
The Port Authority of Jamaica
PORT AUTHORITY ANNUAL REPORT 2009

The Port Authority of Jamaica

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MISSION

Developers and regulators of
world class facilities and services
that ensure the sustainable growth
of Jamaica's maritime industry
and maximum satisfaction
of all stakeholders

VISION

The Western Hemisphere's
Beacon of
Maritime Excellence

CONTENTS

BOARD OF DIRECTORS

BOARD OF DIRECTORS

October 2007 to present

The Hon. Noel A. Hylton, OJ, CD, Hon. LLD, JP	Chairman
Messrs: Charles Johnston	Member
Winston Dear	Member
Ian Moore	Member
Paul East	Member
Clifton Stone	Member
Gregory Shirley	Member
Dr. Alwin Hales	Member
Mrs. Kerry-Ann Tulloch	Member
Mrs. Corah-Ann Robertson-Sylvester	Member
Dr. Carrol Pickersgill	Secretary

MANAGEMENT

The Hon. Noel A. Hylton, OJ, CD, Hon. LLD, JP		*President & CEO*
Messrs.	Winston Boothe	SVP, Finance & Information Services
	Mervis Edghill	SVP, Engineering & Port Development
Ms	Rosalie Donaldson	SVP, International Marketing and Client Services
Dr.	Carrol Pickersgill	SVP, Legal, Regulatory & Corporate Affairs
Mrs.	Beverley Williamson	SVP, Business Management & Special Projects
Mrs.	Elva Williams-Richards	VP, Finance
Messrs.	Basil Walker	VP, Human Resource & Administration
	David Powell	Chief Group Internal Auditor
	Wilburn Pottinger	VP, Information Systems
	William Tatham	VP, Cruise Shipping & Marina Operations
	Edmond Marsh	VP, Business Development
	Paul Ffrench	VP, Accounting & Projects
Capt.	Hopeton DeLisser	VP, Harbours & Port Services/Harbour Master
DCP	Linval Bailey	VP, Security

BOARD COMMITTEES

Finance Committee	Mr. Gregory Shirley - Chairman
Audit Committee	Mr. Gregory Shirley - Chairman
Pilotage Committee	Mr. Paul East -Chairman
Projects Committee	Mr. Winston Dear - Chairman

MEETINGS OF THE PORT AUTHORITY'S BOARD

During the year under review (April 2008 to March 2009), the Board of the Port Authority of Jamaica had eleven (11) formal meetings and five (5) special meetings.

The Committees of the Board met on a monthly basis, dealing with matters within their Terms of Reference and reported to the Board of Directors at its meetings.

THE BOARD MEMBERS

1. Hon. Noel Hylton, Chairman
2. Dr. Carrol Pickersgill, Secretary
3. Mr. Paul East
4. Mrs. Kerry-Ann Tulloch
5. Mr. Gregory Shirley
6. Mr. Clifton Stone

7. Mrs. Cora-Ann Sylvester
8. Mr. Winston Dear
9. Dr. Alwin Hales
10. Mr. Ian Moore

Absent from photograph
Mr. Charles Johnston

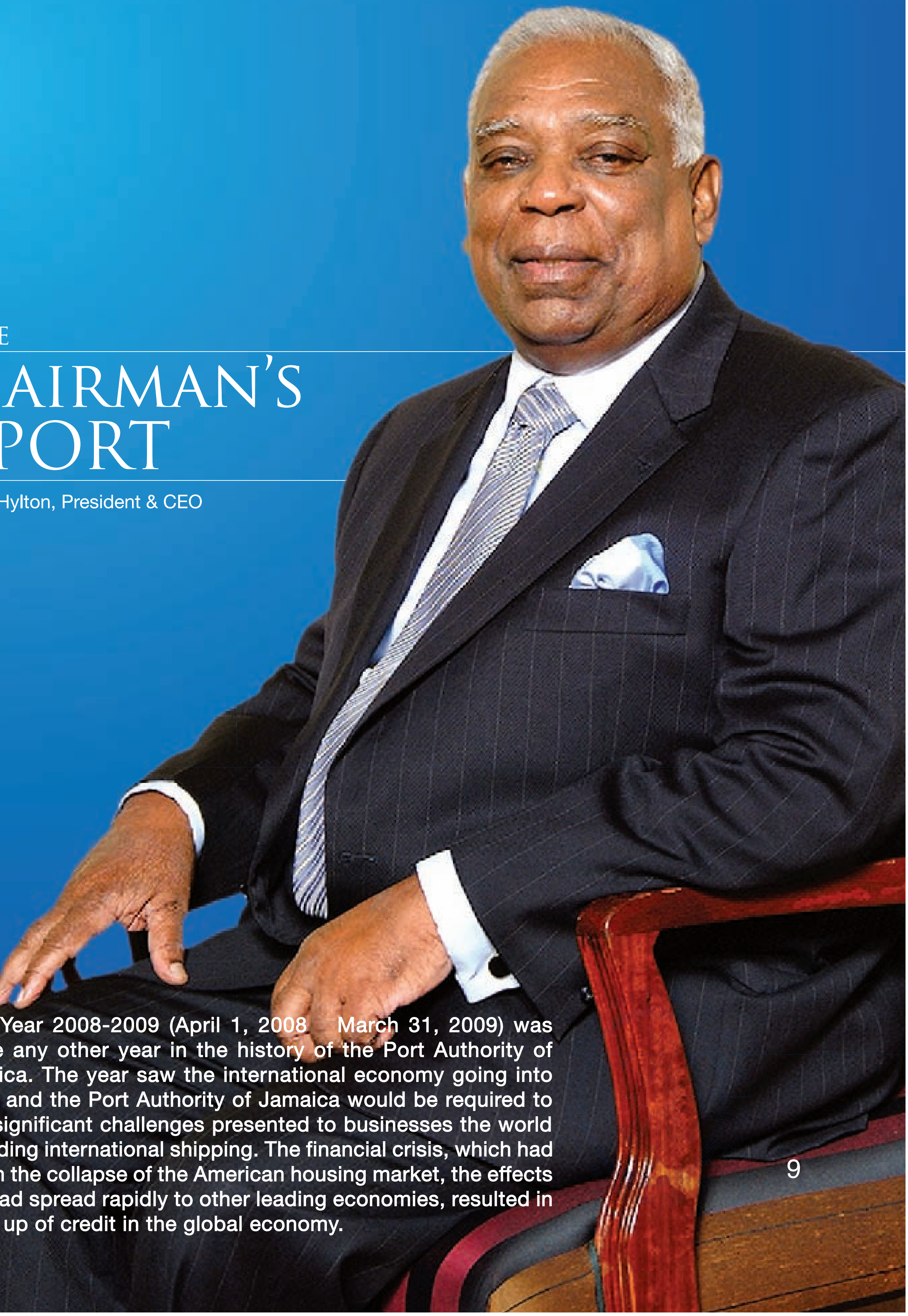
THE EXECUTIVE TEAM

Seated are Hon. Noel Hylton, President & CEO and Ms Rosalie Donaldson – SVP, International Marketing & Client Services.

Standing from left:
Mr. Winston Boothe - SVP, Finance & Information Services; Mrs. Beverley Williamson - SVP, Business Management & Special Projects; Mr. Mervis Edghill - SVP, Engineering & Port Development and Dr. Carrol Pickersgill - SVP, Legal, Regulatory & Corporate Affairs.

THE CHAIRMAN'S REPORT

Hon. Noel Hylton, President & CEO



Fiscal Year 2008-2009 (April 1, 2008 March 31, 2009) was unlike any other year in the history of the Port Authority of Jamaica. The year saw the international economy going into recession, and the Port Authority of Jamaica would be required to meet the significant challenges presented to businesses the world over, including international shipping. The financial crisis, which had begun with the collapse of the American housing market, the effects of which had spread rapidly to other leading economies, resulted in the drying up of credit in the global economy.

Chairman's Report Year Ended March 31, 2009

The world had plunged into a recession of monumental proportions, which was to have severe consequences for the international shipping industry, which facilitates some 90% of world trade. No sooner than the energy markets had begun to see a considerable easing of the price of oil from the unprecedented US$140 per barrel midway 2008-2009, the international economy was being thrown into a downward spiral.

The falloff in transshipment and domestic cargo volumes which became noticeable from the third quarter of the 2007-2008 fiscal year, deepened in 2008-2009. At year's end there was a 10.7% reduction in containerized shipping volumes internationally and, with 90% of the core business of the PAJ being in the transshipment of cargoes, the Kingston Container Terminal hub was feeling the impact of the worldwide downturn in business.

Even the Chinese economy, which had enjoyed an annual growth rate of 9 -13% over the previous decade, was contracting, with the best projections by the World Bank estimating growth for that economy at 7.5% during 2009-2010.

Sustained growth of between 9-13% in China as well as higher than average growth in the bourgeoning Indian economy, were major factors helping to drive expansion in shipping over the previous decade. By the end of fiscal year 2008-2009 in China alone some 100,000 factories had been closed.

Ironically, this development was almost in tandem with the downward movement of oil prices which at the record-setting heights of previous months had so negatively impacted the global economy, including operations in the shipping industry.

Notwithstanding the difficulties resulting from the significant downturn in the international shipping industry, the Port Authority of Jamaica was able to traverse the turbulent waters. The PAJ continued to meet its obligations and indeed, registered a surplus of $1.38 billion, prior to the exchange rate adjustments on outstanding foreign currency loans in accord with International Financial Reporting Standards (IFRS).

