

THE EXECUTIVE TEAM

The Hon. Dr. Noel Hylton, O.J., C.D., J.P.
President & CEO

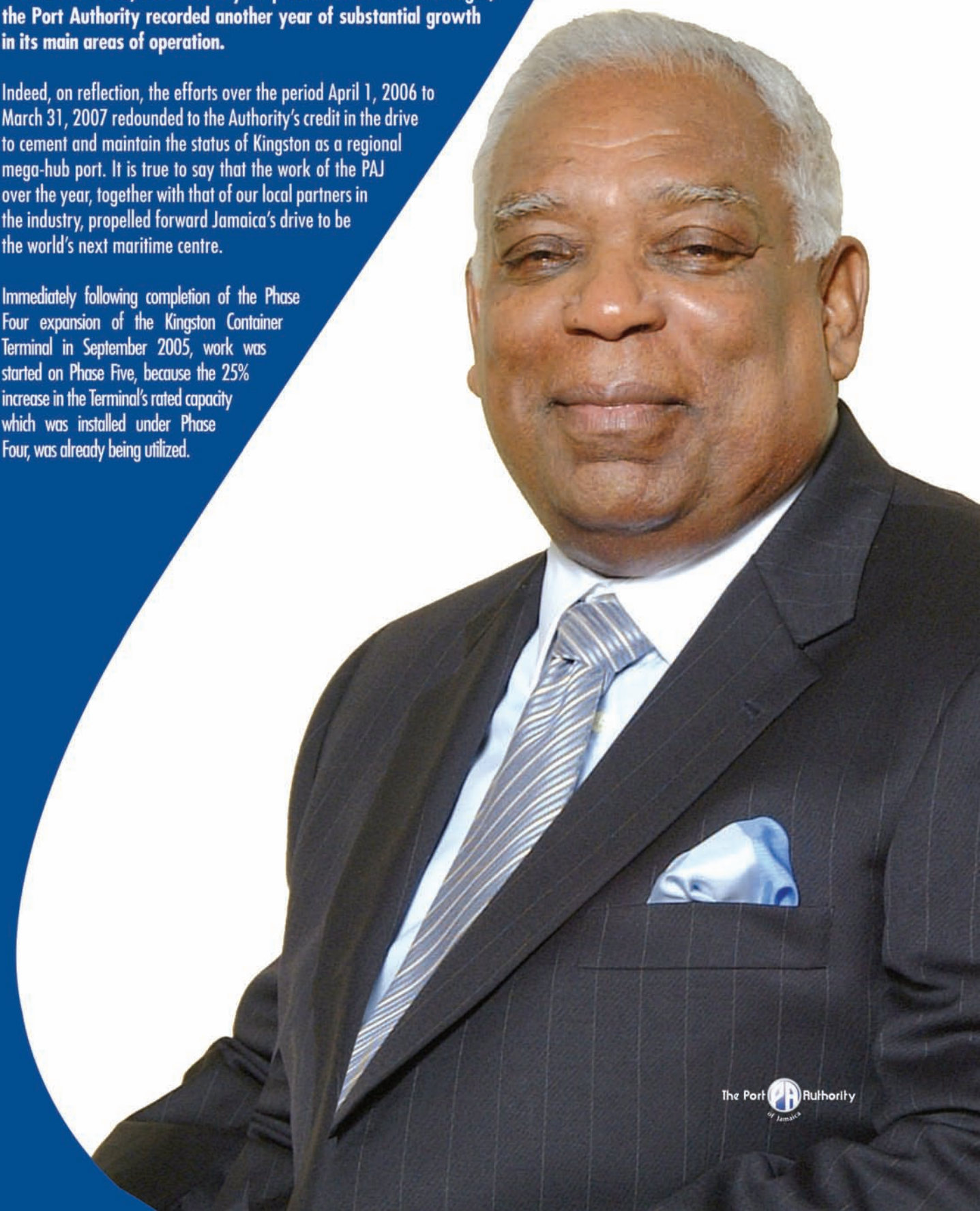
- From left:*
- Ms. Rosalie Donaldson, SVP, International Marketing*
 - Dr. Carol Pickersgill, SVP, Legal Services & Corporate Affairs*
 - Mr. Winston Boothe, SVP, Operations*
 - Mr. Mervis Edghill, SVP, Engineering & Port Development*
 - Mrs. Beverly Williamson, SVP, Finance & Information Services*
 - Mr. Robert Stephens, SVP, Business Development (demitted office during the year)*

CHAIRMAN'S REPORT

While the 2006/2007 fiscal year presented its own challenges, the Port Authority recorded another year of substantial growth in its main areas of operation.

Indeed, on reflection, the efforts over the period April 1, 2006 to March 31, 2007 redounded to the Authority's credit in the drive to cement and maintain the status of Kingston as a regional mega-hub port. It is true to say that the work of the PAJ over the year, together with that of our local partners in the industry, propelled forward Jamaica's drive to be the world's next maritime centre.

Immediately following completion of the Phase Four expansion of the Kingston Container Terminal in September 2005, work was started on Phase Five, because the 25% increase in the Terminal's rated capacity which was installed under Phase Four, was already being utilized.



