

CHAIRMAN'S REPORT

**The Directors are pleased to present the unaudited results of the group for the twelve-months ended
31 December 2007**

REVENUES

The Group's revenue for the fourth quarter of 2007 was \$737.23 million representing an increase of \$55.74 million or 8.18% over the corresponding quarter of 2006. For the twelve months ended December 31, 2007, the group's revenue amount to \$2,557.17 million compared to the \$2,319.43 million achieved for the comparative period of 2006 this represents an increase of \$237.74 million or 10.25% over the comparative period of 2006.

Domestic tonnage for the quarter fell by 40.92 thousand or 7.18% compared with the corresponding period 2006. The main factor contributing to the reduced tonnage for the period was the reduction in cement imported during 2007 when compared with the corresponding period in 2006. Despite the reduced tonnage, the group's revenue for the period increased over the corresponding period as a result of increased revenue from storage, terminal activities, reefers and stevedoring.

EXPENSES

Cost of sales for the fourth quarter of 2007 was 61.92%, thereby moving up 10.49 % over the corresponding quarter in 2006. The main factors responsible for the increase in the cost of sales were increased transfer costs and customs overtime. Administrative expenses for the fourth quarter were \$186.28 million, representing an increase of \$17.35 million or 10.27% over the corresponding period in 2006. The main factors contributing to the movement in the administration expenses over the period were exchange losses resulting from the translation of United States Dollars denominated loans.

NET PROFIT

Net profit attributable to stockholders for the fourth quarter of 2007 was \$157.47 million, compared to \$173.36 million (restated) achieved for the fourth quarter of 2006. For the twelve-month period under review, profit attributable to stockholders was \$325.86 million, compared to the \$426.10 million earned for the similar period of 2006. As a consequence, earnings per stock unit of 30.38 cents were achieved for the twelve-month period to December 31, 2007, compared to the 39.72 cents earned for the corresponding twelve-month period of 2006.

The company is actively engaged in finding ways to more efficiently manage expenses, the negative consequences of the devaluation of the Jamaican dollar and enhance the revenue streams.

CAPITAL EXPENDITURE

The refurbishment of Berths 8 & 9 project is expected to be completed in the first quarter of 2008. The projected date for the completion of the "one stop" central processing facility for domestic motor vehicles at Ashenheim Road has been delayed until the first quarter of 2008 as a consequence of adverse factors including weather and raw materials shortage in 2007.

CORPORATE SOCIAL RESPONSIBILITY

The company continues its commitment to Jamaica and the community in which it operates. During the quarter the company continued its support to the Union Gardens Basic School and again hosted a Christmas treat for the students and staff.

SUBSIDIARIES

Harbour Cold Stores Limited

The results for the quarter were down over the corresponding quarter in 2006, as a consequence of reduced revenues and increased cost of electricity. The reduction in revenue was primarily the results of customers establishing their own cold storage facilities. During the quarter under review, the company became the exclusive service providers for Thermo King refrigeration units.

Security Administrators Limited

Revenue for the fourth quarter of 2007 exceeded the revenue of the same period in 2006 by 14%. Profit for the period was 36% below the corresponding period in 2006. Factors that negatively impacted the company's performance was the delay in fully implementing the Electronic Access Control System, and the promotion blitz for the remote operated vehicles marketed by the company.

OUTLOOK

As we contemplate 2008, we are mindful of the uncertainties surrounding the major world economies. Jamaica, because of its numerous linkages with the United States could experience a reduction in its domestic imports in 2008. Nevertheless, with the investments that the company has been making in its infrastructure, equipment and staff, the cost cutting measures across the group, the new business opportunities being explored by the group, we are confident that we have positioned ourselves to be responsive to the changing economic environment.

We thank our numerous stakeholders including our customers, shareholders, staff, financial partners and others who have supported us over the years and look forward to a mutually beneficial relationship in 2008.