In the second half of the fiscal year movement in the exchange rate combined with declining volumes required the Authority to carefully husband its resources.

Expenditure was curtailed to a bare minimum, in order to ensure that the Authority would continue to meet ongoing obligations, including salaries, the maintenance of operations and the servicing of debt.

The posts of ninety-three (93) workers at the KCT were made redundant at the end of January 2009 as business contracted. Following completion during the year of Phases 1A and 1B of the KCT's Fifth Expansion Programme which raised the capacity of the Kingston Container Terminal from 1.5 million to 3.2 million TEUs, new development projects were put on hold,

The exception was the new Falmouth Cruise Pier project to accommodate the new mega liners being introduced into the cruise industry by Royal Caribbean Cruises Limited.

Preparatory work was also continued on the projected development by the Authority of a Logistics/Distribution Hub service for clients of the KCT Regional Hub.

Notwithstanding the difficulties resulting from the significant downturn in the international shipping industry, the Port Authority of Jamaica was able to traverse the turbulent waters.

Chairman's Report Year Ended March 31, 2009

Despite the fallout in the industry, through the continuing thrust by the International Marketing Division to promote the Kingston Container Terminal, we were able to attract the service of two small shipping lines, CSAV and CCNI out of Chile.

Although these constitute relatively small volumes compared to those from a regular main line service, every additional container handled in the existing environment is important to any port operation. By the end of the year, through the aggressive efforts of the International Marketing team, we were able to stem the reduction in 2008-2009 to less than 4% below the 2007-2008 volume of TEUs handled by the KCT. The vigorous programme to seek new business and maintain existing arrangements has continued.

Much focus was also maintained throughout the year on the continuing programme to increase productivity at the KCT, which has been bearing fruit.

A new company, Kingston Container Terminal Services Limited (KCTS), took over the management of the Kingston Container Terminal in the fourth quarter of the year, on February 1, 2009. By mutual agreement the contractual management arrangement that the PAJ had for seven years with APM Terminals Jamaica Limited, a subsidiary of the A.P. Moller Group, ended on January 31, 2009.

This decision was implemented against the background of the exploration of options to privatize the Kingston Container Terminal. To date, the successive expansion projects at the KCT have been undertaken through the utilization of profits and more latterly, using loan funds. Further developments will require huge sums which would be best secured through alternative forms of financing other than debt.

Completion of Phases 1A and 1B of the Fifth Expansion Project of the KCT is an important step in the PAJ's thrust to make Jamaica one of the major global Hub ports. Preliminary plans have already been drawn up for the further lifting of the KCT's capacity by another two million (2,000,000) TEUs to five point two million (5,200,000) TEUs, to coincide with the opening of the expansion of the Panama Canal.

Cruise Shipping

The international leisure cruise industry was also buffeted by the global economic downturn in 2008-2009. As job losses mounted and individuals and families reduced expenditure on non-essentials in the United States of America, from which 90% of cruise ship visitors to Jamaica originate, the local industry was also impacted.

There was an 18.86% decrease in arrivals during the year compared with 2007/2008. The efforts of the PAJ's International Marketing Department along with those of the Ministry of Tourism and other stakeholders in the industry resulted in the mitigation of what could have otherwise been a much worse fallout in the sector.

Even against that background, for a third successive year Jamaica was voted the Leading Cruise Destination worldwide and the Leading Caribbean Cruise Destination by travel professionals at the World Travel Awards.

Through its Cruise Jamaica brand the PAJ drives the marketing of the sector. Ground breaking five-year contracts which the Authority had signed with Carnival Cruises and Royal Caribbean Cruises Ltd. (RCCL), the two major players in the industry, undoubtedly played a role in helping to mitigate the downturn. Those contracts enabled both cruise lines to pre-market and take bookings for Jamaica as a destination over a longer period.

Kingston Container Terminal

Chairman's Report Year Ended March 31, 2009

The Falmouth Cruise Pier Project

It is against this background that work on the new Falmouth Cruise Ship pier commenced in the fourth quarter of the year.

The Falmouth project represents a joint venture between the PAJ and RCCL to build a modern cruise facility, the only one of its kind in Jamaica that can accommodate the new Genesis Class vessels. These liners can accommodate some five thousand seven hundred passengers, and a crew complement of more than two thousand.

The development comprises the construction of both seaside and landside facilities to constitute an environmental and visitor friendly state of the art facility and should prove a very welcome addition to the local tourism product.

The first of the RCCL Genesis class of mega cruise vessels, the "Oasis of the Seas", is scheduled to call in late 2010 at the new cruise ship pier and facilities to be built in Falmouth.

Kingston Free Zone and Montego Bay Free Zone

Operations at both the Kingston Free Zone and the Montego Bay Free Zone continued on a profitable basis during the past year.

SECURITY

The Authority is vested with responsibility for ensuring that the Country's marine ports maintain their certification under the International Maritime Organisation's ISPS Security Code. In 2008-2009 the country's ports retained their approved status.

Over the years the Port Authority of Jamaica has received the support of successive administrations in carrying out the responsibilities with which it has been charged. This continues to be the case and I must express gratitude on behalf of the Board to the Minister with portfolio responsibility for the PAJ, the Hon. L. Michael Henry, who has taken a keen interest in the Authority's operations throughout his tenure over the past year and a half.

Hon. L. Michael Henry, CD, MP
Minister of Transport & Works

It is those efforts and spirit in conjunction with that of the Board of Directors and the staff of the Authority, which have enabled the institution to meet and treat successfully with the various challenges with which the Shipping Industry and the PAJ have had to cope in the year under review.

I am confident that a continuation of that joint effort and the maintenance of focus on our overall goals to increase our business and enhance productivity and efficiency, will not only see the PAJ successfully through these difficult times, but will enable the organization to emerge a stronger entity which will accomplish much more for the Jamaican people when there is an upturn in the international economic environment.

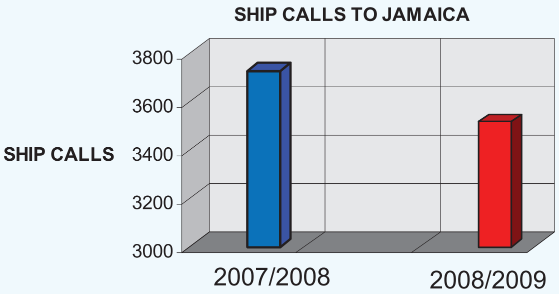
It is indeed a privilege and honour for me to lead the PAJ team in its endeavours.

Noel A. Hylton, OJ, C.D, Hon. LLD, J.P
Chairman

Ship and Cargo Traffic

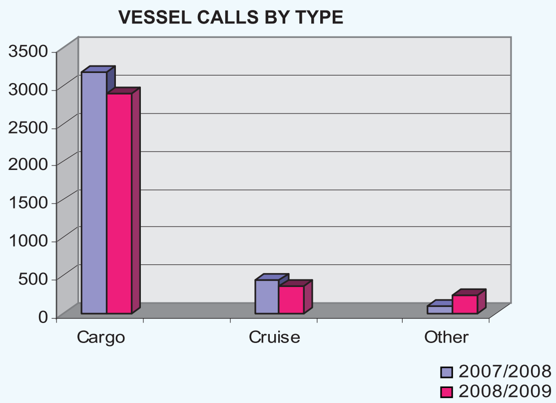
Total vessel calls to Jamaica in calendar year 2008 were three thousand five hundred and eighty-seven (3,587), some 4.55% less than the three thousand seven hundred and fifty-eight (3,758) that called at Jamaica's ports in 2007.

The data for fiscal year 2007-2008 shows that some three thousand seven hundred and nineteen (3,719) ships called at the country's ports; compared with three thousand five hundred and four (3,504) or 5.78% less for the 2008 - 2009 fiscal year.



Cargo vessels accounted for the vast majority of ships calling at the ports. Three thousand two hundred and twenty-two (3,222) cargo vessels called in calendar year 2007, while 2008 would see a 6.39% decline to three thousand and sixteen (3,016).

Three thousand one hundred and eighty-seven (3,187) ships called in the 2007-2008 fiscal year followed by an 8.79% decline to two thousand nine hundred and seven (2,907) for 2008-2009



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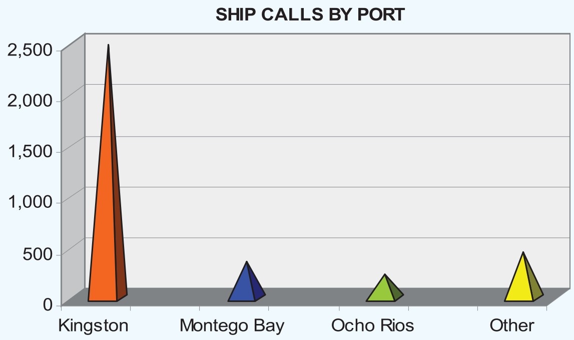
A substantial majority of the vessels continue to call at the major commercial ports in Kingston. In 2007 two thousand six hundred and fifty four (2,654) cargo ships called at Kingston, while one hundred and seventy-three (173) called at Montego Bay and fifteen (15) at Ocho Rios. A total of four hundred and seventy (470) called at all other ports.