A confluence of factors facilitated a period of challenge to our operations at the KCT within the first quarter of the year. They included:

- The fact that the KCT, the Authority's main commercial arm, had contracted to handle a significant increase in container moves under a new contract
- The late arrival of additional equipment
- An island-wide shortage of cement
- The expected dissolution of a major shipping consortium with the consequent fragmentation in service that resulted in some congestion at the KCT for some three weeks, and the diversion of a number of vessels to other ports.

We were, however, not daunted by the challenge and the members of the PAJ family have been integrally involved in the effort to minimize and overcome those difficulties in short order, once again displayed that mettle which has been so important in building respect for the organisation over many years.

Suffice it to say that by the end of the year at March 31, 2007, the KCT, had processed a record 2,015,647 TEUs, a 21.60% increase over the 1,657,555 TEU throughput in the 2005/2006 fiscal year.

A number of factors contributed to this performance:

- The continued programme of marketing the port
- The arrival of additional handling equipment, in particular, a complement of new straddle carriers (4-high), empty container handlers (8-high) and two Super-Post-Panamax cranes.
- A series of improvements introduced by management to streamline operational procedures involving the Terminal's clients.
- Acceleration of the pace of land preparation for operational purposes as well as in the pace of work on the overall Phase Five expansion, following the cement shortage.
- Overall increases in the productivity and efficiency of operations at the Terminal.

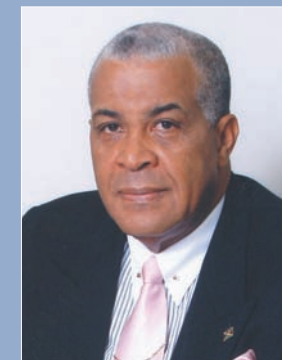
In all this the Authority ensured that the KCT like all public ports under its umbrella, continued to maintain the required security profile determined by the IMO's ISPS Code as well as the requirements of our major trading partner, the United States of America.

Jamaica will soon be benefiting from operations at the Port being brought under the US Container Security Initiative (CSI) programme, following the signing of a Declaration of Principles by both countries in June 2006. There will be the provision that when operations are brought fully into effect under the CSI programme goods being shipped from the Port of Kingston will be pre-cleared by US Customs, thus entering the US as domestic cargo.

The Authority is proud to have achieved the targets set with regard to its marketing and driving of the Cruise Shipping Sector under the PAJ's Cruise Jamaica brand.

CHAIRMAN'S REPORT Cont'd

Let me also gratefully acknowledge the continuing support of the Government of Jamaica and the Minister of Housing, Transport, Water & Works, the Hon. Robert Pickersgill, to our collective effort at carving out a secure place for Jamaica in the international shipping industry on which international trade, the engine driving the global economy, is built.



Hon. Robert Pickersgill,
Minister of Housing, Transport, Water & Works

By the end of the year, work on the Phase 5 expansion, which will boost the Terminal's rated transshipment capacity to 3.2 million TEUs, was back on track to the extent that the project is expected to be completed in 2008 as projected.

The Authority is proud to have achieved the targets set with regard to its marketing and driving of the Cruise Shipping Sector under the PAJ's Cruise Jamaica brand.

In November 2006, the Authority entered into a contract with Royal Caribbean Cruises Ltd., the second such contract introduced by the PAJ since it assumed responsibility for marketing the sector in 2001. The agreement stipulated that the company would bring a minimum of 2.25 million cruise visitors to Jamaica over a five year period.

Work was completed on the breasting dolphin in Montego Bay in order to accommodate the arrival of the world's largest cruise ship, "Freedom of the Seas," on its inaugural voyage on June 8, 2006 and for weekly calls to that port up to May 2007.

In 2006 we achieved our goal to break the record of 1.2M cruise visitors hosted by Jamaica in 2003.

The performance of the sector was highlighted by Jamaica's copping of the two major prizes for Cruise destinations in the 2006 international Tourist Industry's World's Travel Awards.

It is expected that the implementation of plans for significant upgrading of the Ports of Ocho Rios and Montego Bay will commence in the 2007/2008 fiscal year.

I am pleased to report that operations at the long established Montego Bay and Kingston Free Zones, which operate under the umbrella of the Authority, continue to be profitable.

Readers may recall that the stated intention of the PAJ to develop logistics /distribution hub capabilities took its first fledgling steps with the launching of the Jamaica International Free Zone Development Ltd. (JIFZDL), a joint venture between the PAJ and Zim Integrated Shipping Services. Logistics operations were started by a company, Kingston Logistics Centre (KLC), the first client of JIFZDL, which began operations on premises adjacent to the KCT in March 2006. Over the past year the KLC operation practically outgrew the facilities at the premises on which it has operated.

The Authority is committed to the development of Logistics/ Distribution Hub facilities and capabilities into a major operation and income stream, and has identified suitable additional property in order to advance this project significantly in the ensuing year.

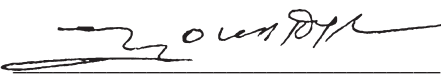
It is the staff of the Authority, which constitutes the engine that drives our accomplishments. Over the course of the year under review we did not lose sight of that fact and notwithstanding the challenges we have faced, morale at the workplace is commendable.

Indeed, this is perhaps best reflected by the fact that it was their efforts which enabled the Authority to meet the inevitable challenges arising in the course of our endeavours.

