



KINGSTON WHARVES LIMITED

SECOND QUARTER
6 MONTHS ENDED 30 JUNE 2011



CHAIRMAN'S REPORT

The Directors are pleased to present the unaudited results of the Group for six months ended 30 June 2011

THE GROUP

KWL Group recorded revenues for the six months ended June 2011 of \$1,563.38 million up from \$1,353.10 million for the similar period in 2010, an increase of \$210.28 million or 15.54%. For the second quarter, revenues increased by 6.14% or \$44.53 million compared to the corresponding quarter of 2010. Operating Profit for the six months was \$324.37 million compared to \$326.19 million for the corresponding period in 2010. For the quarter, Operating Profit was \$133.56 million versus \$168.39 million for the quarter ended June 2010, a decrease of \$34.83 million or 20.68%. The Group's performance for the second quarter of 2011 reflects lower than expected revenues, and increased levels of maintenance, fuel and staff costs for the compared to the same period in 2010.

Net profit attributable to stockholders for the six months ending June 2011 was \$158.44 million compared to \$230.47 million for the same period in 2010. Net profit attributable to stockholders for the second quarter of 2011 was \$57.39 million compared to \$150.19 million achieved for the second quarter of 2010. Earnings Per Stock (EPS) for the first six months of 2011 was 14.77 cents compared to 21.49 cents for the corresponding period in 2010. EPS for the second quarter was 5.35 cents from 14.00 cents in 2010,

KINGSTON WHARVES LIMITED

Kingston Wharves Limited (KWL) revenues for the six months ended 30 June 2011 was \$1,226.62 million (2010: \$1,065.51), an increase of \$161.11 million or 15.12% over the corresponding period in 2010. Revenue for the quarter was \$607.40 million (2010: \$581.97), an increase of \$25.43 million or 4.37% over the corresponding period in 2010. During the second quarter, the company experienced a 29.66% reduction in motor units processed compared to the same period in 2010.

Operating Profit for the six-month period was \$299.19 million compared with \$298.32 million for the corresponding period in 2010, an increase of \$0.87 million or 0.29%. Operating Profit for the quarter was \$122.09 million compared with \$156.79 million for the corresponding period in 2010, a decrease of \$34.70 million or 22.13%. The main factors that negatively affected the operating profit comparison between the six months in 2011 and 2010 were the change in cargo mix and increased maintenance cost resulting from the overhauling of key equipment, professional fees incurred as the company continues its drive to reengineer processes and improve infrastructure plus a 35% increase in electricity costs.

HARBOUR COLD STORES LIMITED

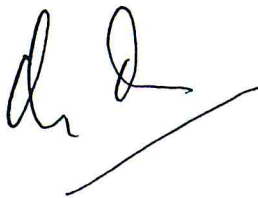
Harbour Cold Stores (HCS) Limited Operating Profit for the six months under consideration was \$27.51 million compared to \$36.99 million for the same period in 2010, a decrease of \$9.48 million or 25.62%. Operating Profit for the quarter was \$12.13 million compared to \$16.20 million for the corresponding quarter of 2010. HCS continues to experience a contraction in the demand for cold storage, the increased cost of electricity and the lower levels of interest earned on its deposits.

SECURITY ADMINISTRATORS LIMITED

Security Administrators Limited (SAL) Operating profit for the six months increased by \$6.34 million or 35.72% from \$17.75 million in 2010 to \$24.09 million in 2011. Operating profit for the quarter increased by \$3.18 million or 33.97% when compared to the second quarter in 2010.

OUTLOOK

During the first six months in 2011, there was a fall in the volume of domestic containerized cargo compared to the same period in 2010. This trend may continue based on the fact that many economists are predicting a downside risk to growth in the United States and Euro-Zone economies. After an initial fall in the volume of transshipment motor units following the earthquake in Japan, the volume transshipped has returned to pre-earthquake levels and this trend is expected to continue for the foreseeable future. For the cold storage segment, prospects are not expected to improve significantly for the rest of the year given current market developments. In the face of these challenges, the company will continue its policy of looking for ways to drive revenues, reduce costs and increase efficiencies.