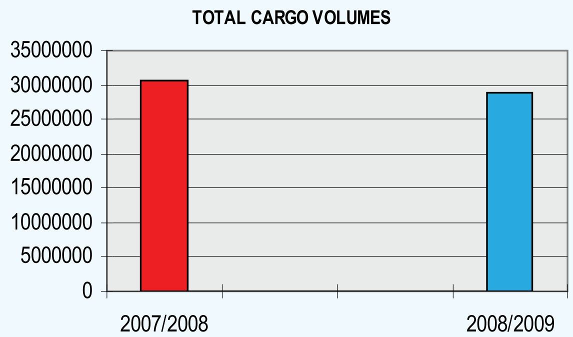
There was a 7.5% decrease to two thousand four hundred and fifty-five (2,455) in cargo vessels calling in calendar year 2008. For fiscal year 2007-2008 there were two thousand five hundred and eighty-eight (2,588) calls, followed by a 4.83% decrease to two thousand four hundred and seventy (2,470) in fiscal 2008-2009.



The total volume of cargo handled at the Country's ports in 2007 was thirty-one million four hundred and twenty-two thousand nine hundred and sixty-four (31,422,964) metric tonnes, while there was a 3.57% decline to thirty million three hundred and three thousand four hundred and sixty-eight (30,303,468) in 2008.

In the 2007-2008 fiscal year some thirty million six hundred and twenty-eight thousand seven hundred and eight (30,628,708) metric tonnes were handled at the ports. In the year under review, 2008-2009, there was a 5.63% decline to twenty-eight million nine hundred and three thousand five hundred and twenty-eight (28,903,528) metric tonnes.

The Port of Kingston handled seventeen million seven hundred and ninety-five thousand one hundred and thirty-five (17,795,135) metric tonnes of cargo in 2007, compared with the thirteen million six hundred and twenty-seven thousand eight hundred and twenty-nine (13,627,829) at all other ports combined.



In 2008 there was an 8.18% decline in the volume handled at Kingston to sixteen million three hundred and forty thousand four hundred and sixty-eight (16,340,468) metric tonnes. However, there was a 2.46% increase in the thirteen million nine hundred and sixty-three thousand three hundred and twenty (13, 963,320) metric tonnes handled by all the other ports combined.

Since its opening in August of 2008, fifty-three thousand eight hundred and seven (53,807) tonnes were reportedly handled at the port of Rio Bueno up to mid March 2009.

In calendar years 2007 and 2008 respectively, transshipment accounted for eleven million one hundred and twenty-nine thousand nine hundred and forty-one (11,129,941) and ten million one hundred and forty-three thousand five hundred and forty-one (10,143,541) metric tonnes.

In fiscal 2007-2008 the transshipment volume was ten million four hundred and twenty-three thousand two hundred and forty-two (10,423,242), an 8.86% decrease. There was however only a 0.33% decrease in 2008/2009 when transshipment accounted for ten million, three hundred and eighty-eight thousand seven hundred and two (10,388,702) metric tonnes.

Cruise Shipping

Since 2001 the Port Authority, which is responsible for the development of public ports as well as their regulation, has also been vested with responsibility for driving the cruise shipping sector.

The cruise sector too was in the 2008/2009 fiscal year under review impacted significantly by the high cost of fuel in the first half of the year, as well as the financial crisis in the U.S. and the buffeting of the international economy.

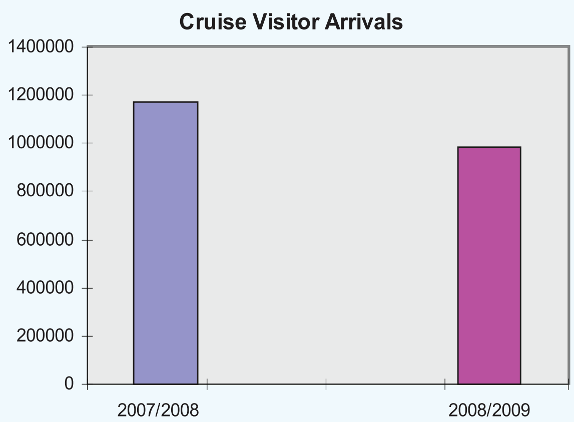
In the first half of the year the major cruise lines diverted a number of their vessels to the Mediterranean to take advantage of the better returns from the strong Euro market in which their vessels coming on stream are built. Most cruise passengers to Jamaica hail from the United States of America and with record unemployment levels characterizing the economic crisis there; it was inevitable that those conditions would also impact negatively on the cruise sector.

Arrivals in 2008 were down some 7.66% to one million and eighty thousand five hundred and eight (1,080,508) from the one million one hundred and seventy thousand one hundred and sixty (1,170,160) in calendar year 2007.

In fiscal 2007-2008 we welcomed some one million one hundred and seventy-two thousand seven hundred and forty-eight (1,172,748) cruise visitors.

With the continued global economic challenges there was a 16.06% reduction in fiscal 2008-2009 to nine hundred and eighty-four thousand four hundred and fifty-two (984,452) visitors.

That figure was 1.55% less than the projection of one million visitors that had been made for the year. The projection for fiscal year 2009/2010 is for one million (1,000,000) cruise visitors.



Vice President of Cruise Shipping and Marina Services, William Tatham (right) was presented with the awards to Jamaica as the 'World's Leading Cruise Destination' and the 'Caribbean's Leading Cruise Destination' for 2008 by the husband & wife acting team of Jonathan Silverman (Caddyshack) and Jennifer Finnagan (The Bold and the Beautiful) at the World Travel Awards held in the Turks & Caicos.

As a result, however, of the efforts in the market place by the PAJ and all local stakeholders including the Ministry of Tourism and the JHTA, the local cruise sector was not as negatively impacted as it might have otherwise been.

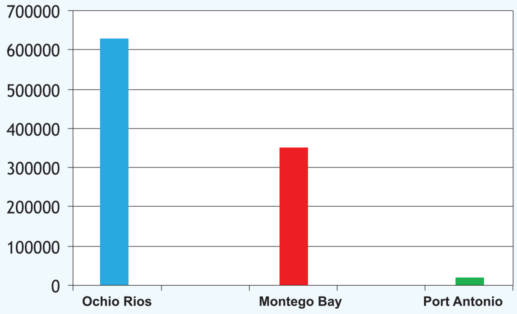
Notwithstanding the reduction in visitors last year, Jamaica continues to be one of the world's premier destinations in the hospitality industry. For the third consecutive year, in 2008 Jamaica copped the industry wide recognition as both the 'Leading Caribbean Cruise Destination' and the 'World's Leading Cruise Destination' at the World Travel Awards.

The Port of Ocho Rios continues to receive most visitors with seven hundred and forty-six thousand four hundred and eleven (746,411) in fiscal 2007-2008 with Montego Bay and Port Antonio attracting four hundred and twenty thousand and eighty-five (420,085) and six thousand one hundred and ninety five (6,195) in the same period respectively.

In 2008-2009 Ocho Rios hosted some six hundred and twenty-six thousand, seven hundred and seventy-five (626,775) visitors while Montego Bay and Port Antonio respectively accommodated three hundred and fifty-two thousand, six hundred and seventy-one (352,671) and four thousand one hundred and seventy-six (4,176) cruise passengers.

This represents a 16.03%, 16.05% and a 32.59% reduction in arrivals of cruise passengers at the ports of Ocho Rios, Montego Bay and Port Antonio respectively in the year under review.

Cruise Passenger Arrivals by Port of Call (2008/2009)



Cruise visitors to Jamaica disembarking at the Port of Ocho Rios.

The Errol Flynn Marina

During the year there were increased efforts to attract customers from the niche Yachting market to utilize the services of the Errol Flynn Marina. Those efforts have been attracting some success.

The Falmouth Cruise Ship Project

In November of 2008 a contract in the sum of US$122 million was signed between the Port Authority of Jamaica and Royal Caribbean Cruises Limited for construction of the marine side facilities of the new pier at Falmouth.

Extensive preparatory work was done in the course of the year on the proposed new cruise ship pier in Falmouth with much of the required permits preparatory to construction being obtained from the relevant agencies. The pier is being designed to accommodate the new class of mega liners now being constructed for Royal Caribbean Cruise Limited and which will accommodate five thousand seven hundred passengers and a crew of more than two thousand.

The concept calls for major work on the seaside as well as extensive development of the landside facilities all along the coast of Falmouth. Royal Caribbean is projecting that the first of this new vessel class, the Oasis of the Seas, would call at Falmouth in 2010.

Home-Porting

In December of 2008, home porting service was offered in Montego Bay to the vessel Sea Princess of P&O Nedlloyd. It is expected that similar services will be offered in the winter season of 2009.

The Focus For The 2009/2010 Fiscal Year

In the ensuing fiscal year the focus will be on:

- Improving the marketing of the cruise sector.
- Attracting one million cruise passenger arrivals.
- Completing a new long term contract with Carnival Cruise Line. The current contract, signed between the PAJ and Carnival ends this year. It was the first of its kind in Jamaica and provided for Carnival to transport a minimum of five hundred thousand, passengers per year (500,000), and a total of two million five hundred thousand (2,500,000) visitors to Jamaica over a five-year period.
- Increasing the number of vessels using Jamaica for Home-porting.
- Advancing work on the Falmouth pier.

Notwithstanding the reduction in visitors last year, Jamaica continues to be one of the world's premier destinations in the hospitality industry.

