benefit obligation, together with any adjustments for actuarial gains/losses and past services costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using the interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to the pension plan are charged or credited to income over the average remaining service lives of the related employees.

(ii) Other Employee Benefit Obligations

The Group provides post-retirement healthcare benefits and group life benefits to its retirees. The entitlement of these benefits is usually based on the employee remaining in service up to the retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that of defined benefit pension plans. These obligations are valued annually by independent actuaries.

(e) Deferred Taxation

Deferred income tax is provided in full, using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(f) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made,

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and deposits held at call with banks, net of bank and short term loans.

(h) Segment Reporting

The Group is organized into three business segments, which provide services that are subject to risks and returns dissimilar to each other.

Wharf Operations

To operate public wharf by providing services to receive, store and deliver cargoes.

Cold Storage and Refrigeration Services

The installation and provision of cold storage facilities and the maintenance of external facilities.

Security Operations

The provision of security services at various ports.

(i) Comparative information

Where necessary, comparative figures have been reclassified and/or restated to conform with changes in presentation in the current year.
