

CHAIRMAN'S REPORT

**The Directors are pleased to present the unaudited results of the Group for Six months ended
30 June 2008**

The Group revenue for the second quarter of 2008 was \$700.58 million, an increase of \$101.92 million or 17.03% over the corresponding quarter of 2007. Profit before interest for the period was \$157.15 million an increase of \$38.03 million or a 31.92% over the corresponding quarter in 2007.

Net profit attributable to stockholders for the second quarter of 2008 was \$60.75 million compared to \$65.08 million achieved for the corresponding quarter in 2007. Earnings per stock unit for the second quarter of 2008 were 5.66 cents, which represents a decrease of 0.41 cents over the corresponding period in 2007. The primary reason for the fall in profit when compared with the previous period was the increase in finance charge by \$53.07million or a 199.11% increase over the previous period.

Kingston Wharves Limited achieved revenue for the quarter of \$550.12 million (2007: \$463.38), an increase of \$86.74 or 18.72% over the corresponding year. Operating Profit increased by \$22.66 million or 20.86% from \$ 108.63 million in 2007 to \$131.29 million in 2008. The increase in profit is attributable to the increase in container activity by 27.89% and the difference in cargo mix between the corresponding period of 2007.

Harbour Cold Stores (HCS) Limited Pre-Tax profits of \$ 30.85 million for the second quarter 2008 were 8.37% more than the corresponding period in 2007. The increase in profit results from increased demand for storage space from new and existing customers. Notwithstanding stringent cost control measures, the expenses for the period increased by 11% which can be directly attributable to increase in electricity rates. The company is currently in discussions with companies to provide energy saving solutions.

Security Administrators Limited (SAL) revenue for the quarter ended June 2008, increased over the corresponding period in 2007 as the company commenced offering its services to the wider market. The full impact of the new business will not be reflected in the accounts until subsequent periods.

During the period under review, one of our port customers announced that their own facilities on the Northern side of the island would become operational by the end of the third quarter. Based on the volume of business from this customer, this will not have a material effect on the group's future performance. As the price of oil continues to escalate, shipping lines seek higher levels of efficiency and reduced operational costs so they are continuously examining their ports of call and the port charges in order to gain maximum efficiencies. KWL has not escaped impact of these developments so the company will be aligning specific functions within the core business segments in the third

quarter to allow us to achieve greater operational efficiencies in order to place ourselves in a more advantageous position to compete effectively.

Grantley Stephenson – Chairman

Kingston Wharves Limited

Group Profit & Loss Account (Unaudited)

Six months ended 30 June 2008

(expressed in Jamaican dollars unless otherwise indicated)

	3 Months to 6/30/2008	6 Months to 6/30/2008	3 Months to 6/30/2007	6 Months to 6/30/2007
Tonnages - Domestic (Berths 1 - 9)	495,209	1,038,816	541,703	1,022,376
	\$'000	\$'000	\$'000	\$'000
Revenue	700,579	1,425,250	598,657	1,163,347
Cost of sales	(415,953)	(816,471)	(340,228)	(658,733)
Gross Profit	284,626	608,779	258,429	504,614
Other Operating income	24,486	48,703	18,259	33,821
Administrative expenses	(151,962)	(320,459)	(157,564)	(283,409)
Operating Profit	157,150	337,023	119,124	255,026
Finance costs	(79,730)	(105,645)	(26,656)	(64,061)
Profit before Taxation	77,420	231,378	92,468	190,965
Taxation	(15,765)	(67,084)	(25,891)	(53,470)
Profit for the Period	61,655	164,294	66,577	137,495
Attributable to:				
Equity holders of the company	60,745	162,258	65,075	134,551
Minority interest	910	2,036	1,502	2,944
	61,655	164,294	66,577	137,495
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	5.66	15.13	6.07	12.54

Kingston Wharves Limited

Group Balance Sheet

30 June 2008

(expressed in Jamaican dollars unless otherwise indicated)