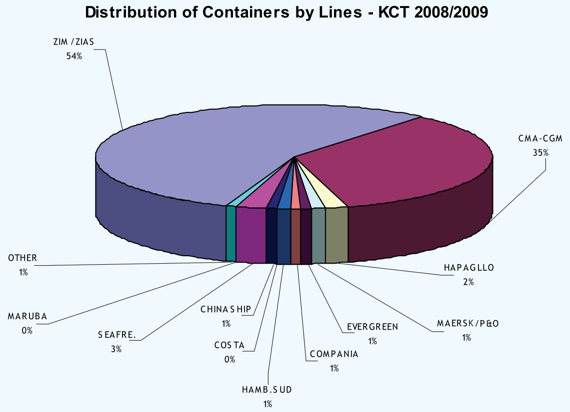
Cruise passengers in the expanded and more comfortable terminal facilities at Ocho Rios.

THE KINGSTON CONTAINER TERMINAL

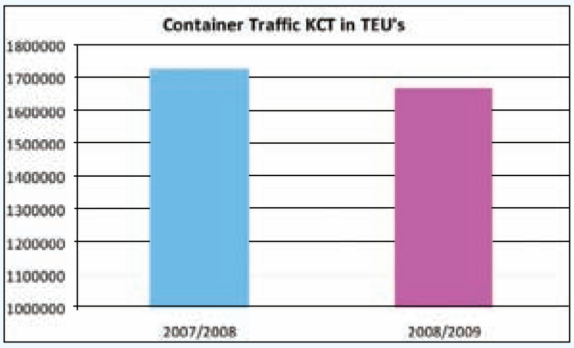
As was projected at the end of the previous year, all major works were completed under Phases 1A and 1B of the Kingston Container Terminal Expansion Project during the year under review. The Phase Five Expansion has lifted the capacity of the country's transshipment Hub port from 1.5 million TEUs (20 ft. container equivalent units) to 3.2 million TEUs.

The new western berth was officially opened in the second quarter of the fiscal year on July 12, 2008. The additional capacity provides the required room for attracting more business whenever there is an upturn in the global economy.

Just as the western berth was opened, the reduction in volumes at the KCT which began with the relocation of the Maersk Line earlier in the year, was closely followed by the global financial and economic crisis. The effect on the international shipping industry was drastic.

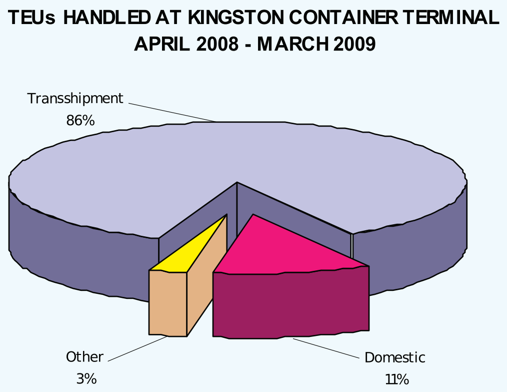


Notwithstanding the global environment affecting the industry, by the end of the financial year on March 31, 2009 we were able to curtail the downward spiral through the redoubled efforts of our international marketing team.



There was a 6.85% overall reduction in TEU throughput at the Kingston Container Terminal in calendar year 2008.

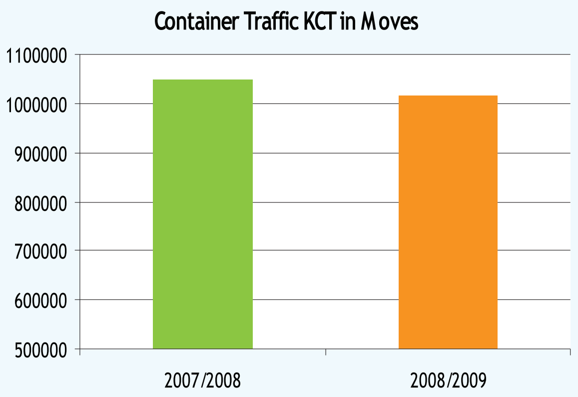
In calendar year 2007 the KCT handled one million eight hundred and seven thousand nine hundred and twenty-five (1,807,925) TEUs; while in 2008 the figure was one million six hundred and eighty-four thousand one hundred and sixteen (1,684,116).



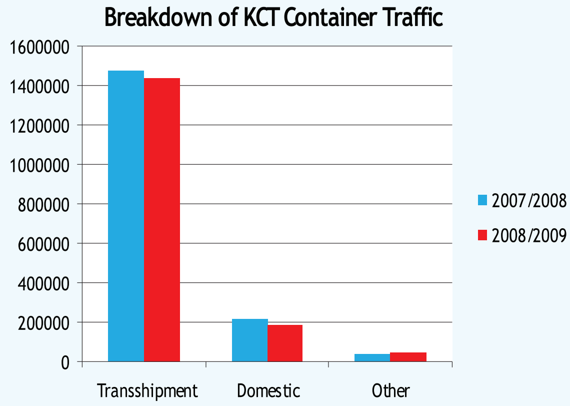
In fiscal 2007-2008 the terminal handled one million seven hundred and twenty-five thousand five hundred and thirty (1,725,530) TEUs.

The KCT would handle one million six hundred and sixty-eight thousand eight hundred and ten (1,668,810) TEUs in 2008-2009, or just 3.29% less than in fiscal 2007-2008. That figure is 2.9% less than the one million seven hundred and thirty thousand TEUs which had been projected for the 2008/2009 fiscal year. The projection is that the KCT in 2009/2010 will handle some one million seven hundred thousand TEUs (1,700,000). There were one million and forty-seven thousand one hundred and nine (1,047,109) container moves in 2007/2008 and one million and sixteen thousand one hundred and sixty-six (1,016,166) moves in 2008/2009.

An equally clear testament to the efforts to contain the fallout is the fact that the port of Kingston was able in 2008 to maintain its rating of #55 in the world's 'Top One Hundred' transshipment ports. (Containerization International)



At the close of February 2009, the Management Contract for the KCT between the Port Authority and APM Jamaica Limited came to an end after a six-year period.



A new company owned by the Port Authority, Kingston Container Terminal Services Limited (KCTS), took over the management of the Terminal. The new arrangement, from which the Authority should realize considerable savings, is a precursor to the possible divestment of the operation of the KCT.

The KCT continues its focus on increasing productivity, which will help alleviate the current economic challenges and will also place it on a better footing to take advantage of an improvement in the global economy and the international industry when the current decline ends.

Logistics

The Government and the Authority are committed to taking advantage of business opportunities through the development of multi-modal logistics/ distribution hub services involving the fast and effective movement of goods from sea to land and air and vice versa in a modern efficient manner.

The expansion of logistics services to involve the port has been under urgent consideration, in order to offer additional value added services to shipping lines using the port of Kingston. Logistics and Distribution Hub facilities are an ever increasing feature at hub ports wherein:

- Facilities are made available for the breakdown and repackaging of cargo for onward distribution;
- Provision is made for light manufacturing and/or assembly of goods;
- The logistics centre is a major marketing point for a wide variety of goods.

Throughout the year, overall operations at the port were facilitated by the continuing use of sections of the adjoining Tinson Pen property.

THE FOCUS FOR 2009/2010

In this 2009-2010 fiscal year, regarding transshipment operations and investments in the sector, the PAJ will be focusing on:

- Marketing efforts to secure arrangements leading to the increase of business at the KCT
- Handling one point seven million (1,700,000) TEUs) in 2009/2010
- Continuing the drive to increase efficiency and productivity
- Ensuring that there is continued industrial relations stability at the port
- Development of the Logistics and Distribution Hub facilities involving the port
- Maintaining and enhancing the security profile of our ports

SECURITY

ISPS Compliance

The continuing maintenance by all Marine Ports in Jamaica of their International Maritime Organisation's International Ship and Port Facility Security Code (IMO/ISPS) security certification, which was first granted in 2004, has been achieved through the establishment and pursuit of a very robust ISPS Audit Compliance Programme. **It requires that ports be visited by the ISPS Compliance Officer for:**

- Annual Audits: These are detailed audits of all areas of the PFSP of the ports
- Scheduled Interim Audits: These are conducted once per calendar year, to follow up on any weaknesses identified in the Annual Audit or issues selected by the ISPS Compliance Officer
- Spontaneous Audits: These are unannounced, and are conducted at the discretion of the PAJ or the authorized ISPS Compliance Officer.

In keeping with the requirements of the ISPS Code for all ports to be re-certified every five years, the PAJ Security Department has started the process of re-certification for all twenty ISPS certified ports. The process commenced in the latter stages of the 2008-2009 year with the ports being required to prepare and submit Port Facility Security Assessments by March 31, the end of the year.

Training

A number of training programmes to enhance security at the ports were co-ordinated by the PAJ Security Department in the course of the year.

These included:

- An Organisation of American States (OAS) sponsored security training programme for security officers from April 1-11, 2008 which included the areas of:
  1. Security Awareness
  2. Intelligence Management
  3. Container Profiling, Seven (7) Point Inspection and Concealment

A United Kingdom based company, Maritime Underwater Security Consultants (MUSC), carried out this training project through which three hundred and twenty three (323) persons from port facilities and organizations throughout the island benefited. Additionally ten (10) persons from among the senior members of the Customs Department, attended the Intelligence Management Training.

United States Coast Guard

The United States Navy, with its ship HSV2 conducted extensive training on Port Security at Boundbrook Pier between January 5-9, 2009.
Participants included personnel from:

1. The Jamaica Defence Force
2. The Jamaica Defence Force Coast Guard
3. The Port Facility Security Officers
4. The Port Authority Security Department Training Office

The training covered, Access Control, Port Safety and Security.

Canadian Maritime

Transport Canada in collaboration with the Port Authority of Jamaica and the Maritime Authority of Jamaica hosted a five-day Cruise Ship Security Workshop in December 2008 for Security Inspectors involved in maritime security inspection and enforcement.

