

## **CHAIRMAN'S REPORT**

**Unaudited results of the Group for twelve months ended 31 December 2009**

### **THE GROUP**

Kingston Wharves group's net profit attributable to equity stockholders for the fourth quarter of 2009 was \$52.79 million compared to a loss of \$28.13 million representing an increase of \$80.92 million when compared to the corresponding period in 2008. This resulted in earnings per stock unit for the fourth quarter of 2009 being 4.92 cents compared to a loss of 2.62 per unit in 2008.

The Group's revenue for the fourth quarter was materially unchanged from the corresponding quarter of 2008, \$692.51 million compared to \$687.61. This represents an increase of \$4.90 million or less than one percent change in group revenue. Profit before tax for the quarter for the Group was \$104.68 million, compared to a loss of \$84.83 for the corresponding period in 2008.

### **KINGSTON WHARVES LIMITED**

During the quarter, the company's marketing efforts resulted in the company attracting new business that will commence during the first quarter of 2010. This arrangement is expected to positively impact the company's future profitability.

Kingston Wharves Limited (KWL) revenue for the quarter was \$525.40 million (2008: \$556.43), a decrease of \$31.03 million or 5.58% when compared to the corresponding year. The company's operating profit for the period fell from \$188.92 million in 2008 to \$130.06 million in 2009 a reduction of \$58.86 million or 31.15%.

The company's performance for the quarter was impacted by the reduction in the domestic tonnage handled - down from 396.36 thousand tons in 2008 to 359.65 thousand tons, the IAS 19 pension and other benefits adjustment necessary to as a result of the reduction in the surplus, reduction in interest income, and maintenance expenses.

### **HARBOUR COLD STORES LIMITED**

During 2009, the Harbour Cold Stores Limited (HCS) commenced its facility enhancement to ensure that it has greater control over the cold chain. This activity was necessary to ensure that HCS will be better able to service a wider customer base. During the fourth quarter, HCS revenue increased from \$66.56 million in 2008 to \$73.24 million in 2009, i.e. \$6.68 million or 10.04% when compared to the corresponding period in 2008. Operating profits for the quarter were \$38.44 million compared to \$10.29

million achieved for the corresponding quarter of 2008. The improvement in operating profit can be attributed to higher level of sales and increase in interest income.

### **SECURITY ADMINISTRATORS LIMITED**

Security Administrators Limited (SAL) revenue for the quarter ended December 2009 was \$104.62 million compared to \$86.84 million for the corresponding period in 2008. Operating profit for the quarter was \$15.01 million compared to a loss of \$2.93 million for the corresponding quarter in 2008. The reasons for the improved results in 2009 were the increased number of clients serviced.

### **OUTLOOK**

We are of the opinion that the challenging environment that the group is currently operating in will continue for the next couple of years. In order to ensure that the group is able to effectively navigate the challenges, we continue to focus on looking for new opportunities while streamlining business processes. In 2009, our efforts at reengineering our business processes were recognized by the Caribbean Shipping Association who awarded Kingston Wharves Limited the Port Efficiency Award. We thank all of our valuable stakeholders who have stood by us strive to maximize our opportunities during these turbulent times and anticipate your continues support in 2010.



Grantley Stephenson - Chairman

# Kingston Wharves Limited

## Group Profit & Loss Account (Unaudited)

### Twelve months ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	3 Months to 12/31/2009	12 Months to 12/31/2009	3 Months to 12/31/2008	Audited 12 Months to 12/31/2008
<b>Tonnages - Domestic (Berths 1 - 9)</b>	359,654	1,323,365	396,362	1,842,211
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	692,505	2,570,048	687,607	2,774,922
Cost of sales	(339,305)	(1,387,995)	(337,875)	(1,552,564)
<b>Gross Profit</b>	353,200	1,182,053	349,732	1,222,358
Other Operating income	34,383	140,371	34,633	117,741
Administrative expenses	(229,111)	(671,360)	(198,515)	(676,101)
<b>Operating Profit</b>	158,472	651,064	185,850	663,998
Finance costs	(53,788)	(452,293)	(270,680)	(446,513)
<b>Profit before Taxation</b>	104,684	198,771	(84,830)	217,485
Taxation	(48,553)	(188,380)	55,339	(51,506)
<b>Net Profit/(Loss) for the Period</b>	56,131	10,391	(29,491)	165,979
<b>Other Comprehensive Income</b>				
Surplus recognised on revaluation of property, plant and equipment net of income taxes	-	-	-	2,291,811
<b>Other Comprehensive Income for year net of Tax</b>	-	-	-	2,291,811
<b>Total Comprehensive Income</b>	56,131	10,391	(29,491)	2,457,790
<b>Net Profit Attributable to:</b>				
Equity holders of the company	52,795	472	(28,135)	160,705
Minority interest	3,336	9,919	(1,356)	5,274
	56,131	10,391	(29,491)	165,979
<b>Total Comprehensive Income Attributable to:</b>				
Equity holders of the company	52,795	472	(28,135)	2,452,516
Minority interest	3,336	9,919	(1,356)	5,274
	56,131	10,391	(29,491)	2,457,790
Number of Stock Units Issued ('000)	1,072,650	1,072,650	1,072,650	1,072,650
<b>EARNINGS PER STOCK UNIT</b> attributable to the stockholders of the company expressed in cents per share	4.92	0.04	(2.62)	14.98