Derek Jones

Chairman

Kingston Wharves Limited

Group Statement of Comprehensive Income (Unaudited)

Six months ended 30 June 2011

(expressed in Jamaican dollars unless otherwise indicated)


	3 Months to 30-06-11	6 Months to 30-06-11	3 Months to 30-06-10	6 Months to 30-06-10
Tonnages - Domestic (Berths 1 - 9)	370,474	767,796	350,268	685,867
	\$'000	\$'000	\$'000	\$'000
Revenue	769,798	1,563,377	725,267	1,353,096
Cost of sales	(471,150)	(929,509)	(393,852)	(743,469)
Gross Profit	298,648	633,868	331,415	609,627
Other Operating income	22,667	43,447	1,185	28,427
Administrative expenses	(187,753)	(352,948)	(164,207)	(311,868)
Operating Profit	133,562	324,367	168,393	326,186
Finance costs	(37,804)	(71,376)	67,525	36,665
Profit before Taxation	95,758	252,991	235,918	362,851
Taxation	(35,584)	(89,202)	(83,869)	(128,433)
Net Profit for the Period	60,174	163,789	152,049	234,418
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	60,174	163,789	152,049	234,418
Net Profit Attributable to:				
Equity holders of the company	57,388	158,436	150,190	230,474
Minority interest	2,786	5,353	1,859	3,944
	60,174	163,789	152,049	234,418
Total Comprehensive Income Attributable to:				
Equity holders of the company	57,388	158,436	150,190	230,474
Minority interest	2,786	5,353	1,859	3,944
	60,174	163,789	152,049	234,418
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	5.35	14.77	14.00	21.49

Kingston Wharves Limited
Consolidated Statement of Financial Position
at 30 June 2011

(expressed in Jamaican dollars unless otherwise indicated)

	30-Jun-11 \$ '000	Audited 31-Dec-10 \$ '000	30-Jun-10 \$ '000
ASSETS			
Non-current Assets			
Property, plant and equipment	10,017,492	10,009,903	10,055,409
Intangible asset	5,030	5,030	-
Recoverable from special reserves fund	31,806	40,143	48,821
Deferred income tax assets	1,559	1,560	1,363
Retirement benefit asset	453,342	453,342	329,699
	<u>10,509,229</u>	<u>10,509,978</u>	<u>10,435,292</u>
Current Assets			
Inventories	25,093	28,529	25,979
Related companies	264,584	381,917	427,859
Trade and other receivables	216,111	98,984	198,704
Taxation recoverable	12,320	14,963	9,033
Short term investments	1,007,270	1,201,909	926,520
Cash and bank	117,450	80,769	101,321
	<u>1,642,828</u>	<u>1,807,071</u>	<u>1,689,416</u>
Total assets	<u><u>12,152,057</u></u>	<u><u>12,317,049</u></u>	<u><u>12,124,708</u></u>
EQUITY			
Stockholders' Equity			
Share capital	291,648	291,648	291,648
Capital reserves	5,415,735	5,409,445	5,403,156
Asset replacement/rehabilitation and depreciation reserves	214,881	214,796	214,706
Retained earnings	2,117,902	1,992,508	1,723,158
	<u>8,040,166</u>	<u>7,908,397</u>	<u>7,632,668</u>
Minority Interest	<u>43,489</u>	<u>51,469</u>	<u>46,544</u>
	<u>8,083,655</u>	<u>7,959,866</u>	<u>7,679,212</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	1,813,914	2,003,744	2,237,895
Deferred income tax liabilities	1,315,943	1,316,140	1,266,774
Retirement benefit obligations	143,014	143,014	119,041
	<u>3,272,871</u>	<u>3,462,898</u>	<u>3,623,710</u>
Current Liabilities			
Trade and other payables	307,922	328,147	321,097
Related companies	50,886	20,920	6,800
Taxation	5,660	86,540	40,818
Borrowings	431,063	458,678	453,071
	<u>795,531</u>	<u>894,285</u>	<u>821,786</u>
Total equity and liabilities	<u><u>12,152,057</u></u>	<u><u>12,317,049</u></u>	<u><u>12,124,708</u></u>

Approved for issue by the Board of Directors on August 15, 2011 and signed on its behalf by:


Derek N. Jones Chairman


Grantley St. J. Stephenson CEO

Kingston Wharves Limited

Financial Information by Operating Segment (Unaudited)

Six Months ended 30 June 2011

(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	1,225,866	157,931	179,580	-	-	1,563,377
Operating revenue from segments	757	2,907	20,375	970	(25,009)	-
Total revenue	1,226,623	160,838	199,955	970	(25,009)	1,563,377
Operating profit/(loss)	399,188	27,511	24,089	(18,307)	(108,114)	324,367
Interest Expense	(77,084)	(46)	0	(314)	8,114	(69,330)
	322,104	27,465	24,089	(18,621)	(100,000)	255,037
Foreign Exchange Gain						(2,046)
Profit before taxation						252,991
Taxation						(89,202)
Profit before minority interest						163,789
Minority Interest						(5,353)
Net Profit						158,436
Segment assets	8,249,745	1,020,284	199,187	2,449,484	(233,864)	11,684,836
Unallocated assets						467,221
Total assets						12,152,057
Segment liabilities	2,655,149	26,866	71,881	10,170	(160,282)	2,603,784
Unallocated liabilities						1,464,617
Total liabilities						4,068,401
Other segment items:						
Interest Income	11,720	23,272	2,252	4,464	(8,114)	33,594
Capital expenditure	131,148	3,944	347	-	-	135,439
Depreciation charge	94,190	8,535	1,573	22,666	-	126,963