	30/Jun/08 \$ '000	Audited 31/Dec/07 \$ '000	30/Jun/07 \$ '000
ASSETS			
Non-current Assets			
Property, plant and equipment	7,338,047	7,235,398	6,620,197
Long term receivables	34,358	47,402	42,649
Deferred tax assets	49	49	376
Retirement benefit asset	303,068	303,068	268,719
	<u>7,675,522</u>	<u>7,585,917</u>	<u>6,931,941</u>
Current Assets			
Inventories	5,918	4,113	6,136
Related companies	214,532	200,849	127,284
Trade and other receivables	200,066	73,991	184,411
Taxation recoverable	2,682	13,929	287
Short term investments	987,791	911,114	771,593
Cash and bank	15,441	65,064	41,597
	<u>1,426,430</u>	<u>1,269,060</u>	<u>1,131,308</u>
Total assets	<u>9,101,952</u>	<u>8,854,977</u>	<u>8,063,249</u>
EQUITY			
Stockholders' Equity			
Share capital	291,648	291,648	291,648
Capital reserves	3,086,187	3,079,897	3,049,789
Asset replacement/rehabilitation and depreciation reserves	173,982	151,704	130,447
Retained earnings	1,500,597	1,366,907	1,221,413
	<u>5,052,414</u>	<u>4,890,156</u>	<u>4,693,297</u>
Minority Interest	<u>29,615</u>	<u>27,579</u>	<u>25,552</u>
	<u>5,082,029</u>	<u>4,917,735</u>	<u>4,718,849</u>
LIABILITIES			
Non-current liabilities			
Long term loans	2,291,277	2,338,457	1,956,428
Deferred tax liabilities	852,726	852,726	877,245
Retirement benefit obligations	81,909	81,909	65,548
	<u>3,225,912</u>	<u>3,273,092</u>	<u>2,899,221</u>
Current Liabilities			
Trade and other payables	390,740	309,904	241,295
Related companies	16,131	77,170	16,407
Taxation	26,474	-	8,151
Current portion of long term loans and finance lease obligations	360,666	277,076	179,326
	<u>794,011</u>	<u>664,150</u>	<u>445,179</u>
Total equity and liabilities	<u>9,101,952</u>	<u>8,854,977</u>	<u>8,063,249</u>

Approved for issue by the Board of Directors on August 14, 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)

Six months ended 30 June 2008

	Attributable to Stockholders of the company					Minority Interest	Total Equity
			Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total		
	Share Capital	Capital Reserves					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2007	291,648	3,138,243	109,573	1,167,658	4,707,122	22,608	4,729,730
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	20,874	(20,874)	-	-	-
Net profit for the year restated	-	-	-	134,551	134,551	2,944	137,495
Dividends paid	-	-	-	(53,632)	(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)	-	-	-	-
Revaluation (loss) of fixed asset	-	(94,744)	-	-	(94,744)	-	(94,744)
Balance at 30 June 2007	291,648	3,049,789	130,447	1,221,413	4,693,297	25,552	4,718,849
Balance at 1 January 2008	291,648	3,079,897	151,704	1,366,907	4,890,156	27,579	4,917,735
Net profit for the period	-	-	-	162,258	162,258	2,036	164,294
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	22,278	(22,278)	-	-	-
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 2008	291,648	3,086,187	173,982	1,500,597	5,052,414	29,615	5,082,029

Kingston Wharves Limited

Group Statement of Cash Flows (Unaudited)

Six months ended 30 June 2008

(expressed in Jamaican dollars unless otherwise indicated)