Grantley Stephenson – Chairman

Kingston Wharves Limited

Group Profit & Loss Account (Unaudited)

Twelve months ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

			Restated	Restated
	3 Months to 12/31/2007	12 Months to 12/31/2007	3 Months to 12/31/2006	12 Months to 12/31/2006
Tonnages - Domestic (Berths 1 - 9)	528,708	2,021,792	569,633	2,019,020
	\$'000	\$'000	\$'000	\$'000
Revenue	737,230	2,557,173	681,492	2,319,431
Cost of sales	(456,458)	(1,477,582)	(350,510)	(1,227,201)
Gross Profit	280,772	1,079,591	330,982	1,092,230
Administrative expenses	(186,282)	(702,236)	(168,931)	(555,766)
Operating Profit	94,490	377,355	162,051	536,464
Finance income	23,637	77,104	17,531	68,625
Finance costs	(11,592)	(64,240)	(34,724)	(92,018)
Profit before Taxation	106,535	390,219	144,858	513,071
Taxation	51,760	(59,477)	29,857	(81,381)
Profit for the Period	158,295	330,742	174,715	431,690
Attributable to:				
Equity holders of the company	157,475	325,862	173,362	426,102
Minority interest	820	4,880	1,353	5,588
	158,295	330,742	174,715	431,690
Number of Stock Units Issued ('000)	1,072,650	1,072,650	1,072,650	1,072,650
EARNINGS PER STOCK UNIT				
attributable to the stockholders of the company expressed in cents per share	14.68	30.38	16.16	39.72

Kingston Wharves Limited
Group Balance Sheet
31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	31/Dec/07 \$ '000	Restated Audited 31/Dec/06 \$ '000
ASSETS		
Non-current Assets		
Property, plant and equipment	7,115,121	6,314,767
Long term receivables	46,043	54,848
Deferred tax assets	376	376
Retirement benefit asset	268,719	268,719
	<u>7,430,259</u>	<u>6,638,710</u>
Current Assets		
Inventories	4,113	6,243
Related companies	211,059	203,445
Trade and other receivables	59,320	139,446
Taxation recoverable	24,553	12,929
Short term investments	928,600	645,335
Cash and bank	37,796	31,802
	<u>1,265,441</u>	<u>1,039,200</u>
Total assets	<u><u>8,695,700</u></u>	<u><u>7,677,910</u></u>
EQUITY		
Stockholders' Equity		
Share capital	291,648	291,648
Capital reserves	3,056,078	3,138,243
Asset replacement/rehabilitation and depreciation reserves	151,704	109,573
Retained earnings	1,352,998	1,167,657
	<u>4,852,428</u>	<u>4,707,121</u>
Minority Interest	<u>27,488</u>	<u>22,608</u>
	<u>4,879,916</u>	<u>4,729,729</u>
LIABILITIES		
Non-current liabilities		
Long term loans	2,239,815	1,531,390
Deferred tax liabilities	868,767	872,155
Retirement benefit obligations	65,548	65,548
	<u>3,174,130</u>	<u>2,469,093</u>
Current Liabilities		
Trade and other payables	371,381	343,862
Related companies	5,954	6,675
Taxation	-	15,420
Current portion of long term loans and finance lease obligations	264,319	113,131
	<u>641,654</u>	<u>479,088</u>
Total equity and liabilities	<u><u>8,695,700</u></u>	<u><u>7,677,910</u></u>

Approved for issue by the Board of Directors on February 13, 2008 and signed on its behalf by:

Grantley St. J. Stephenson

Chairman/CEO

Alvin C. Henry

Director

Kingston Wharves Limited

Group Statement of Changes in Equity (Unaudited)

Twelve months ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	<u>Attributable to Stockholders of the company</u>					<u>Minority Interest</u>	<u>Total Equity</u>
	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2007	291,648	3,138,243	109,573	1,167,657	4,707,121	22,608	4,729,729
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	42,131	(42,131)	-	-	-
Net profit for the period	-	-	-	325,862	325,862	4,880	330,742
Dividends paid				(85,811)	(85,811)		(85,811)
Transfer to asset replacement/ rehabilitation and depreciation reserves	-	-	12,579	(12,579)	-	-	-
Transfer from asset replacement/ rehabilitation and depreciation reserves	-	12,579	(12,579)	-	-	-	-
Impairment of property plant and equipment		(94,744)			(94,744)		(94,744)
Balance at 31 December 2007	291,648	3,056,078	151,704	1,352,998	4,852,426	27,488	4,879,916