Kingston Wharves Limited

Financial Information by Operating Segment (Unaudited)

Six Months ended 30 June 2010

(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	1,064,755	125,750	162,591	-	-	1,353,096
Operating revenue from segments	757	1,017	20,532	970	(23,276)	-
Total revenue	1,065,512	126,767	183,123	970	(23,276)	1,353,096
Operating profit/(loss)	298,326	36,990	17,747	(16,245)	(10,632)	326,186
Interest Expense	(75,372)	(40)	0	(714)	10,632	(65,494)
	222,954	36,950	17,747	(16,959)	-	260,692
Foreign Exchange Gain						102,159
Profit before taxation						362,851
Taxation						(128,433)
Profit before minority interest						234,418
Minority Interest						(3,944)
Net Profit						230,474
Segment assets	8,301,885	1,081,696	174,373	2,487,207	(260,549)	11,784,612
Unallocated assets						340,096
Total assets						12,124,708
Segment liabilities	3,094,346	28,793	38,420	10,093	(152,789)	3,018,863
Unallocated liabilities						1,426,633
Total liabilities						4,445,496
Other segment items:						
Interest Income	12,206	39,121	2,659	10,106	(10,632)	53,460
Capital expenditure	21,706	1,300	2,658	-	-	25,664
Depreciation charge	92,259	6,904	2,013	22,666	-	123,842

Kingston Wharves Limited

Consolidated Statement of Changes in Equity (Unaudited)

Six months ended 30 June 2011

	Attributable to Stockholders of the company					Minority Interest	Total Equity
	Share Capital \$'000	Capital Reserves \$'000	Asset Replacement/ Rehabilitation and Depreciation Reserves \$'000	Retained Earnings \$'000	Total \$'000	\$'000	\$'000
Balance at 1 January 2010	291,648	5,396,866	214,601	1,531,258	7,434,373	42,600	7,476,973
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	105	(105)	-	-	-
Total comprehensive income for period	-	-	-	230,474	230,474	3,944	234,418
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
Dividend	-	-	-	(32,179)	(32,179)	-	(32,179)
Balance at 30 June 2010	291,648	5,403,156	214,706	1,723,158	7,632,668	46,544	7,679,212
Balance at 1 January 2011	291,648	5,409,445	214,796	1,992,508	7,908,397	51,469	7,959,866
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	-	-	85	(85)	-	-	-
Total comprehensive income for period	-	-	-	158,436	158,436	5,353	163,790
Transfer to asset replacement/rehabilitation and depreciation reserves	-	-	6,290	(6,290)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	-	6,290	(6,290)	-	-	-	-
Dividend	-	-	-	(26,667)	(26,667)	(13,333)	(40,000)
Balance at 30 June 2011	291,648	5,415,735	214,881	2,117,902	8,040,166	43,489	8,083,655

Kingston Wharves Limited

Consolidated Statement of Cash Flows (Unaudited)

Six months ended 30 June 2011

(expressed in Jamaican dollars unless otherwise indicated)

	2011	2010
	J\$'000	J\$'000
Cash Provided from Operating Activities	285,186	140,393
Cash Flows from Investing Activities		
Long term receivables	8,337	6,286
Purchase of property, plant and equipment	(135,439)	(25,664)
Proceeds from sale of property plant and equipment	-	400
Cash used in investing activities	(127,102)	(18,978)
Cash Flows from Financing Activities		
Dividends paid	(96,538)	-
Long term loans received	11,347	-
Long term loans repaid	(230,851)	(213,707)
Net cash used in/provided by financing activities	(316,042)	(213,707)
Net decrease in cash and cash equivalents	(157,958)	(92,292)
Net cash and cash equivalents at beginning of period	1,282,678	1,120,133
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,124,720	1,027,841
Comprising:		
Cash and bank	117,450	101,321
Short term investments	1,007,270	926,520
	1,124,720	1,027,841

Kingston Wharves Limited

Notes to the Financial Statements (Unaudited)

Six months ended 30 June 2011

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, 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 period ended 30 June 2011 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 2010.

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. 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 procedures in determining these estimates 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 provision of security services
- (d) Other - Other operations of the Group comprise property rental.