To each and every one of them I say thanks for their work over the past year and for their continued commitment to the organisation.

My thanks too to our Board of Directors for its contribution throughout the year to our successes; to the shipping lines, to the Trades Unions and to our local partners in this vibrant industry I also say thanks. Let me also gratefully acknowledge the continuing support of the Government of Jamaica and the Minister of Housing, Transport, Water & Works, the Hon. Robert Pickersgill, to our collective effort at carving out a secure place for Jamaica in the international shipping industry on which international trade, the engine driving the global economy, is built.

Our success redounds to the credit of all Jamaicans.



Noel A. Hylton, O.J., CD., J.P.
Chairman

SHIP & CARGO TRAFFIC

In the 2006/2007 fiscal year there were 4,014 vessel calls to Jamaica's ports, which represents a 2.11% increase or 83 more vessels than in the previous year in which there were 3,931 vessel calls.

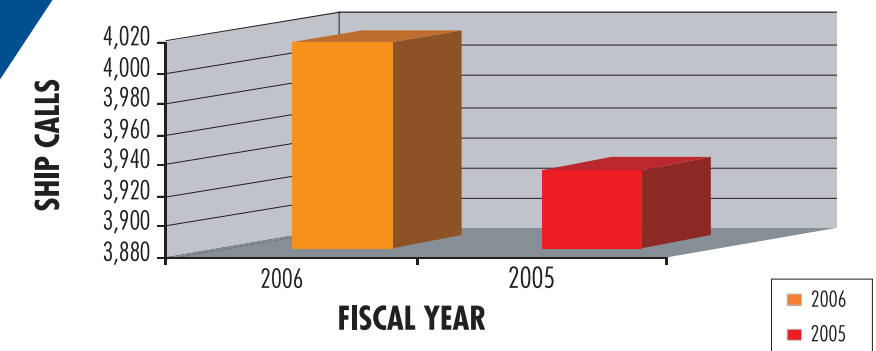
There were 2,842 calls at the Port of Kingston; 334 calls were made to Montego Bay; 342 to Ocho Rios and 496 to other ports combined.

Although there was only a 2.11% overall increase in vessel calls and a 4.40% increase in cargo vessel calls, it should be noted that there was a 13.96% increase in the total volume of cargo handled at the ports; 32,397,269 tons in 2006/2007 compared to 28,429,073 tons handled in 2005/2006.

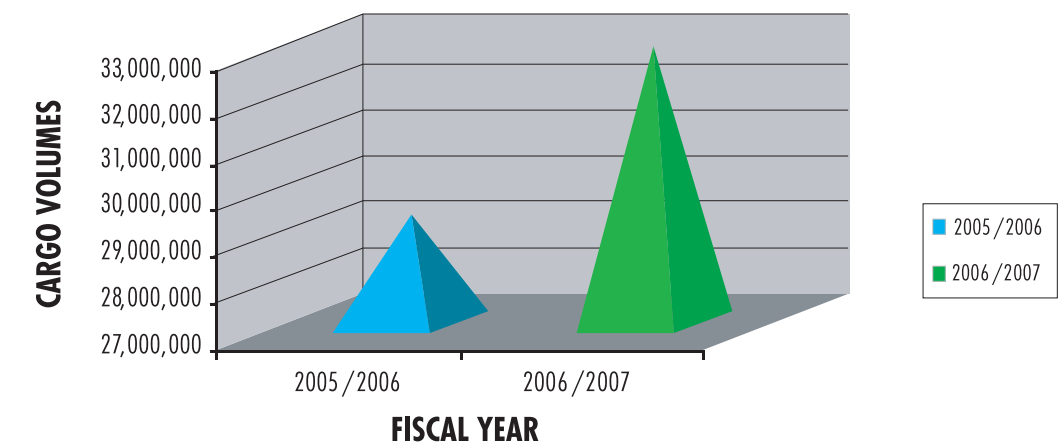
Similarly in the cruise sector, although there was only a 4.26% increase in cruise vessel calls, there was over the March 31 2006/2007 fiscal year a 15.46% increase in passengers visiting the island over the previous year.

This development is in large measure explained by the growing trend in both the cargo and cruise ship sectors of the shipping industry toward the utilization of larger vessels.

