



KINGSTON WHARVES LIMITED

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CHAIRMAN'S REPORT

Financial Report for The Second Quarter Ended 30 June 2005

Revenue

Kingston Wharves reports results for the second quarter of 2005, with group revenues of \$446.16 million compared with \$331.44 million for the comparative period in 2004. This represents an increase of \$114.72 million or 34.6% above the corresponding second quarter of 2004. For the six months ended 30 June 2005 revenues was \$916.27 million compared to \$618.38 million for the same period last year. Influencing this growth of \$297.89 million or 48.17% over 2004 were increased revenues from terminal handling operations, stevedoring, stripping and stuffing of containers, and receipt and deliveries.

Expenses

Expenses of \$348.77 million were incurred during the second quarter showing an increase of 31% over the corresponding quarter of 2004. Expenses for the second quarter ended 30 June 2005 was \$7.53 million below expenses for the first quarter ended 31 March 2005. For the six months ended 30 June 2005 expenses was \$705.14 million compared to \$515.43 million for the same period last year.

This increase was primarily driven by the above-noted increased terminal handling activity and associated revenues. Nevertheless, continued attention is being given to all items of cost in order to increase productivity and achieve a reduction in the cost of sales.

Profits

Net profit attributable to stockholders was \$69.82 million (\$52.01 million in 2004) or 34.24% increase over the second quarter of 2004.

Earnings per stock unit increased to 6.51 cents compared to 4.85 cents per stock unit achieved for the second quarter of 2004. For the six months ended 30 June 2005 earnings per stock unit was 14.12 cents compared to 8.10 cents for the same period last year.

These results continue to be encouraging and forms a platform for greater achievement as the year progresses.

Capital Expenditure

In keeping with the company's thrust for internal reliability, the company spent a total of \$170.77 million in the second quarter in addition to the \$96.10 million spent in the first quarter of 2005. The expenditure was primarily on the acquisition of Warehousing facilities, Reach Stackers, Forklifts, and Trucks and on Yard Paving. Consistent with our strategic priorities further expenditures targeted at accommodating larger vessels, freeing up dock space and increasing productivity are planned for second half of the year.

Training

In addition to investing in its physical assets, the company also continues to invest in its people. The company spent a total of 3,405 man-hours (year to date 7,147) during the second quarter in the training of staff, who are upgrading their skills in preparation for new opportunities being presented as a consequence of the increased terminal handling activities. This involves training in Information Technology, the use of Handheld Terminals and operating Heavy Equipment.

Subsidiaries

Harbour Cold Stores Limited

This company continues to perform at acceptable levels. For the six months ended 30 June 2005, its operating profit grew by \$23.98 million or some 259% over the comparative period for 2004. The year to date performance was primarily due to increased volumes.

Security Administrators Limited

Security Administrators Limited continues its role as the major provider of technical security services on the docks.

For the six months ended 30 June 2005, its operating profit grew by \$3.56 million or some 89% over the comparative period for 2004. The company continues to expand both its customer base (locally and in the Caribbean) and the range of services offered to its customers.

Outlook

Based on the second quarter results, the Group is expected to have another rewarding year of business.

We see continued growth opportunities for the foreseeable future and we continue to monitor our strategies to take advantage of these.



CHAIRMAN

Kingston Wharves Limited

Group Profit & Loss Account (Unaudited)

Quarter Ended 30 June 2005

	3 Months to 30/06/2005	3 Months to 30/06/2004	6 Months to 30/06/2005	6 Months to 30/06/2004
Tonnages - Domestic (Berths 1 - 9)	424,481	437,863	876,920	878,636
	\$'000	\$'000	\$'000	\$'000
Revenue	446,165	331,445	916,271	618,380
Cost of sales	(235,347)	(166,489)	(480,744)	(318,133)
Gross Profit	210,818	164,956	435,527	300,250
Administrative expenses	(113,420)	(99,154)	(224,393)	(197,299)
Operating Profit	97,398	65,802	211,134	102,951
Finance income, net	8,822	15,152	19,125	33,070
Profit before Taxation	106,220	80,954	230,259	136,021
Taxation	(35,407)	(28,313)	(76,753)	(48,002)
Profit before Minority Interest	70,813	52,641	153,506	88,020
Minority interest in results of subsidiary	(990)	(627)	(2,018)	(1,141)
NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS	69,823	52,014	151,488	86,879
Number of 20¢ Stock Units Issued ('000)	1,072,650	1,072,650	1,072,650	1,072,650
EARNINGS PER STOCK UNIT	6.51¢	4.85¢	14.12¢	8.10¢