Security Screeners

There was training for security screeners pertaining to trouble shooting and repairing of X-ray machines utilized in security checks.

Improvements to Security Measures at the KCT

At the KCT changes were made to the access control procedures to ensure that only persons on a work roster are allowed access to the port. Changes were also made to the deployment procedures for security personnel to avoid predictability regarding the deployment of specific personnel at a stipulated time.

Montego Bay

A comprehensive review of the security system was done for the Port of Montego Bay, which included the revision of the Standard Operating Procedures (SOP) for security personnel.

Megaports

Jamaica is a participating country in the Mega Port Initiative, which will result in an enhancement in the security of its two largest ports, the KCT Terminal and the Kingston Wharves Port Facility.

The Mega Ports Initiative is a key component of a layered, multi-agency approach designed to prevent terrorists from acquiring, smuggling and using dangerous nuclear materials to develop a weapon of mass destruction or radiological dispersal device in an attack against ports. To that end the first phase of the installation of state-of-the-art radiation detection equipment, used to identify radioactive material in cargo containers as they move through the Port Facility, commenced during the year. The second phase will be the deployment on the KCT of a straddle carrier type machine fitted with radiation monitors.

Interdiction

In the course of the year security officers discovered and seized a variety of contraband including narcotics, firearms and ammunition. The efforts at interdiction resulted in a number of persons being arrested and taken before the Courts.

The Focus for 2009-2010

In 2009-2010 the Security department will be focusing on:

- Enhancing the overall security of the ports.
- Continuing the programme to install equipment to detect the presence of nuclear material.
- Implementing improvements to the access control system.
- Continuing training programmes for security officers.

The Half-Way-Tree Transport Centre

During the 2008/2009 Fiscal year, a subsidiary of the PAJ, Port Authority Management Services Ltd., continued to manage the Half-Way-Tree Transport Centre, which it has done at the request of the Ministry of Transport & Works since the opening of the Centre in the previous year.

HUMAN RESOURCE AND SOCIAL PROGRAMMES

The financial year 2008-2009 has been one of the most challenging in managing human capital, due mainly to the global economic downturn and its impact on organizations worldwide. Despite this however, the Port Authority of Jamaica (PAJ) continues to make the development of its employees a major focus. With a significant reduction in the training dollars available, our focus has shifted to activities such as reviewing processes for greater efficiencies and cost savings, job enrichment, job enlargement and mentoring, among others.

Training and Development

National Council on Technical & Vocational Education and Training (NCTVET)

In November 2007, the Authority embarked on a programme of certifying employees through the National Council on Technical and Vocational Education and Training (NCTVET). The Programme commenced with an assessment of all the junior tradesmen at the Harbours Department. Nine persons were assessed and achieved competence in their area.

Educational Assistance

In keeping with the Authority's training policy, members of staff received Educational Assistance to pursue one of six undergraduate and graduate programmes of study.

Seminars

There were a number of seminars which were designed to keep members of staff abreast of the many changes taking place in the industry.

Group Health/Life Insurance

Sagicor was selected as the provider for insurance coverage for the period June 1, 2008 – May 31, 2011 and the Authority also continues to provide Life Insurance coverage to all members of staff.

Wellness Programme

Health and wellness continue to be features of our human resource programme in our ongoing initiatives through the intranet and face to face programmes to heighten awareness about health, wellness and lifestyle changes.

Two of our major features are:

1. Annual health screening during our wellness month, where all members of staff were given the opportunity to undergo various health checks on location. This information was then used as a springboard for our health education and wellness activities for the following year.

2. In keeping with the Ministry of Labour's mandate that HIV/AIDS education should be an integral component of an Occupational Health and Safety Programme of organisations in Jamaica, the HR Department has embarked on a HIV/AIDS sensitization programme.

Community Relations

The Authority continued to build relationships through its Corporate Outreach Programmes with activities including breakfast programmes for St. Michael's Primary, Trench Town Primary and Calabar All Age Schools; and Christmas Treats provided for the children of the Port Royal Basic and Trench Town Primary Schools; as well as downtown communities in the environs of the Port Authority's head office, the Hanover Street Night Shelter and Farquharson House.

Sports and Recreational Programmes

During the year, the Port Authority staff participated in various social programmes through the Sports Club. These included attendance at and participation in the annual games of the Association of Sports and Cultural Clubs of Caribbean Port Authorities (ASCCCPA), which were held in St. Lucia in May, 2008.

Minister of Transport and Works Hon. Michael Henry views an exhibit of the PAJ at a Maritime Awareness Week Exhibition put on by stakeholders in the Maritime fraternity.

Records & Information Management Programme

Significant progress has been made in relation to the exercise to classify all the records of the Port Authority. Information related to approximately twelve thousand physical file records was posted to the official database, from which descriptions and locations of each record can be easily retrieved.

Over the period, the Records & Information Management Unit hosted a Library "Open House" and Exhibition feature in recognition of the 15th anniversary of the PAJ's Library. Members of staff were the target audience, and the objectives were mainly to generate a high level of interest in and frequent utilization of the Library Services, as well as offer an opportunity for all staff to view and hear more about the history of the Port Authority and the maritime industry in general.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KINGSTON CONTAINER
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FINANCIAL REVIEW

FINANCIAL REVIEW

YEAR ENDED MARCH 31, 2009

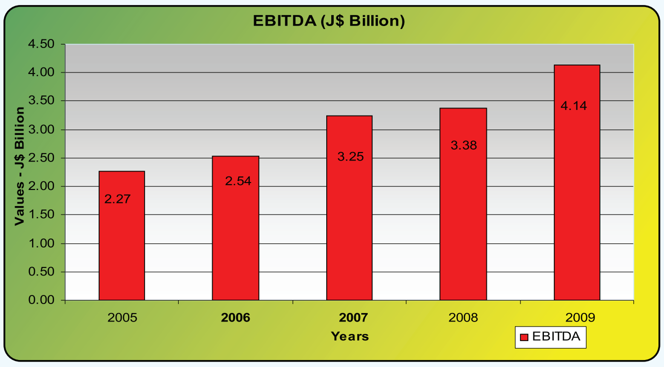
For the financial year ended March 31, 2009, the Authority posted operating surplus of $2.98 billion and after interest cost of $1.71 billion, a net surplus of $1.38 billion. When adjusted for exchange loss of $6.18 billion on foreign currency loans, there was a net deficit of $4.81 billion, a reduction of $5.84 billion when compared to a profit of $1.03 billion at March 31, 2008. Of the $6.18 billion exchange loss, approximately $5.54 billion or 90% represents unrealized translation loss.

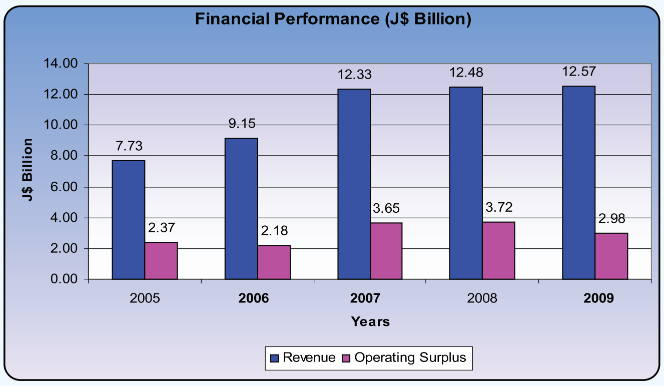
Income for the year was $12.57 billion, an increase of $90 million over the financial year ended March 31, 2008. Fees generated from the operations at Kingston Container Terminal continue to be the main contributor to income, generating a net of $8.50 billion or 67% of total income. The other sources of operating income and their relative contribution to total income were the same as at March 31, 2008, except exchange gain which increased by $759.27 million and the fair value adjustment for the Authority's investment properties decreased by $1.31 billion.

The volume of business handled by KCT declined by 3.29% relative to last year, with container moves of 1.02 million (1.67 million TEUs) compared to 1.05 million (1.72 million TEUs) at March 31, 2008. Transshipment continues to be the dominant activity; accounting for approximately 90% of the moves handled.

The Authority's core businesses were affected by the global economic crisis, which has seen the fallout in international trade, tightness in liquidity and decline in consumer spending, resulting in less than expected activities and earnings. Despite these challenges for the financial year, Earnings Before, Interest Taxes, Depreciation and Amortization (EBITDA) reflected an increase of $760 million and the Authority was able to meet its operational and loan servicing obligations on time.

Extracts of the financial performance of the Authority over the last five years is illustrated in the graphs below.





BALANCE SHEET

The asset base of the Authority grew by 5.59% or $2.2 billion to $42.13 billion at March 31, 2009. Cash and short-term deposits increased by $1.26 billion over March 31, 2008 balance of $1.51 billion, due mainly to committed funds on investments.

A Chartered Valuator undertook the valuation of the Authority's investment properties and an increase of $351.66M fair value gain was recognized in the accounts. Property, Plant and Equipment continue to be the most significant class of assets, accounting for 67.45% of the Authority's total assets base.

Debt financing continues to be the main source for financing the Authority's capital expansion programmes and this is reflected in the significant long-term loan portfolio and the high interest and finance cost shown in the financial statements. Based on our financial projections the return on capital investment will continue to be positive. Consistent with development in the shipping industry, there is a need for additional capital investment to meet projected future demand and management is pursuing alternative source of funding other than debt financing for future capital expansion.