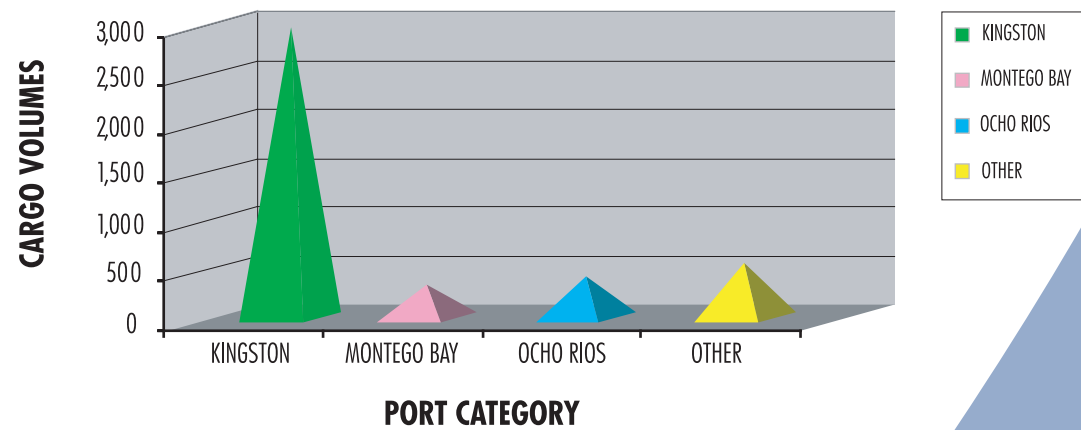
SHIP CALLS TO JAMAICA



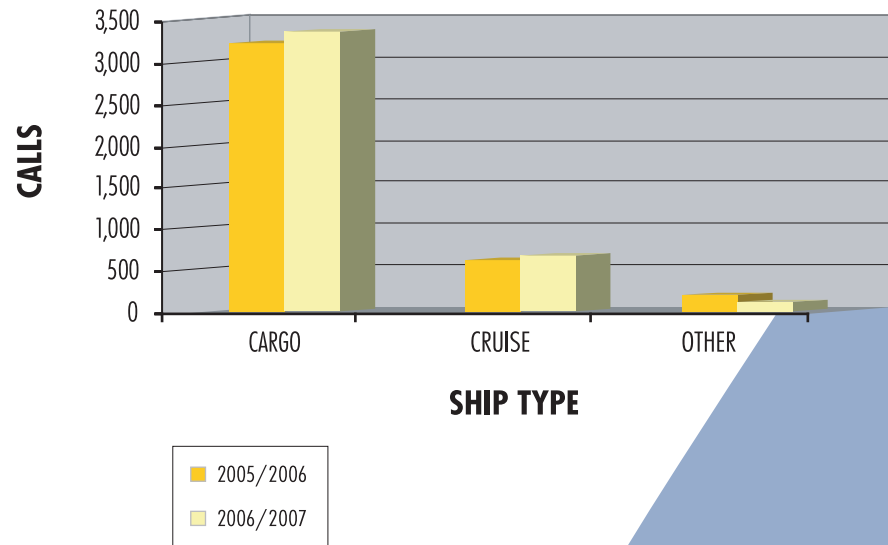
TOTAL CARGO VOLUMES



SHIP CALLS BY PORT



VESSEL CALLS BY TYPE



CRUISE SHIPPING

The marketing of Jamaica as a premier cruise-shipping destination under the Cruise Jamaica brand of the PAJ continues to pay rich dividends.

In 2005, following the challenges of the rather active hurricane season of 2004 and to a lesser extent in 2005, we projected that in 2006 we would break the record set in 2003 of welcoming 1.2 million cruise visitors.

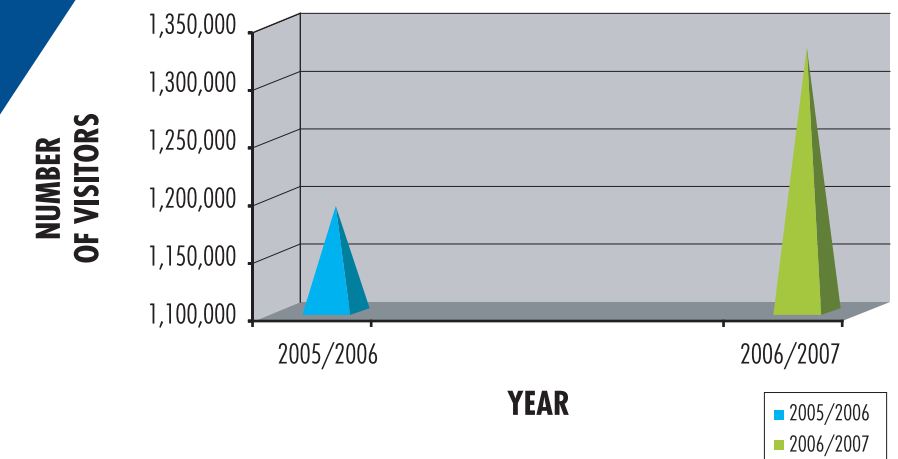
It had been anticipated that we would in calendar year 2006 host some 1.24 million cruise passengers. Jamaica in fact welcomed a record 1,324,740 cruise ship visitors in calendar year 2006, an 18.51% increase over the 1,117,797 visitors welcomed in the previous year.

In fiscal 2006/2007 we welcomed 1,329,782 cruise visitors, 15.46% more than the 1,151,705 who visited our shores the previous fiscal year.