Kingston Wharves Limited

Group Balance Sheet (Unaudited)

Quarter Ended 30 June 2005

	June 2005 \$ '000	December 2004 \$ '000	June 2004 \$ '000
ASSETS			
Non-current Assets			
Property, plant and equipment	3,740,930	3,549,618	3,287,501
Long term receivables	36,082	5,042	16,864
Retirement benefit asset	198,759	198,759	177,524
	<u>3,975,771</u>	<u>3,753,419</u>	<u>3,481,889</u>
Current Assets			
Inventories	4,153	3,806	4,396
Related companies	105,027	93,504	-
Receivables and prepayments	178,566	120,788	204,978
Short term investments	473,181	439,726	551,234
Cash and bank	70,232	75,765	29,736
	<u>831,159</u>	<u>733,589</u>	<u>790,344</u>
Total assets	<u><u>4,806,930</u></u>	<u><u>4,487,008</u></u>	<u><u>4,272,233</u></u>
EQUITY			
Stockholders' Equity			
Share capital	214,530	214,530	214,530
Share premium	77,118	77,118	77,118
Capital reserves	2,314,467	2,308,177	2,301,888
Asset replacement/rehabilitation and depreciation reserves	51,719	33,176	24,747
Retained earnings	<u>772,776</u>	<u>699,753</u>	<u>633,591</u>
	<u>3,430,610</u>	<u>3,332,754</u>	<u>3,251,874</u>
Minority Interest	<u>15,808</u>	<u>13,790</u>	<u>13,023</u>
	<u><u>3,446,418</u></u>	<u><u>3,346,544</u></u>	<u><u>3,264,897</u></u>
LIABILITIES			
Non-current liabilities			
Long term loans	287,270	191,958	134,225
Finance lease obligations	298	1,038	257
Retirement benefit obligations	43,399	43,399	36,116
Deferred tax liabilities	630,926	624,051	611,394
	<u>961,893</u>	<u>860,446</u>	<u>781,992</u>
Current Liabilities			
Payables	243,561	177,721	134,132
Related companies	-	3,270	-
Taxation	41,636	23,943	21,957
Bank overdraft	25,795	-	164
Current portion of long term loans and finance lease obligations	<u>87,627</u>	<u>75,084</u>	<u>69,091</u>
	<u>398,619</u>	<u>280,018</u>	<u>225,344</u>
Total equity and liabilities	<u><u>4,806,930</u></u>	<u><u>4,487,008</u></u>	<u><u>4,272,233</u></u>

Approved for issue by the Board of Directors on July 27, 2005 and signed on its behalf by:

Grantley St. J. Stephenson

Director

Alvin C. Henry

Director

Kingston Wharves Limited

Group Statement of Cash Flows (Unaudited)

Quarter Ended 30 June 2005

	30/6/2005	30/6/2004
	\$'000	\$'000
Cash Flows From Operating Activities	246,665	146,957
Cash Flows From Investing Activities		
Long term receivables - recoveries	(31,040)	11,147
Purchase of fixed assets	(266,869)	(35,229)
Proceeds from sale of fixed assets	74	644
	(297,835)	(23,438)
Cash Flows From Financing Activities		
Dividends paid to group shareholders	(53,632)	-
Finance lease obligations, net	(1,237)	(2,705)
Long term loans received	148,228	-
Long term loans repaid	(40,062)	(33,466)
Net cash from/(used in) financing activities	53,297	(36,171)
Net increase in cash and cash equivalents	2,127	87,348
Net cash and cash equivalents at beginning of year	515,491	493,458
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	517,618	580,806
Comprising:		
Cash and bank	70,232	29,736
Bank overdraft	(25,795)	(164)
	44,437	29,572
Short term investments	473,181	551,234
	517,618	580,806

Kingston Wharves Limited

Group Statement of Changes in Equity (Unaudited)