KINGSTON WHARVES LIMITED

Segment Financial Information

Twelve months ended 31 December 2006

(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	1,762,042	282,114	275,275	-	-	2,319,431
Operating revenue from segments	1,409	3,057	20,725	2,836	(28,027)	-
Total revenue	<u>1,763,451</u>	<u>285,171</u>	<u>296,000</u>	<u>2,836</u>	<u>(28,027)</u>	<u>2,319,431</u>
Gross profit	829,399	171,074	95,158	2,461	(5,862)	1,092,230
Other operating income	36,662	-	-	-	(36,662)	-
Operating expenses	<u>(391,905)</u>	<u>(92,442)</u>	<u>(74,017)</u>	<u>(39,030)</u>	<u>41,628</u>	<u>(555,766)</u>
Operating profit/(loss)	<u>474,156</u>	<u>78,632</u>	<u>21,141</u>	<u>(36,569)</u>	<u>(896)</u>	<u>536,464</u>
Finance Income	43,514	38,865	3,674	12,828	(30,256)	68,625
Finance costs	-	-	-	-	-	(92,018)
Profit before taxation	-	-	-	-	-	513,071
Taxation	-	-	-	-	-	(81,381)
Profit before minority interest	-	-	-	-	-	431,690
Minority Interest	-	-	-	-	-	(5,588)
Net Profit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,102</u>
Segment assets	5,597,684	677,907	110,321	1,420,003	(415,119)	7,390,796
Unallocated assets						287,114
						7,677,910
Segment liabilities	<u>2,227,171</u>	<u>45,479</u>	<u>39,665</u>	<u>20,742</u>	<u>(337,999)</u>	<u>1,995,058</u>
						953,123
						<u>2,948,181</u>
Other segment items:						
Capital expenditure	1,314,766	3,006	2,915	-	-	1,320,687
Depreciation charge	<u>122,515</u>	<u>12,609</u>	<u>1,849</u>	<u>24,875</u>	<u>-</u>	<u>161,848</u>

Kingston Wharves Limited

Segment Financial Information (Unaudited)

Twelve months ended 31 December 2007

(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	2,002,380	233,033	321,760	-	-	2,557,173
Operating revenue from segments	1,512	3,204	29,590	1,939	(36,244)	-
Total revenue	2,003,891	236,237	351,349	1,939	(36,244)	2,557,173
Gross profit	882,389	127,271	68,366	1,565	-	1,079,591
Other operating income	22,013		1,017		(22,013)	1,017
Operating expenses	(563,060)	(84,538)	(51,690)	(25,977)	22,013	(703,253)
Operating profit/(loss)	341,342	42,733	17,693	(24,412)	-	377,355
Finance income	46,039	47,591	4,266	11,572	(32,364)	77,104
Finance costs	-	-	-	-	-	(64,240)
Profit before taxation	-	-	-	-	-	390,219
Taxation	-	-	-	-	-	(59,477)
Profit before minority interest	-	-	-	-	-	330,742
Minority Interest	-	-	-	-	-	(4,880)
Net Profit	-	-	-	-	-	325,862
Segment assets	6,504,405	695,966	121,960	1,393,353	(313,632)	8,402,052
Unallocated assets						293,648
Total assets						8,695,700
Segment liabilities	3,059,647	68,709	40,708	9,069	(296,665)	2,881,468
Unallocated liabilities						934,315
Total liabilities						3,815,783
Other segment items:						
Capital expenditure	1,075,182	341	7,595	-	-	1,083,118
Depreciation charge	135,032	12,541	3,157	24,875	-	175,605