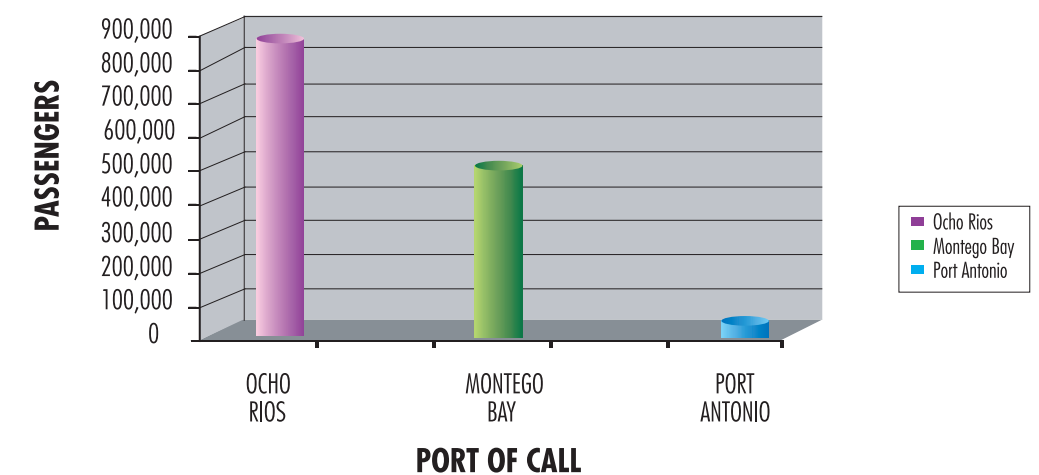
A breakdown shows that by port of call some 838,276 cruise passengers visited the island through the Port of Ocho Rios on 323 cruise vessels, a 2.91% increase in passengers. 484,839 visitors called at the Port of Montego Bay on 206 vessels, a 46% increase in cruise passengers, while Port Antonio hosted some 6,667 visitors.

The sharp spike in visitor arrivals in Montego Bay was facilitated by a number of factors, among them the overall marketing programme and the fact that Jamaica was able to attract the first in the new Freedom Class vessels, the Royal Caribbean Cruises Ltd's (RCCL) 'Freedom of The Seas' to Jamaica on its inaugural voyage on June 8, 2006 and, thereafter, for weekly calls in the ensuing year. The Freedom class vessels can carry some 4,300 passengers and a crew of more than 1,000.

CRUISE VISITOR ARRIVALS



CRUISE PASSENGER ARRIVALS BY PORT OF CALL





Montego Bay Welcomes 'Freedom of The Seas'

In November 2006, the Port Authority formalised a contract with Royal Caribbean Cruises Ltd. covering a five-year period, under which terms the Cruise Line guarantees to bring a minimum of 2,250,000 cruise passengers to Jamaica between January 2005 and December 2009.

The contract, which is worth approximately US\$16.5 million specifies that a minimum of 462,500 passengers would call at Jamaican port facilities on Royal Caribbean's vessels each year during 2006, 2007, 2008 and 2009.

The Agreement also covers Royal Caribbean Cruise Ltd's, Celebrity Cruise and Island Cruise arms. It also takes into account any other vessel newly chartered or newly operated by Royal Caribbean or any other shipping company in which RCCL has at least 51% interest during the term of the Agreement.

"Jamaica-The World's Leading Cruise Destination"

The performance of the cruise sector was underscored in September 2006 when it was revealed at the 13th Annual World Travel Awards held in the Turks & Caicos that Jamaica was voted as both the 'World's Leading Cruise Destination' and the 'Caribbean's Leading Cruise Destination' by thousands of travel professionals from over 200 countries.

The World Travel Awards is the premier global event for the travel industry. It is the first time that Jamaica won this prestigious World award, and the second consecutive year in which it won the Caribbean award. Notably, Jamaica was the only Caribbean destination to be nominated in both categories.

As part of the World Travel Awards selection process industry specialists voted online in several categories.

In the World category, Jamaica as a destination won out against: Miami, Stockholm, Copenhagen, Barcelona and Genoa. Jamaica was selected as Caribbean winner out of a pool of nominees that included: Barbados, Aruba, the Bahamas and Trinidad and Tobago.

Jamaica is in demand as a cruise destination. In its development role the Port Authority is actively pursuing development plans for the Ports of Montego Bay, Ocho Rios and Port Antonio.

The Authority, on a continuing basis, also examines opportunities for the development of new facilities where feasible.

Jamaica was voted as both the 'World's Leading Cruise Destination' and the 'Caribbean's Leading Cruise Destination' by thousands of travel professionals from over 200 countries.

THE KINGSTON CONTAINER TERMINAL

The objective of the Port Authority of Jamaica regarding its main commercial arm is to firmly establish the Kingston Container Terminal, now a major regional hub port, as a global hub port.

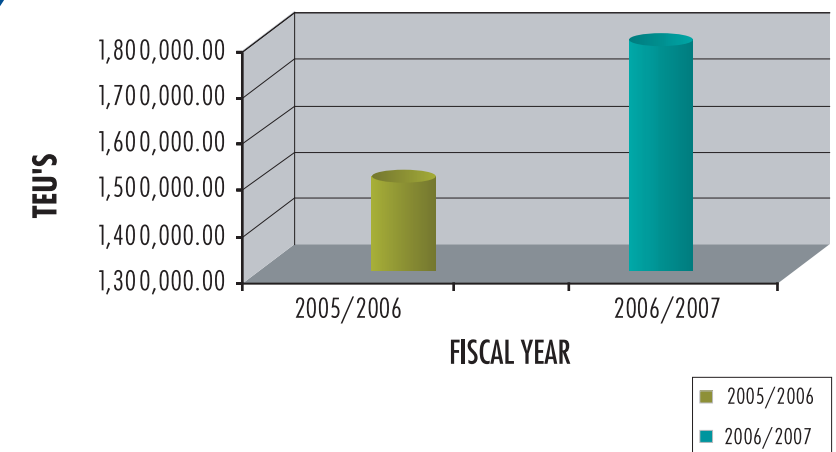
It is against that background that the Phase Five expansion of the Terminal is being undertaken and in the year under review, despite some challenges, substantial progress was made on the project, which, it is expected, will be completed in the ensuing fiscal year.