During the year the Authority completed negotiations for refinancing a portion of its debt portfolio. This involved replacing short term debt with longer term debt, to better align with the earnings from the long term assets which the loans were used to acquire, and this should improve the Authority's cash flow. The refinancing exercise is expected to be completed in May 2009.

SUBSIDIARIES, JOINT VENTURE & ASSOCIATED COMPANIES

The Authority held investments in the following companies and at March 31, 2009 these entities had combined net assets of $1.42 billion, and made net profits of $154.24 million.

SUBSIDIARY/RELATED COMPANY	ROLE/BUSINESS UNIT MANAGED
Montego Bay Free Zone Co. Ltd	A subsidiary of the Port Authority, established to manage and operate the Montego Bay Free Zone. The PAJ has 50% ownership and the Government of Jamaica (50%)
Kingston Free Zone Co. Ltd.	A subsidiary of Port Authority, established to manage and operate the Kingston Free Zone and Portmore Informatics Park. (The PAJ has 60% ownership and the Government of Jamaica 40%)
Ports Management & Security Limited	Facilitate the maintenance of international security standards at Port of Kingston and Port of Montego Bay, and ultimately at the cruise ship ports (Company owned by PAJ, Kingston Wharves and Shipping Association of Jamaica, with PAJ as the majority shareholder. (The PAJ has 51% ownership)
Jamaica International Free zone Development Ltd	A joint venture company set up to acquire, develop and lease property for logistics/distribution and related activities.(PAJ 75% shares and ZIM-Integrated Shipping Company - 25%)
Port authority management services ltd.	A 100% subsidiary of the Port Authority, established to offer management services to agents of Government entities involved in transportation.
Boundbrook Wharves development co. ltd.	A joint venture established between the Port Authority and Banana Export Company (BECO) to refurbish and subsequently lease Boundbrook Wharf. The Port Authority has 51% ownership in this company and BECO 49%.
Security administrative ltd	A 33% associate whose primary activity is the provision of security and other related services.
montego bay cold storage	A 33% associate whose primary activity is the rental of refrigerated warehouses.

EXECUTIVE EMOLUMENTS

During the financial year, the salary scale for the Authority's Senior Executive Staff was as follows.

Category	Number of Employees	2008/2009	Number of employees	2007/2008
	$J	$J	$J	$J
President/CEO	1	15,387,000	1	13,380,000
Senior Vice Presidents	5	8,234,336 to 9,150,435	5	7,160,292 to 7,932,307
Vice Presidents	11	5,120,566 to 7,788,375	6	4,378,970 to 6,576,336

In addition, members of the Senior Executive Management Team participated in the following benefits. A medical insurance programme, for which the Authority absorbs premium costs as follows:

- 75% for overseas medical insurance, and
- 80% for local medical insurance
- The Authority's group life insurance coverage. This is non-contributory and is available to all employees.
- Gratuity at 25% of taxable emoluments paid. Gratuity is paid in lieu of a pension upon the satisfactory completion of the contract of employment.
- Payment of motor vehicle allowance in lieu of an assigned motor car. The amount paid was determined with the assistance of external consultants and was approved by the Ministry of Finance & Planning.

STATUTORY DEDUCTIONS

	$M
Balance Outstanding at 2008 April 01	18.83
Deductions - 2008 April to 2009 March	1,294.71
Balance Outstanding at 2009 March 31	19.05

AUDITORS' REPORT & FINANCIAL STATEMENTS 2008 - 2009

Deloitte.

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CONTINUING TO BE ONE STEP AHEAD

INDEPENDENT AUDITORS' REPORT

To the directors of
THE PORT AUTHORITY

Report on the financial statements
We have audited the financial statements of The Port Authority (the Authority), set out on pages 29 to 76, which comprise the balance sheet as at March 31, 2009, the income statement, statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Port Authority Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at March 31, 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Port Authority Act
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Deloitte & Touche
Chartered Accountants

Kingston, Jamaica
July 2, 2009

Carey O. Metz, Audley L. Gordon, Winston G. Robinson, Fagan E. Calvert, Gihan C. deMel
Consultants: T. Sydney Fernando, Donald S. Reynolds.

Member of
Deloitte Touche Tohmatsu

Balance Sheet at March 31, 2009

	Notes	2009 $'000	2008 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	28,415,954	28,887,961
Investment properties	6	7,010,730	6,659,073
Intangible assets	7	9,985	12,801
Investments in subsidiary, joint venture and associated companies	8	20,700	20,700
Other investments	9	569,171	539,794
Long-term receivables	10	219,774	225,021
		36,246,314	36,345,350
Current assets			
Inventories	11	778,135	714,717
Trade and other receivables	12	2,328,684	1,324,130
Cash and short-term deposits	13	2,776,846	1,514,939
		5,883,665	3,553,786
Total assets		42,129,979	39,899,136
EQUITY AND LIABILITIES			
Government equity			
Reserves	14	6,227,037	6,225,148
Surplus on income statement		1,709,335	6,519,443
		7,936,372	12,744,591
Non-current liabilities			
Long-term liabilities	15	29,568,461	21,662,509
Deferred income	16	277,545	300,285
Retirement benefit liability	17	31,221	34,811
		29,877,227	21,997,605
Current liabilities			
Trade payables and accruals	18	1,323,851	1,690,409
Current portion of long-term liabilities	15	2,791,227	3,329,334
Provisions	19	108,727	90,291
Bank overdraft (unsecured)		92,575	46,906
		4,316,380	5,156,940
Total equity and liabilities		42,129,979	39,899,136

The Notes on Pages 33 to 76 form an integral part of the Financial Statements.

The financial statements on Pages 29 to 76 were approved and authorized for issue by the Board of Directors on and are signed on its behalf by:

July 2, 2009

N.A. Hylton,
President

Gregory Shirley,
Director

Income Statement Year Ended March 31, 2009

	Notes	2009 $'000	2008 $'000
Income	20	12,567,604	12,477,470
Expenses			
Administration		1,377,405	1,210,296
Marine operations		8,212,720	7,549,888
		9,590,125	8,760,184
		2,977,479	3,717,286
Interest income	22	105,643	81,604
Finance charges and interest on loans	21	(1,707,748)	(1,367,321)
		1,375,374	2,431,569
Loss on exchange on foreign currency loans		(6,183,593)	(1,396,863)
NET (DEFICIT) SURPLUS	22	(4,808,219)	1,034,706

The Notes on Pages 33 to 76 form an integral part of the Financial Statements.

Statement of Changes in Equity Year Ended March 31, 2009

(Expressed in $'000)

	Note	RESERVES General 14(a) $	Capital 14(b) $	Development 14(c) $	Equalization 14(d) $	Stabilization Fund 14(e) $	Fixed Assets Replacement 14(f) $	Insurance 14(g) $	Wharfage 14(h) $	Total Reserves $	Surplus on Income Statement $	Total $
Balance at April 1, 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
Surplus for the year		-	-	-	-	-	-	-	-	-	1,034,706	1,034,706
Total recognized income and expense		-	-	-	-	-	-	-	-	-	1,034,706	1,034,706
Transfer to reserves of managed operations		-	-	-	-	-	19,787	-	30,477	50,264	(50,264)	-
Amounts utilized		-	-	-	-	-	-	-	(32,415)	(32,415)	32,415	-
Balance at March 31, 2008		359,450	5,083,337	305,150	1,630	32	421,004	37,500	17,045	6,225,148	6,519,443	12,744,591
Deficit for the year		-	-	-	-	-	-	-	-	-	(4,808,219)	(4,808,219)
Total recognized income and expense		-	-	-	-	-	-	-	-	-	(4,808,219)	(4,808,219)
Transfer to reserves of managed operations		-	-	-	-	-	23,251	-	21,348	44,599	(44,599)	-
Amounts utilized		-	-	-	-	-	(15,368)	-	(27,342)	(42,710)	42,710	-
Balance at March 31, 2009		359,450	5,083,337	305,150	1,630	32	428,887	37,500	11,051	6,227,037	1,709,335	7,936,372

The Notes on Pages 33 to 76 form an integral part of the Financial Statements.

Statement of Cash Flow Year Ended March 31, 2009

	2009 $'000	2008 $'000
OPERATING ACTIVITIES		
Net (Deficit) Surplus	(4,808,219)	1,034,706
Non-cash items included in net (deficit) surplus:		
Interest income	(105,643)	(81,604)
Foreign exchange loss adjustment	5,952,917	1,333,986
Finance cost	1,707,748	1,367,321
Impairment loss recognized on trade receivables	5,982	1,613
Change in fair value of investment property	(351,657)	(1,665,062)
Depreciation and amortization	1,506,540	1,338,910
Gain on disposal of property, plant and equipment	(374)	(13,371)
Impairment of property, plant and equipment	-	98
Adjustment to property, plant and equipment	91,343	1,651
Increase in provisions	51,737	42,857
Amortization of deferred income	(22,740)	(22,741)
Post retirement benefit liability	3,764	5,998
	4,031,398	3,344,362
(Increase) Decrease in operating assets		
Trade and other receivables	(987,182)	75,731
Inventories	(63,418)	(168,748)
(Decrease) Increase in operating liabilities		
Trade payables and accruals	(366,558)	357,980
Provisions utilized	(33,301)	(30,806)
Contributions to defined benefit and retiree medical plans	(7,354)	(2,857)
Cash generated by operations	2,573,585	3,575,662
Interest paid	(1,574,150)	(1,356,538)
Cash provided by operating activities	999,435	2,219,124
INVESTING ACTIVITIES		
Interest received	104,572	79,039
Increase in long-term receivables	6,987	(9,099)
Advances (to) from related parties	(25,094)	17,154
Other investments (net)	(28,306)	(127,102)
Acquisition of intangible assets	(1,503)	(8,028)
Proceeds on disposal of investment property	-	36,035
Acquisition of property, plant and equipment	(1,121,615)	(4,011,842)
Proceeds on disposal of property, plant and equipment	432	13,393
Cash used in investing activities	(1,064,527)	(4,010,450)
FINANCING ACTIVITIES		
Receipt of long-term loans	8,147,090	6,853,859
Repayment of long-term loans	(7,215,356)	(4,587,553)
Decrease in prepaid credit insurance	118,920	76,264
Cash provided by financing activities	1,050,654	2,342,570
NET INCREASE IN CASH AND CASH EQUIVALENTS	985,562	551,244
OPENING CASH AND CASH EQUIVALENTS	1,468,033	853,912
Effect of foreign exchange rate changes	230,676	62,877
CLOSING CASH AND CASH EQUIVALENTS	2,684,271	1,468,033
Cash and cash equivalents comprise:		
Cash and short-term deposits	2,776,846	1,514,939
Bank overdrafts	(92,575)	(46,906)
	2,684,271	1,468,033

The Notes on Pages 33 to 76 form an integral part of the Financial Statements.