KINGSTON WHARVES LIMITED

Segment Financial Information

Twelve months ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Restated					
	Terminal	Cold Storage	Security	Other	Eliminations	Group
	Operations	Operations	Operations			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	1,762,042	282,114	275,275	-	-	2,319,431
Operating revenue from segments	1,409	3,057	20,725	2,836	(28,027)	-
Total revenue	1,763,451	285,171	296,000	2,836	(28,027)	2,319,431
Gross profit	829,399	171,074	95,158	2,461	(5,862)	1,092,230
Other operating income	36,662	-	-	-	(36,662)	-
Operating expenses	(391,905)	(92,442)	(74,017)	(39,030)	41,628	(555,766)
Operating profit/(loss)	474,156	78,632	21,141	(36,569)	(896)	536,464
Finance Income	43,514	38,865	3,674	12,828	(30,256)	68,625
Finance costs	-	-	-	-	-	(92,018)
Profit before taxation	-	-	-	-	-	513,071
Taxation	-	-	-	-	-	(81,381)
Profit before minority interest	-	-	-	-	-	431,690
Minority Interest	-	-	-	-	-	(5,588)
Net Profit	-	-	-	-	-	426,102
Segment assets	5,597,684	677,907	110,321	1,420,003	(415,119)	7,390,796
Unallocated assets						287,114
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Segment liabilities	2,227,171	45,479	39,665	20,742	(337,999)	1,995,058
						953,123
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Other segment items:						
Capital expenditure	1,314,766	3,006	2,915	-	-	1,320,687
Depreciation charge	122,515	12,609	1,849	24,875	-	161,848

Kingston Wharves Limited

Group Statement of Cash Flows (Unaudited)

Twelve months ended 31 December 2007

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 2007	Restated 2006
	J\$'000	J\$'000
Cash Provided from Operating Activities	659,201	809,023
Cash Flows from Investing Activities		
Long term receivables - recoveries	8,805	13,228
Purchase of property, plant and equipment	(1,083,118)	(1,335,956)
Proceeds from sale of property, plant and equipment	1,063	865
Cash used in investing activities	(1,073,250)	(1,321,863)
Cash Flows from Financing Activities		
Dividends paid to group stockholders	(53,633)	(85,812)
Finance/lease obligations, net	-	(1,037)
Long term loans received	912,777	1,184,343
Long term loans repaid	(154,352)	(298,104)
Net cash provided by financing activities	704,793	799,390
Net increase in cash and cash equivalents	290,744	286,550
Net cash and cash equivalents at beginning of period	675,652	389,102
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	966,396	675,652
Comprising:		
Cash and bank	37,796	31,802
Bank overdraft	-	(1,485)
	37,796	30,317
Short term investments	928,600	645,335
	966,396	675,652

Kingston Wharves Limited

Notes to the Financial Statements (Unaudited)

Twelve months ended 31 December 2007

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, port 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 twelve months ended 31 December 2007 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 2006.

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, except for the effects of the change in the treatment of borrowing costs. 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.

Borrowing costs of qualifying assets that are directly attributable to property, plant and equipment under construction are capitalised. Until 31 December 2006, the Group expensed borrowing costs as incurred in accordance with the allowed alternative treatment permitted by IAS 23, Borrowing Costs. The comparative figures presented in this report have been adjusted for the effects of this change in accounting policy. The changes to the comparative amounts are described in note 4.

3. Critical Accounting Estimates and Assumptions in Applying Accounting Policies

The company 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. Capitalisation of Borrowing Cost

As described in note 2, the Group opted to early adopt IAS 23 (Revised) with respect to the treatment of borrowing costs. Borrowing costs that are directly attributable to qualifying items of property, plant and equipment under construction are capitalised. Until 31 December 2006, borrowing costs were expensed as incurred, in accordance with the allowed alternative treatment permitted by IAS 23. During the year the Group has opted to early adopt IAS 23 (Revised), which is effective for financial periods beginning on or after 1 January 2009.

The comparative amounts presented in this report have been adjusted to conform to the new accounting policy. As a result of the change in accounting policy, the value of property, plant and equipment as at 31 December 2007 increased by \$141.10 million. The net profit for the 3 months ended 31 December 2007 increased by \$37.11 million and the net profit for the 12 months ended 30 September 2007 increased by \$127.79 million.

5. 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
- (c) Security operations - This incorporates port security services
- (d) Other - Other operations of the Group comprise property rental.