Quarter Ended 30 June 2005

	Attributable to Stockholders					Minority Interest	Total Equity
	Share Capital	Share Premium	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2005	214,530	77,118	2,308,177	33,176	699,753	13,790	3,346,544
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	-	18,543	(18,543)	-	-
Net profit for the period	-	-	-	-	151,488	2,018	153,506
Issue of shares:							
Adjustment							
Dividends Paid					(53,632)		(53,632)
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 2005	214,530	77,118	2,314,467	51,719	772,776	15,808	3,446,418

Kingston Wharves Limited

Group Statement of Changes in Equity (Unaudited)

Quarter Ended 30 June 2004

	Attributable to Stockholders					Minority Interest	Total Equity
	Share Capital	Share Premium	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2004	214,530	77,118	2,295,598	7,551	570,198	11,882	3,176,877
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	-	17,196	(17,196)	-	-
Net profit for the period	-	-	-	-	86,879	1,141	88,020
Issue of shares:							
Adjustment							
Dividends Paid							-
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 2004	214,530	77,118	2,301,888	24,747	633,591	13,023	3,264,897

Kingston Wharves Limited

Notes to the Financial Statements (Unaudited)

Quarter Ended 30 June 2005

1. Basis of preparation

These interim financial statements have been prepared in accordance with and comply with International Financial Reporting Standards.

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2004.

These financial statements are presented in Jamaican dollars.

2. Property, plant and equipment

Freehold land is stated at valuation. All other property, plant and equipment are recorded at cost less accumulated depreciation.

3. Deferred taxes

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

Kingston Wharves Limited

Segment Financial Information (Unaudited)

Quarter Ended 30 June 2005

	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other \$'000	Eliminations \$'000	Group \$'000
External operating revenue	699,478	102,617	114,176	-	-	916,271
Operating revenue from segments	2,638	4,487	20,940	970	(29,035)	-
Total revenue	702,116	107,104	135,116	970	(29,035)	916,271
Gross profit	329,218	59,354	46,173	783	-	435,527
Administrative expenses	(146,732)	(26,122)	(38,626)	(12,913)	-	(224,393)
Operating profit	182,486	33,232	7,546	(12,131)	-	211,134
Finance income	-	-	-	-	-	19,125
Profit before tax	-	-	-	-	-	230,259
Taxation	-	-	-	-	-	(76,753)
Profit before minority interest	-	-	-	-	-	153,506
Minority Interest	-	-	-	-	-	(2,018)
Net Profit	-	-	-	-	-	151,488
Segment assets	3,107,220	481,159	74,841	1,325,530	(181,820)	4,806,930
Segment liabilities	1,111,861	72,814	43,069	319,129	(186,361)	1,360,512
Other segment items:						
Capital expenditure	261,947	2,823	2,099	-	-	266,869
Depreciation charge	54,848	7,391	973	12,438	-	75,650

Kingston Wharves Limited

Segment Financial Information (Unaudited)

Quarter Ended 30 June 2004

	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other \$'000	Eliminations \$'000	Group \$'000
External operating revenue	455,195	64,671	98,518	-	-	618,384
Operating revenue from segments	3,412	6,350	20,878	970	(31,610)	-
Total revenue	458,607	71,021	119,396	970	(31,610)	618,384
Gross profit	225,501	34,862	39,106	783	-	300,251
Administrative expenses	(123,590)	(25,607)	(35,116)	(12,986)	-	(197,299)
Operating profit	101,911	9,254	3,990	(12,203)	-	102,952
Finance income	-	-	-	-	-	33,070
Profit before tax	-	-	-	-	-	136,022
Taxation	-	-	-	-	-	(48,002)
Profit before minority interest	-	-	-	-	-	88,020
Minority Interest	-	-	-	-	-	(1,141)
Net Profit	-	-	-	-	-	86,879
Segment assets	2,678,695	422,440	52,859	1,335,792	(217,553)	4,272,233
Segment liabilities	775,162	73,934	26,876	314,172	(182,808)	1,007,336
Other segment items:						
Capital expenditure	33,255	1,815	159	-	-	35,229
Depreciation charge	39,275	7,120	910	12,437	-	59,742