Notes to the Financial Statements Year Ended March 31, 2009

1 IDENTIFICATION

The Port Authority (the Authority) is a statutory body, incorporated in Jamaica by the Port Authority Act (Last updated 1972). Its principal objectives are to provide and regulate port facilities in Jamaica. The registered office of the Authority is at 15 Duke Street, Kingston.

The financial statements include the assets and liabilities and income and expenditure relating to the Authority's managed activities at the container terminal, wharves and cruise ship piers as well as its tug operations.

Consolidated financial statements of the Group (the Authority and its subsidiaries) are also prepared and reported on separately.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations effective in the current year
In the current year IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures on reclassification of financial assets effective July 1, 2008. These amendments permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivable category a financial asset that would have met the definition of loans and receivables and the entity has the intention and ability to hold that financial asset for the foreseeable future or to maturity.

Two interpretations issued by the International Financial Reporting Interpretations Committee are also effective for the current period. These are:

IFRIC 12	Service Concession Arrangements
IFRIC 14: IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the amended Standards and Interpretations has not resulted in changes to the Authority's accounting policies, nor the amounts reported for the current or prior years.

Standards and Interpretations in issue not yet effective
At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective for the financial period being reported upon:

		Effective for annual periods beginning on or after
New Standard		
IFRS 8	Operating Segments	January 1, 2009
Amendments to Standards		
IAS 1, 8, 10, 16, 18, 19, 20, 23, 27, 28, 29, 31, 36, 38, 39, 40, 41 and IFRS 7 (Revised)	Amendments resulting from May 2008 Annual Improvements to IFRS	January 1, 2009
IAS 1, 7, 17, 36, 39, IFRS 5 and 8 (Revised))	Amendments arising from April 2009 Annual Improvements to IFRS	January 1, 2010
IAS 1 and 32 (Revised)	Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 27, 28, and 31 (Revised)	Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 1 (Revised)	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income	January 1, 2009

Notes to the Financial Statements Year Ended March 31, 2009

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

Standards and Interpretations in issue not yet effective (Cont'd)

		Effective for annual periods beginning on or after
Amendments to Standards (Cont'd)		
IAS 23 (Revised)	Borrowing costs – Comprehensive revision to prohibit immediate expensing of borrowing costs in respect of qualifying assets	January 1, 2009
IAS 27 (Revised)	Consolidated and Separate Financial Statements / Amendment relating to cost of an investment on first-time adoption	January 1, 2009
IAS 38 (Revised)	Intangible assets – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IAS 39 (Revised)	Eligible Hedged Items	July 1, 2009
IAS 39 and IFRIC 9 (Revised)	Embedded Derivatives	(i)
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards - Amendment relating to cost of an investment on first-time adoption	January 1, 2009
IFRS 2 (Revised)	Share-based Payment:	
	– Amendment relating to vesting conditions and cancellations	January 1, 2009
	– Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
	– Amendments relating to group cash-settled share-based payment transactions	January 1, 2010
IFRS 3 (Revised)	Business Combinations – Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5 (Revised)	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRS	July 1, 2009
IFRS 7 (Revised)	Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk	January 1, 2009
New and Revised Interpretations		
IFRIC 9 (Revised)	Reassessment of Embedded Derivatives – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 16 (Revised)	Hedges of a Net Investment in a Foreign Operation – Amendments arising from April 2009 Annual Improvements to IFRS	July 1, 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 18	Transfer of Assets from Customers	(ii)

(i) - effective for annual periods ending on or after June 30, 2009.
(ii) - effective for transfers received on or after July 1, 2009.

The Board of Directors and management believe that the adoption of the following Standards and Interpretations in the future periods at their effective dates will be relevant to the financial statements of the Authority.

Notes to the Financial Statements Year Ended March 31, 2009

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont'd)

New and Revised Standards and Interpretations considered relevant

- Amendments specifically to *IAS 1, 8, 10, 16, 18, 19, 20, 23, 27, 28, 31, 36, 38, 39, 40 and IFRS 7*, resulting from the May 2008 Annual Improvements to IFRS are not expected to have a significant impact on the Authority's financial statements on adoption at their respective effective dates.

- Amendments specifically *to IAS 1, 7, 17, 36 and 39,* resulting from the April 2009 Annual Improvements to IFRS are not expected to have a significant impact on the Authority's financial statements on adoption at their respective effective dates.

- *IAS 1 (Revised 2007) - Presentation of Financial Statements* – IAS 1, among other things, affects the presentation of owner changes in equity and comprehensive income. It requires the presentation of all non-owners changes in equity (comprehensive income) in one or two statements; either in a single statement of comprehensive income, or in an income statement and a statement of comprehensive income. On adoption at its effective date, the standard will result in a change in the presentation of the Authority's income statement and the statement of changes in equity.

- *IAS* 23 *(Revised) - Borrowing Costs* - The revision removes the option of either capitalizing borrowing costs relating to qualifying assets or expensing these borrowing costs. The revised standard requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. The adoption of this revised standard at its effective date is not expected to have a significant impact on the Authority's financial statements.

- The amendments to *IAS 39 and IFRIC 9, Embedded Derivatives*, clarify the accounting for embedded derivatives when a financial asset is reclassified out of the 'fair value through profit or loss' (FVTPL) category as permitted by the October 2008 amendments to IAS 39, *Financial Instruments: Recognition and Measurement*. These amendments are not expected to have any significant impact on the Authority's financial statements.

- *IFRS* 3 *(Revised) Business Combinations - The revision to IFRS 3 and the consequential amendments to IAS* 27 *Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures,* remove the scope exclusions for business combinations involving two or more mutual entities and business combinations in which separate entities are brought together to form a reporting entity by contract alone without the obtaining of an ownership interest. These revised standards are not expected to have any significant impact on the Authority's financial statements.

- The amendment to *IFRS 7, Financial Instruments: Disclosure*, requires enhanced disclosures about fair value measurements and liquidity risk. On adoption at its effective date, the amendment will result in expanded disclosures in respect of fair value measurements recognized on the balance sheet and will restrict liquidity risk disclosures to financial liabilities that are settled by delivering cash or another financial asset.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Authority's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and the requirements of the Port Authority Act.

Basis of preparation

The financial statements have been prepared under the historical cost basis except for the revaluation of investment properties and available-for-sale investments.

These financial statements are expressed in Jamaican dollars.

Notes to the Financial Statements Year Ended March 31, 2009

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Assets in the course of construction for operations, rental or administrative purposes, or for purposes not yet determined are carried at cost less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Authority's accounting policy (See Borrowing costs at Page 42). Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful life and depreciation method are reviewed at the end of each annual reporting period with the effect of any change in estimate being accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the shorter of the term of the relevant lease and its useful life.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in income.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction cost. Subsequent to initial recognition investment properties are measured at their fair values. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise.

Intangible assets

This represents application software acquired and is stated at cost less any accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis so as to write off the cost over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of tangible and intangible assets

At each balance sheet date, the Authority reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the Financial Statements Year Ended March 31, 2009

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Impairment of tangible and intangible assets (Cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement unless the relevant asset is carried at a revalued amount in which case the reversal of impairment loss is treated as a revaluation increase.

Investments in subsidiary and associated companies

These are stated at acquisition cost.

The carrying amount of such investments is reduced to recognise any impairment in the value of individual investments.

A subsidiary is an enterprise controlled by the Authority. Control is achieved where the Authority has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An associate is an entity over which the Authority has significant influence and that is neither a subsidiary nor an interest in a joint venture (See Interest in joint venture below). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Interest in joint venture

A joint venture is a contractual arrangement whereby the Authority and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest is referred to as jointly controlled entity. The Authority reports its interest in jointly controlled entities at cost less any provision for impairment.

Inventories

These are stated at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale.

Financial Instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets of the Authority include any asset that is:

(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right:

  (i) to receive cash or another financial asset from another entity; or
  (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Authority.

Notes to the Financial Statements Year Ended March 31, 2009

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial Instruments (Cont'd)

Financial liabilities of the Authority include any liability that is a contractual obligation:

(i) to deliver cash or another financial asset to another entity; or
(ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Authority.

