KINGSTON WHARVES LIMITED

CHAIRMAN'S STATEMENT

Kingston Wharves Ltd. (KWL) began operations in October 1945 in downtown Kingston. Since that time its history has been one of steady growth and development.

In the early 1960s KWL and the other privately owned wharf, Western Terminals Ltd. (WTL), relocated port facilities in Newport West; WTL operated Berths 1-4 and KWL operated Berths 5 - 9. When the Port Authority of Jamaica constructed their container terminal in the 1970s, the two companies entered into a joint venture to manage the transshipment port through a management company known as Kingston Terminal Operators Ltd. (KTO).

One of the most significant developments in the history of the private wharves came in 1994 when agreement was reached between the major shareholders to merge the two companies. With the merger completed in 1995, the new entity Kingston Wharves Ltd. - was listed on the Stock Exchange in September 1995.

After our first full year of operation, the decision to merge has proven to be the correct one - as the Company has begun to realise improved efficiency and profitability at all levels of our operations - an ojective which the merger was designed to achieve.

The Company is now involved in negotiations with the Port Authority of Jamaica as it seeks to renew the management contract for the container terminal.

We have also submitted a proposal through the Port Authority to amend the rules of the Wharfage Act for the creation of a more innovative wharfage rate formula.

The configuration of freight arriving over the port continues to change from that of break-bulk to containerized cargo. Accordingly, KWL has committed to an expenditure of approximately US$30 Million over the next 10 years in order to deal effectively with these developments and to upgrade the facility to world standard.

The Company has also made an offer for equity participation in the new Gordon Cay extension. This followed an announcement by the Minister of Public Utilities and Transportation indicating that Government would invite the private wharf companies to become shareholders in the new entity.

We are convinced that the long-term solution to optimizing the operation of the Port of Kingston rests with the renewal of the contracts for the management of the transshipment terminal, the creation of an innovative wharfage rate formula and the full rationalization of all wharf facilities. These are even more important with the heightened interest of major shipping lines in the use of Kingston as a transshipment hub.

We thank our Directors and staff for the high level of professionalism which has marked their work during the year, for efficiently managing the successful listing on the Jamaica Stock Exchange in record time and for presenting us with profitable results for the year.

A. Rafael Diaz
Chairman

MANAGING DIRECTOR'S REPORT

The Group's turnover for 1995 amounted to $678.29 Million which showed an increase in earnings of 99% over 1994's performance. This improved performance was due mainly to the merger with Western Terminals Limited which is now a wholly owned subsidiary of the parent company.

The Group's pre-tax profits amounted to $ 124.06 Million compared with $75.21 Million in 1994. Net profit attributable to shareholders was $80.99 Million or 33 cents per stock unit compared with the $53.35 Million or 26 cents per stock unit in 1994, restated for comparative purposes. A dividend of 5 cents per stock unit was paid out of franked income on December 29,1995.

The performance of the parent company for the year improved but was of limited satisfaction as the wharfage rate, our main core business revenue earner, has not been increased since October 1984.

Despite the flat wharfage rate, additional revenues were garnered through increased tonnages, including the handling of over 30,000 motor vehicles.

Profits from our subsidiaries, Harbour Cold Stores Limited and Security Administrators Limited, contributed significantly to the Group's performance.

On the other hand, our subsidiaries Western Storage Limited and Jamaica Cooling Stores Limited did not perform satisfactorily, and the Company is working to make these two subsidiaries profitable in the very near future. Our other subsidiary, Kingston Terminal Operators Ltd, which manages the Container Terminal, performed creditably and contributed positively to the Group's performance.

The Company which was listed on the Stock Market in September 1995 with an opening unit price of $2.24, closed the year at $5.50 per stock unit.