**Kingston Wharves Limited**  
**Consolidated Statement of Financial Position**  
**at 31 December 2009**

(expressed in Jamaican dollars unless otherwise indicated)

	31/Dec/09 \$ '000	Audited 31/Dec/08 \$ '000	Audited 31/Dec/07 \$ '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	10,156,400	10,268,305	7,235,398
Long term receivables	55,106	68,794	47,402
Deferred tax assets	1,232	1,183	49
Retirement benefit asset	329,699	312,355	303,068
	<u>10,542,437</u>	<u>10,650,637</u>	<u>7,585,917</u>
<b>Current Assets</b>			
Inventories	3,662	6,251	4,113
Related companies	383,080	243,810	200,849
Trade and other receivables	120,817	145,005	73,991
Taxation recoverable	4,155	5,762	13,929
Short term investments	1,071,593	1,127,755	911,114
Cash and bank	47,781	54,340	65,064
	<u>1,631,088</u>	<u>1,582,923</u>	<u>1,269,060</u>
<b>Total assets</b>	<u>12,173,525</u>	<u>12,233,560</u>	<u>8,854,977</u>
<b>EQUITY</b>			
<b>Stockholders' Equity</b>			
Share capital	291,648	291,648	291,648
Capital reserves	5,396,866	5,384,287	3,079,897
Asset replacement/rehabilitation and depreciation reserves	214,601	208,588	151,704
Retained earnings	1,366,397	1,404,517	1,366,907
	<u>7,289,512</u>	<u>7,289,040</u>	<u>4,890,156</u>
Minority Interest	42,772	32,853	27,579
	<u>7,332,284</u>	<u>7,321,893</u>	<u>4,917,735</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Long term loans	2,580,589	2,709,878	2,338,457
Finance lease obligations	-	-	-
Deferred tax liabilities	1,409,199	1,369,312	852,726
Retirement benefit obligations	119,041	86,289	81,909
	<u>4,108,829</u>	<u>4,165,479</u>	<u>3,273,092</u>
<b>Current Liabilities</b>			
Trade and other payables	236,277	250,113	309,904
Related companies	29,544	62,441	77,170
Taxation	39,905	33,258	-
Current portion of long term loans and finance lease obligations	426,686	400,376	277,076
	<u>732,412</u>	<u>746,188</u>	<u>664,150</u>
<b>Total equity and liabilities</b>	<u>12,173,525</u>	<u>12,233,560</u>	<u>8,854,977</u>

Approved for issue by the Board of Directors on February 16, 2010 and signed on its behalf by:

Grantley St. J. Stephenson

Chairman/CEO

Alvin C. Henry

Director

# Kingston Wharves Limited

## Financial Information by Operating Segment (Unaudited)

### Twelve months ended 31 December 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other Eliminations \$'000	\$'000	Group \$'000
External operating revenue	1,946,703	266,232	357,114	-	-	2,570,048
Operating revenue from segments	1,513	3,783	35,452	1,940	(42,689)	-
<b>Total revenue</b>	<b>1,948,216</b>	<b>270,015</b>	<b>392,566</b>	<b>1,940</b>	<b>(42,689)</b>	<b>2,570,048</b>
Gross profit/(loss)	922,585	119,694	141,594	(1,818)	-	1,182,053
Other operating income	70,987	87,846	6,484	19,654	(44,601)	140,371
Operating expenses	(454,900)	(90,801)	(103,441)	(43,554)	21,335	(671,360)
Operating profit/(loss)	538,672	116,739	44,637	(25,719)	(23,265)	651,064
Finance cost	-	-	-	-	-	(452,293)
Profit before taxation	-	-	-	-	-	198,771
Taxation	-	-	-	-	-	(188,380)
Profit before minority interest	-	-	-	-	-	10,391
Minority Interest	-	-	-	-	-	(9,919)
<b>Net Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>472</b>
Segment assets	8,371,074	1,061,623	162,960	2,505,970	(263,189)	11,838,439
Unallocated assets						335,086
<b>Total assets</b>						<b>12,173,525</b>
Segment liabilities	3,397,299	21,962	29,873	10,362	(186,398)	3,273,097
Unallocated liabilities						1,568,145
<b>Total liabilities</b>						<b>4,841,242</b>
<b>Other segment items:</b>						
Capital expenditure	129,506	6,949	2,068	-	-	138,524
Depreciation charge	187,872	15,233	3,678	45,331	-	252,114