The phase 5 expansion will increase the rated capacity of the KCT by more than 100% to a rated capacity of 3.2 million TEU's, up from the 1.5 million.

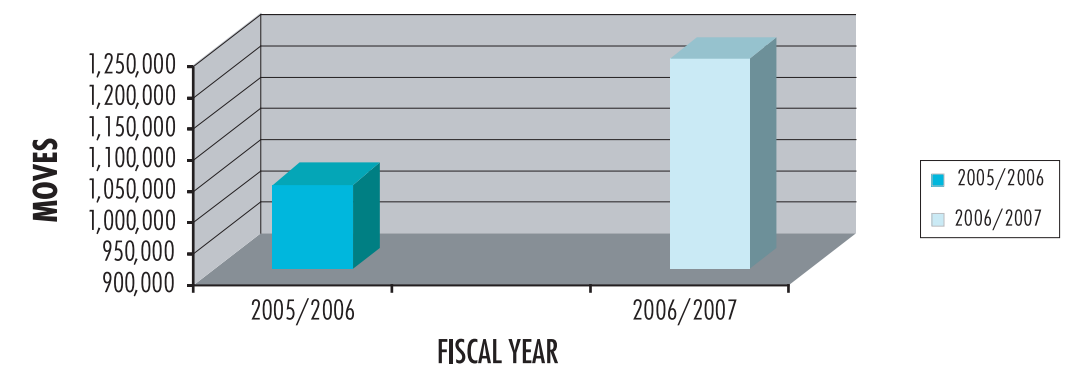
Notwithstanding the challenges experienced in the first quarter of the 2006/2007 fiscal year with the late arrival of some equipment that was ordered for the Phase Five expansion; the shortage of cement hampering the preparation of lands required for operations and the high volume of business due to additional contractual operations, by the end of the year we were well placed to complete the project in 2008.

Actually, the Terminal handled some 1,766,747 transshipment TEUs in the course of the year, some 23.05% more than the throughput of 1,435,850 transshipment TEUs in 2005/2006.

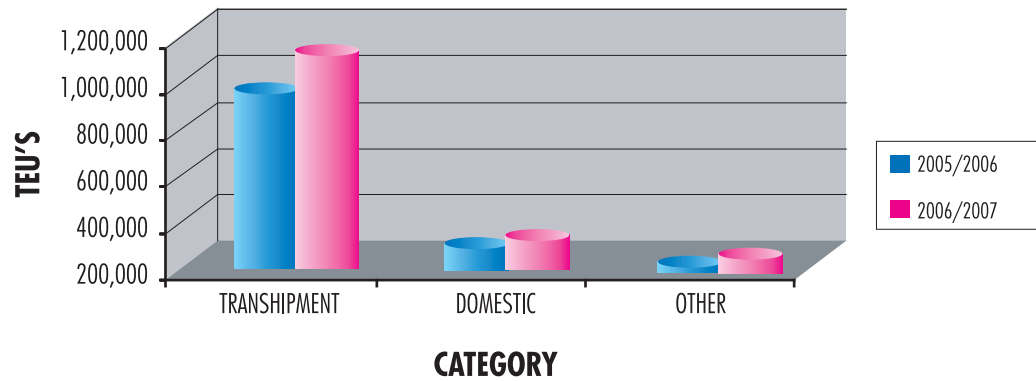
TRANSSHIPMENT TEU'S



CONTAINER TRAFFIC KCT IN MOVES



BREAKDOWN OF KCT CONTAINER TRAFFIC



In the second quarter of the year we received and commissioned into service some of the operational equipment which had been expected earlier, including 24 (4-High) straddle carriers and six (8-high) empty container handlers.

An additional 34 hectares of land were prepared and brought into service and the Terminal was able to secure the use of additional lands in the adjoining Tinson Pen property for the storage of containers.

In the fourth quarter of the year, on January 24, 2007, the Terminal accepted delivery of two of the six state-of-the-art Super Post Panamax Ship-to-Shore Gantry cranes, which were ordered under the Phase Five expansion from the Shanghai Zhenhua Port Machinery Company Ltd. (ZPMC) of China, the manufacturers of the cranes.



Two new Super Panamax Cranes arrived in the island from China in January. They were supplied by the ZPMC Company and were commissioned into service in February.



Work progresses apace on the new Western Berth at the KCT.

Work on the new 450 metre western berth also moved ahead steadily and completion is expected in time to receive the additional four Super-Post-Panamax cranes at the western berth in September 2007.