During the year, the Company increased its authorised ordinary capital by $45,000,000 with the creation of 44,882,000 ordinary shares of $1.00 each and the conversion of 59,000 preference shares of $2.00 each. Subsequently, 19,542,695 ordinary shares were issued at par value to existing shareholders as a rights issue, 71,902 were issued at par value to the holders of preference shares and 119,939 to minority shareholders in certain subsidiaries, at a premium of $1,413,000. Additionally, 27,175,641 ordinary shares were issued from retained earnings as fully paid bonus shares. The authorised capital was also split into shares of 20 cents each and the issued capital converted to stock units of 20 cents each.

Operations of the parent company were adversely affected by the level of congestion which prevailed throughout most of the year. As a consequence, the Company was forced to expand its storage capacity by acquiring lands (by way of a lease arrangement), off the docks to be used exclusively for the purpose of storing motor vehicles. As a result of this initiative, we were able to store up to 1900 motor cars off the docks thus alleviating the congestion.

Other measures to improve productivity were also implemented and included the acquisition of additional container handling equipment by our sub-contractors, the review of our systems and procedures for delivering cargo, and the commencement of certain infrastructural improvements to the facility. These infrastructural improvements will continue in 1996. We would point out however, that the extent to which the Company can proceed with these improvements will depend on whether or not a fair and equitable wharfage rate formula can be achieved.

The high rate of inflation coupled with a wage settlement of up to 45% impacted negatively on the cost of operations. This wage settlement is in accordance with the Collective Labour Agreement between the Shipping Association of Jamaica and the waterfront unions, with which we were obliged to comply because of the principle of parity on the port.

The standard of security services was below satisfaction and was largely attributable to the presence of the Government's Port Security Corps on the port, especially at such critical points as the entrances and exits. Efforts to address this problem during the course of the year were largely unsuccessful and the Company will continue in its endeavour during 1996 to regain control of its accesses and to improve security to a satisfactory level.

Because of the restrictions that the Wharfage Act imposes on the Company's earnings, it was never feasible to undertake adequate maintenance of the facility over the years. As a result, the infrastructure now requires major upgrading. The Company will therefore be undertaking a major programme of upgrading and modernisation of its facility over the next ten years. This is expected to cost in excess of US$30 Million and will be preceded by a technical and feasibility study to be funded by the Inter-American Development Bank.

Upon completion of this project the facility will be able to:

- Attract larger vessels such as 4th and 5th generation container vessels.
- Provide better docking options and faster turn around of vessels.
- Provide better service to customers.
- Improve its competitive position.
- Enhance profitability

I wish to thank our customers for their support and many suggestions for improvements. I also thank my colleague directors and our staff for their invaluable contributions during the year under review.

Robert L. Kinlocke
Managing Director

DIRECTORS' REPORT

For the Year ended 31st December, 1995

1. The Directors are pleased to present their Report for the year ended 31st December, 1995

   The profit of the Group before tax and minority interest was $124,065,000.

   The net profit of the Group after tax and minority interest was $80,993,000.

2. The Directors recommend that the interim dividend paid on 29th December,

1995 be declared as final and that no further dividend be paid in respect of the year under review.

3. The following are the Directors:

   Messrs. D. H. Bishop, A. R. Diaz, P. S. Edwards, C. H. Johnston, R. L. Kinlocke, I. King, V. C. Matalon, W. A. McConnell, P. N. Moss-Solomon and D. R. Orane.

4. Mr. Christopher Bovell who served for several years on the Board of Directors resigned on the 29th January, 1996 and was replaced on the Board of Directors by Mr. Douglas Orane. In accordance with Article 97, Mr. Douglas Orane will retire from office and being eligible, offers himself for re-election.

   In accordance with Article 91 of the Company's Articles of Association, Messrs. D. H. Bishop, P. S. Edwards and C. H. Johnston will retire by rotation, and being eligible, offer themselves for re-election.

5. Messrs. Price Waterhouse, the present Auditors, will continue in office pursuant to Section 153 of the Companies Act, 1965.

6. The Directors wish to express their thanks to the management and staff for the work done during the year.

By Order of the Board
Dated this 10th day of May, 1996

E. D. Anderson
Secretary