	2008	2007
	J\$'000	J\$'000
Cash Provided from Operating Activities	273,205	207,559
Cash Flows from Investing Activities		
Long term receivables - recoveries	13,044	12,199
Purchase of property, plant and equipment	(305,301)	(486,415)
Proceeds from sale of property plant and equipment	-	1,050
Cash used in investing activities	(292,257)	(473,166)
Cash Flows from Financing Activities		
Dividends paid to group stockholders	(32,179)	(53,632)
Long term loans repaid	(122,355)	(56,956)
Net cash provided by financing activities	54,864	403,145
Net increase in cash and cash equivalents	35,811	137,538
Net cash and cash equivalents at beginning of period	967,421	675,652
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,003,232	813,190
Comprising:		
Cash and bank	15,441	41,597
Short term investments	987,791	771,593
	1,003,232	813,190

Kingston Wharves Limited

Segment Financial Information (Unaudited)

Six months ended 30 June 2008

(expressed in Jamaican dollars unless otherwise indicated)

6 months to 30 June 2008	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other \$'000	Eliminations \$'000	Group \$'000
External operating revenue	1,138,199	136,820	150,231	-	-	1,425,250
Operating revenue from segments	756	1,732	17,752	970	(21,210)	-
Total revenue	1,138,955	138,552	167,983	970	(21,210)	1,425,250
Gross profit	497,177	73,272	37,547	783	-	608,779
Other operating income	36,423	28,113	1,918	6,283	(24,034)	48,703
Operating expenses	(241,734)	(46,629)	(30,303)	(12,461)	10,668	(320,459)
Operating profit/(loss)	291,865	54,755	9,163	(5,395)	(13,367)	337,023
Finance cost	-	-	-	-	-	(105,645)
Profit before taxation	-	-	-	-	-	231,378
Taxation	-	-	-	-	-	(67,084)
Profit before minority interest	-	-	-	-	-	164,294
Minority Interest	-	-	-	-	-	(2,036)
Net Profit	-	-	-	-	-	162,258
Segment assets	6,848,865	738,536	118,500	1,386,321	(296,070)	8,796,152
Unallocated assets						305,800
Total assets						9,101,952
Segment liabilities	3,220,292	23,139	31,475	8,368	(224,460)	3,058,814
Unallocated liabilities						961,109
Total liabilities						4,019,923
Other segment items:						
Capital expenditure	303,325	684.82	1,291.78	-	-	305,301
Depreciation charge	79,464	5,179	1,594	12,438	-	98,675

6 months to 30 June 2007	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other \$'000	Eliminations \$'000	Group \$'000
External operating revenue	893,105	118,423	151,819	-	-	1,163,347
Operating revenue from segments	756	1,438	11,917	970	(15,081)	-
Total revenue	893,861	119,861	163,736	970	(15,081)	1,163,347
Gross profit	398,820	70,083	34,928	783	-	504,614
Other operating income	34,419	21,911	1,852	5,216	(29,577)	33,821
Operating expenses	(214,899)	(44,166)	(24,580)	(12,972)	13,208	(283,409)
Operating profit/(loss)	218,340	47,828	12,200	(6,973)	(16,369)	255,026
Finance cost	-	-	-	-	-	(64,061)
Profit before taxation	-	-	-	-	-	190,965
Taxation	-	-	-	-	-	(53,470)
Profit before minority interest	-	-	-	-	-	137,495
Minority Interest	-	-	-	-	-	(2,944)
Net Profit	-	-	-	-	-	134,551
Segment assets	5,937,659	674,383	110,610	1,403,185	(347,240)	7,778,597
Unallocated assets						269,382
Total assets						8,047,979
Segment liabilities	2,603,903	18,048	33,954	7,617	(270,065)	2,393,455
Unallocated liabilities						945,854
Total liabilities						3,339,310
Other segment items:						
Capital expenditure	480,766	341	5,308	-	-	486,415
Depreciation charge	66,195	6,271	1,340	12,438	-	86,244

Kingston Wharves Limited

Notes to the Financial Statements (Unaudited)

Six months ended 30 June 2008

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 six months ended 30 June 2008 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 2007.

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. 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 companies 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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. 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 port security services
- (d) Other - Other operations of the Group comprise property rental.