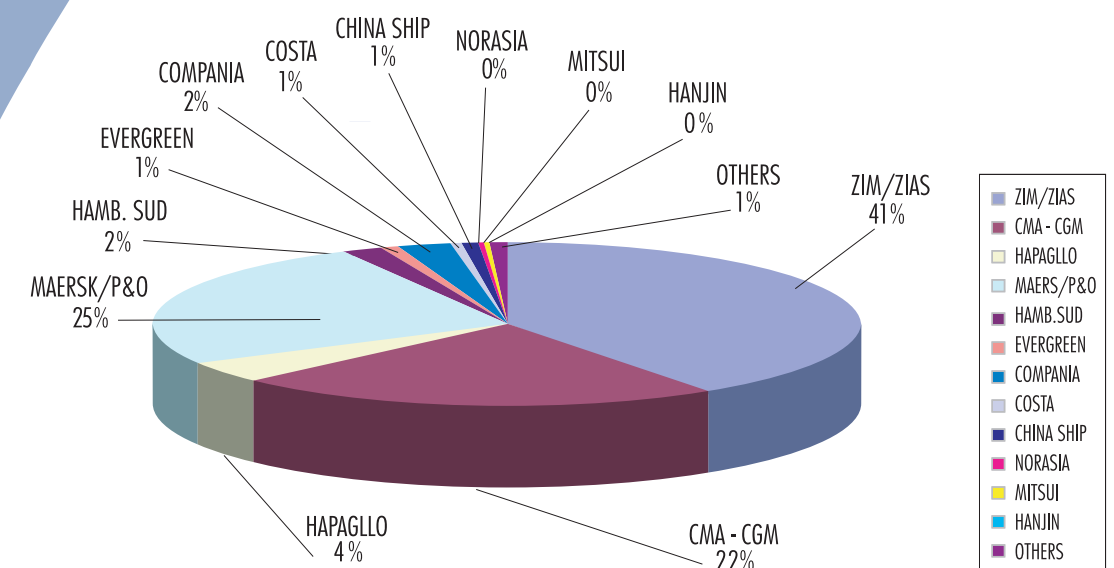
Work was also started and progressed well on the next chapter of this expansion phase, which involves the paving of the lands between the Port and the Work on the new 450 metre western berth also moved ahead steadily and completion is expected in time to receive the additional four Super-Post-Panamax cranes at the western berth in September 2007.

When the remaining four cranes arrive the profile of the Kingston Container Terminal will include:

- Nineteen (19) cranes including a complement of fourteen (14) Super-Post Panamax cranes
- Seventy-four (74) straddle carriers
- Fourteen (14) empty container handlers
- 14 Terminal Tractors - Roadheads
- 10 Multi-trailer Trains
- One thousand, three hundred and ninety-two (1,392) Reefer plugs
- One-hundred-and-five (105) hectares of paved operational yard space and storage area.
- The requisite X-Ray machines for security screening
- Full Closed Circuit Television (CCTV) coverage

Another thirty - four point three (34.3) hectares will be brought on stream thereafter in line with demand up to November 2008.

DISTRIBUTION OF CONTAINERS BY LINES - KCT 2006/07



AUDITORS' REPORT & FINANCIAL STATEMENTS

2006 - 2007




Year Ended March 31, 2007 • BALANCE SHEET

	Notes	2007 \$'000	2006 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	26,314,588	21,462,908
Investment properties	6	4,920,808	3,234,274
Intangible assets	7	16,223	20,624
Investments in subsidiary, joint venture and associated companies	8	20,700	20,700
Other investments	9,28	410,985	382,271
Long-term receivables	10,28	<u>916,657</u>	<u>391,236</u>
		<u>32,599,961</u>	<u>25,512,013</u>
Current assets			
Inventories	11	545,969	492,012
Trade and other receivables	12,28	1,550,087	1,282,071
Cash and short-term deposits	13,28	<u>877,101</u>	<u>268,027</u>
		<u>2,973,157</u>	<u>2,042,110</u>
Total assets		<u>35,573,118</u>	<u>27,554,123</u>
EQUITY AND LIABILITIES			
Government equity			
Reserves	14	6,207,299	6,301,066
Income Statement		<u>5,502,586</u>	<u>3,646,958</u>
		<u>11,709,885</u>	<u>9,948,024</u>
Non-current liabilities			
Long-term liabilities	15	17,900,123	13,447,356
Deferred income	16	323,026	345,766
Retirement benefit liability	17	<u>31,670</u>	<u>21,537</u>
		<u>18,254,819</u>	<u>13,814,659</u>
Current liabilities			
Trade payables and accruals	18,28	1,333,287	1,464,945
Current portion of long-term liabilities	15,28	4,173,698	2,202,544
Provisions	19,28	78,240	52,112
Bank overdraft (unsecured)	28	<u>23,189</u>	<u>71,839</u>
		<u>5,608,414</u>	<u>3,791,440</u>
Total equity and liabilities		<u>35,573,118</u>	<u>27,554,123</u>

The Notes on Pages 35 to 70 form an integral part of the Financial Statements.

The financial statements on Pages 31 to 70 were approved and authorized for issue by the Board of Directors on July 19, 2007 and are signed on its behalf by:


 N.A. Hylton,
 President


 Kerry-Ann Tulloch,
 Director

INCOME STATEMENT • Year Ended March 31, 2007

	Notes	2007 \$'000	2006 \$'000
Income	20	12,326,385	9,148,182
Expenses			
Administration		1,107,707	827,765
Marine operations		7,571,284	6,137,586
		8,678,991	6,965,351
Surplus from operations		3,647,394	2,182,831
Interest income		53,723	44,615
Finance charges and interest on loans	21	(1,123,015)	(907,780)
Loss on exchange on foreign currency loans		(815,615)	(827,654)
NET SURPLUS		<u>1,762,487</u>	<u>492,012</u>

The Notes on Pages 35 to 70 form an integral part of the Financial Statements.