# KINGSTON WHARVES LIMITED

## Financial Information by Operating Segment (Audited)

### Twelve months ended 31 December 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Terminal Operations \$'000	Cold Storage Operations \$'000	Security Operations \$'000	Other Eliminations \$'000	\$'000	Group \$'000
External operating revenue	2,187,075	276,553	311,294	-	-	2,774,922
Operating revenue from segments	1,512	3,344	48,642	2,939	(56,437)	-
<b>Total revenue</b>	<b>2,188,587</b>	<b>279,897</b>	<b>359,936</b>	<b>2,939</b>	<b>(56,437)</b>	<b>2,774,922</b>
Gross profit	972,725	140,106	114,758	2,564	(7,795)	1,222,358
Other operating income	87,765	60,778	4,422	12,245	(47,469)	117,741
Operating expenses	(477,310)	(108,232)	(92,272)	(26,419)	28,132	(676,101)
Operating profit/(loss)	583,180	92,652	26,908	(11,610)	(27,132)	663,998
Finance cost	-	-	-	-	-	(446,513)
Profit before taxation	-	-	-	-	-	217,485
Taxation	-	-	-	-	-	(51,506)
Profit before minority interest	-	-	-	-	-	165,979
Minority Interest	-	-	-	-	-	(5,274)
<b>Net Profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>160,705</b>
Segment assets	8,566,835	982,048	125,392	2,534,000	(294,015)	11,914,260
Unallocated assets						319,300
						<b>12,233,560</b>
Segment liabilities	3,584,187	25,152	24,901	10,553	(221,985)	3,422,808
Unallocated liabilities						1,488,859
						<b>4,911,667</b>
<b>Other segment items:</b>						
Capital expenditure	384,344	542	5,634	-	-	390,520
Depreciation charge	174,183	12,424	3,704	24,876	-	215,187

# Kingston Wharves Limited

## Consolidated Statement of Changes in Equity (Unaudited)

**Twelve months ended 31 December 2009**

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to Stockholders of the company				Minority Interest	Total Equity	
	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation Reserves	Retained Earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at 1 January 2009</b>	291,648	5,384,287	208,588	1,404,517	7,289,040	32,853	7,321,893
Total comprehensive income for the year	-	-	-	472	472	9,919	10,391
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	6,013	(6,013)	-	-	-
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	12,579	(12,579)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	12,579	(12,579)	-	-	-	-
<b>Balance at 31 December 2009</b>	<b>291,648</b>	<b>5,396,866</b>	<b>214,601</b>	<b>1,386,397</b>	<b>7,289,512</b>	<b>42,772</b>	<b>7,332,284</b>

# Kingston Wharves Limited

## Consolidated Statement of Changes in Equity (Audited)

**Twelve months ended 31 December 2008**

	Attributable to Stockholders of the company				Minority Interest	Total Equity	
	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at 1 January 2008</b>	291,648	3,079,897	151,704	1,366,907	4,890,156	27,579	4,917,735
Total comprehensive income for the year	-	2,291,811	-	160,705	2,452,516	5,274	2,457,790
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	56,884	(56,884)	-	-	-
Dividends paid	-	-	-	(53,632)	(53,632)	-	(53,632)
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	12,579	(12,579)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	12,579	(12,579)	-	-	-	-
<b>Balance at 31 December 2008</b>	<b>291,648</b>	<b>5,384,287</b>	<b>208,588</b>	<b>1,404,517</b>	<b>7,289,040</b>	<b>32,853</b>	<b>7,321,893</b>



# Kingston Wharves Limited

## Consolidated Statement of Cash Flows (Unaudited)

**Twelve months ended 31 December 2009**

(expressed in Jamaican dollars unless otherwise indicated)

	Unaudited 2009	Audited 2008
	J\$'000	J\$'000
<b>Cash Provided from Operating Activities</b>	513,844	464,839
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(138,524)	(390,520)
Proceeds from sale of property plant and equipment	-	1,076
Cash used in investing activities	(138,524)	(389,444)
<b>Cash Flows from Financing Activities</b>		
Dividends paid to group stockholders	(21,453)	(32,179)
Long term loans received	24,132	483,238
Long term loans repaid	(440,720)	(311,780)
Net cash (used in)/provided by financing activities	(438,041)	139,279
Net (decrease)/increase in cash and cash equivalents	(62,721)	214,674
Net cash and cash equivalents at beginning of period	1,182,095	967,421
<b>NET CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,119,374</b>	<b>1,182,095</b>
<b>Comprising:</b>		
Cash and bank	47,781	54,340
Short term investments	1,071,593	1,127,755
	<b>1,119,374</b>	<b>1,182,095</b>

**Kingston Wharves Limited**  
**Notes to the Financial Statements (Unaudited)**  
**Twelve months ended 31 December 2009**

**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 year ended 30 September 2009 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 2008.

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 company'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 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. Change in Accounting Estimate**

The group has revised the useful lives of the plant and building category based on the advice of external valuers Stoppi & Bloomfield. Had the change not occurred, the charge to the Profit and Loss would be higher by \$19.87 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 and air conditioning units.
- (c) Security operations - This incorporates port security services
- (d) Other - Other operations of the Group comprise property rental.