Year Ended March 31, 2007 • **STATEMENT OF CHANGES IN EQUITY**

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2007
(Expressed in \$'000)

	Note	RESERVES										Income Statement	Total
		General 14(e)	Capital 14(b)	Development 14(c)	Equalisation 14(d)	Stabilization Fund 14(e)	Fixed Assets Replacement 14(f)	Insurance 14(g)	Wharfage 14(h)	Fair Value 14(i)	Total Reserves		
Balance at March 31, 2005		359,450	5,083,337	305,150	1,630	32	432,975	37,500	29,052	611	6,249,737	3,206,260	9,455,997
Gain not recognized in income statement – increase in value of available-for-sale investment	9	-	-	-	-	-	-	-	-	15	15	-	15
Surplus for the year		-	-	-	-	-	-	-	-	-	-	492,012	492,012
Total recognized income and expense		-	-	-	-	-	-	-	-	-	-	492,012	492,012
Transfer to reserves of managed operations		-	-	-	-	-	24,974	-	26,340	-	51,314	(51,314)	-
Balance at March 31, 2006		359,450	5,083,337	305,150	1,630	32	457,949	37,500	55,392	626	6,301,066	3,646,958	9,948,024
Derecognition of available-for-sale Investment		-	-	-	-	-	-	-	-	(626)	(626)	-	(626)
Surplus for the year		-	-	-	-	-	-	-	-	-	-	1,762,487	1,762,487
Total recognized income and expense		-	-	-	-	-	-	-	-	-	-	1,762,487	1,761,861
Transfer to reserves of managed operations		-	-	-	-	-	20,922	-	29,131	-	50,053	(50,053)	-
Amounts utilised		-	-	-	-	-	(77,654)	-	(65,540)	-	(143,194)	143,194	-
Balance at March 31, 2007		359,450	5,083,337	305,150	1,630	32	401,217	37,500	18,983	-	6,207,299	5,502,586	11,709,885

The Notes on Pages 35 to 70 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS • Year Ended March 31, 2007

	<u>2007</u> \$'000	<u>2006</u> \$'000
OPERATING ACTIVITIES		
Surplus from operations	3,647,394	2,182,831
Non-cash items included in surplus:		
Depreciation and amortisation	1,160,968	927,444
Change in fair value of investment property	(1,559,435)	(572,725)
(Gain) loss on disposal of property, plant and equipment	(906)	57,685
Impairment of property, plant and equipment	55,466	-
Adjustment to property, plant and equipment	8,165	-
Realised gain on disposal of available-for-sale investments	(626)	-
Amortisation of deferred income	(22,740)	(22,740)
Increase in provisions	38,267	27,754
Decrease in obsolete inventory provisions	(1,986)	-
Post retirement benefit liability	<u>13,570</u>	<u>4,486</u>
	3,338,137	2,604,735
(Increase) decrease in operating assets		
Trade receivables	(171,801)	256,118
Inventories	(51,971)	(139,834)
(Decrease) increase in operating liabilities		
Trade payables and accruals	(131,658)	332,847
Provisions utilized	(12,139)	(11,275)
Contributions to defined benefit plan	<u>(3,437)</u>	<u>(2,999)</u>
Cash generated by operations	2,967,131	3,039,592
Interest paid	<u>(1,044,022)</u>	<u>(880,936)</u>
Cash provided by operating activities	<u>1,923,109</u>	<u>2,158,656</u>
INVESTING ACTIVITIES		
Interest received	52,631	43,887
Acquisition of property, plant and equipment	(6,199,883)	(2,691,405)
Acquisition of investment property	(64)	-
Acquisition of intangible assets	(1,996)	(3,248)
Proceeds on disposal of property, plant and equipment	3,872	13,392
Other investments (net)	(28,714)	(97,040)
Increase in long-term receivables	<u>(620,544)</u>	<u>(69,170)</u>
Cash used in investing activities	<u>(6,794,698)</u>	<u>(2,803,584)</u>
FINANCING ACTIVITIES		
Receipt of long-term loans	11,363,173	2,576,807
Repayment of long-term loans	<u>(5,845,861)</u>	<u>(2,191,050)</u>
Cash provided by financing activities	<u>5,517,312</u>	<u>385,757</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	645,723	(259,171)
OPENING CASH AND CASH EQUIVALENTS	196,188	439,081
Effect of foreign exchange rate changes	<u>12,001</u>	<u>16,278</u>
CLOSING CASH AND CASH EQUIVALENTS	<u>853,912</u>	<u>196,188</u>
Cash and cash equivalents comprise:		
Cash and short-term deposits	877,101	268,027
Bank overdrafts	<u>(23,189)</u>	<u>(71,839)</u>
	<u>853,912</u>	<u>196,188</u>

The Notes on Pages 35 to 70 form an integral part of the Financial Statements.