Financial assets and financial liabilities are generally recognized on the Authority's balance sheet when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire; or the Authority transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognizes a collateralized borrowing for the proceeds received. Financial liabilities are derecognized when and only when, the Authority's contractual obligations are discharged, cancelled or they expired.

Financial liabilities issued by the Authority are classified according to the substance of the contractual arrangements entered into.

The fair values of the financial instruments are discussed in Note 27.

Listed below are the Authority's financial assets and liabilities and the specific accounting policies relating to each.

Financial assets

Investments are recognized on a trade-date basis and are initially measured at fair value net of transaction costs.

Financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

a) *Other investments and long-term receivables*

Loans and receivables

Trade receivables, loans, long-term receivables and other receivables that have fixed term or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are measured at amortized cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate. The effective interest method is a method of calculating the amortized cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or where appropriate, a shorter period.

Available-for-sale investments

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or market prices. They are initially recognized at fair value and subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Gains and losses arising from changes in fair value of available-for-sale securities are recognized directly in fair value and other reserves with the exception of impairment losses, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets, which are recognized directly in profit or loss. When the securities are disposed of or determined to be impaired, the related accumulated unrealized gains or losses previously included in fair value and other reserves are included in the profit or loss for the period. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognized directly in the Income Statement. Where fair values cannot be determined for unquoted available-for-sale equity securities, these are recorded at cost.

Notes to the Financial Statements Year Ended March 31, 2009

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial assets (Cont'd)

a) *Other investments and long-term receivables (Cont'd)*

Available-for-sale investments (Cont'd)

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and the other changes recognized in fair value and other reserves. The available-for-sale securities held by the Authority include unquoted shares and unsecured debenture.

b) *Receivables (short-term)*

These are measured at initial recognition at their fair values. Interest is not charged on outstanding balances as they are expected to be settled within a short period during which recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognized in income when there is objective evidence that the asset is impaired.

c) *Cash and cash equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and bank balances and investments in securities less bank overdraft, that are held to meet short-term cash requirements rather than for investment purposes.

d) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired if there is objective evidence that as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the asset have been impacted.

For shares classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including long-term receivables objective evidence of impairment would include a significant financial difficulty of the issuer or counterparty; or default or delinquency in the interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Authority's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously provided for reduce the amount of the allowance account. Changes in the carrying amount of the allowance account are recognized in the income statement. Recoveries of amounts previously written off are credited to income.

For financial assets carried at amortized cost the allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Notes to the Financial Statements Year Ended March 31, 2009

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Financial Instruments (Cont'd)

Financial assets (Cont'd)

d) *Impairment of financial assets (Cont'd)*

For available-for-sale investments (with the exception of equity instruments), if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what amortised cost would have been had impairment not been recognized. In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in government equity.

Financial liabilities

a) *Borrowings*

Interest bearing loans and overdrafts are initially measured at fair value net of transaction costs and are subsequently remeasured at amortised cost, using the effective interest rate method with interest expense recognized on an effective yield basis. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Authority's accounting policy for borrowing costs (See Borrowing costs Page 42).

b) *Payables*

These are initially measured at their fair values net of transaction costs. No interest is charged on outstanding balances and these are usually settled within a short period during which interest charged would be immaterial.

Reserves

At the discretion of the Board of Directors, transfers are made from the accumulated surplus on the income statement to reserves to provide for the expansion and/or improvement in port facilities.

Deferred income - Government grants

Government grants are not recognized until there is reasonable assurance that the Authority will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary conditions is that the Authority should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the balance sheet and transferred to the income statement on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the period necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Employee benefits

Pension

The Authority operates two pension plans:

i) Defined contribution plan

A defined contribution plan that provides post retirement benefits that are based on the value of accumulated contributions and interest earned. The plan is funded by contributions from employees and employer with employees contributing 5% of annual salary (with the option of increasing this up to 10%) and the Authority contributing 10% of annual salary. These costs are charged as expenses as they fall due. The Authority bears no obligation for the provision of benefits beyond the terms of the plan.

Notes to the Financial Statements Year Ended March 31, 2009

3 **SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Employee benefits (Cont'd)

Pension (Cont'd)

(ii) Defined benefit plan

The Authority has established a pension scheme for its employees (in its employ prior to March 31, 2005) that is administered by Trustees and managed by Guardian Life Limited. The Scheme's assets are separately held and the Scheme is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 5%) and employer contributions as recommended by independent actuaries.

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out every three years with interim valuations as required by the Trustees. Actuarial gains and losses that exceed 10% of the greater of the present value of the Authority's obligation and the fair value of plan assets are recognized in full. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Other post-retirement obligations

The Authority also provides retiree medical and group life benefits to certain retired employees of a company that previously managed one of its operations. The cost of providing these benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the present value of the Authority's unfunded defined benefit obligation are recognized in full.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost plus the present value of available refunds and reductions in future contributions to the plan.

Termination obligations

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve (12) months after the balance sheet date are discounted to present value.

Leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. An accrual is made for the estimated liability for annual leave for services rendered by employees up to the balance sheet date.

Related party identification

A party is considered related if:

(i) directly or indirectly through one or more intermediaries, one party is able to exercise control or significant influence over the other party;

Notes to the Financial Statements Year Ended March 31, 2009

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related party identification (Cont'd)

(ii) both parties are subject to common control or significant influence from the same source;

(iii) the party is a member of key management personnel of the entity, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the entity, including directors, officers and close members of the families of these individuals; or

(iv) the party is a post-employment benefit plan for the benefit of the employees of the entity.

Related party transactions are initially recorded at agreed group rates and interest is not charged since settlement is anticipated in the near future.

Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that the Authority will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts recoverable for services provided in the normal course of business, net of discounts and sales related taxes.

Revenue in respect of the provision of services is recognized when service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease.

Dividend income is recognized when the Authority's rights to receive payments have been established.

Lease to Kingston Freezone Company Limited

Deferred lease income is credited to income in equal annual amounts over the first period of the lease (40 years) which commenced February 1982.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Notes to the Financial Statements Year Ended March 31, 2009

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Authority operates (its functional currency).

Transactions in currencies other than the Jamaican dollar are recorded at the rates of exchange prevailing on the dates of those transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing at the balance sheet date.

Non-monetary items that are measured in terms of historical costs in foreign currency are not re-translated. All exchange gains and losses are recognized in profit or loss for the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where such exchange differences are regarded as an adjustment to interest cost on foreign currency borrowings.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>The Authority as lessor</u>
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Authority's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Authority's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Authority's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (See below), that management has made in the process of applying the Authority's accounting policies and that have the most significant impact on the amounts recognized in the financial statements.

Assets leased to subsidiary company

Assets totalling $1.7 billion have been leased to a subsidiary company (Ports Management and Security Co. Ltd.). It is management's view that the substantial risks and rewards incidental to ownership of these assets still lies with the Authority and the lease is therefore treated as an operating lease in the financial statements.

Investment property

Land held in Montego Bay valuing $1.779 billion was classified as investment property because the future usage of this land is undetermined. During the financial year ended March 31, 2009, a fair value gain of $236.6 million on this land was included in the income statement.

Notes to the Financial Statements Year Ended March 31, 2009

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)**

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Property, plant and equipment

Management estimates that with routine maintenance, dredging of the sea channel (capitalized and having a carrying value of approximately $565.48 million at March 31, 2009) has a useful life of approximately 20 years.

Employee benefit – retiree medical and group life plan

As disclosed in Note 17, the Authority operates a defined benefit pension plan and provides health benefits to certain retired employees of a company that previously managed one of its operations. The amounts shown in the balance sheet of an asset of approximately $0.26 million in respect of the defined benefit plan and a liability of approximately $31.48 million in respect of the retiree medical and group life plan are subject to estimates in respect of periodic costs which costs would be dependent on future returns on assets, future discount rates, rates of salary increases and inflation rates in respect of the pension plan, and rates of increases in health cost for the retiree medical and group life plan. Actuaries are contracted by the Authority in this regard.

The discount rates which are used to determine the present value of estimated cash outflows expected to be required to settle any future pension, medical and health obligation is determined at each balance sheet date by actuarial valuations.

The cost of benefits is derived using premium rates supplied by the company to which the retired employees were previously employed. For the benefit schemes, the benefit is derived using information supplied by the Authority and the Fund managers in relation to full members of the scheme.

Judgement is also exercised in determining the proportionate share of the health obligation and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions to the plan.

Notes to the Financial Statements Year Ended March 31, 2009

5 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land $'000	Freehold Buildings $'000	Tugs, Cranes, Trailers, Straddle Carriers, Vessels and other Equipment $'000	Lighting, Docks, Berths 10 and 11 $'000	Infrastructure $'000	Dredging $'000	Furniture and Office Equipment $'000	Computers $'000	Motor Vehicles $'000	Capital Works-in Progress $'000	Total $'000
At cost											
April 1, 2007	5,911,245	979,557	11,164,596	4,976,621	2,496,683	942,613	71,183	132,020	112,424	4,856,836	31,643,778
Additions	42	15,269	2,765,387	338,233	737,738	-	4,872	13,411	14,599	122,291	4,011,842
Disposals	-	-	-	-	-	-	(21)	(56)	(1,400)	-	(1,477)
Write-off	(31)	-	-	-	-	-	-	-	-	(67)	(98)
Transfer from works-in-progress	109,238	32,304	84,368	-	249,541	-	18,193	-	-	(493,644)	-
Transfer to investment property (Note 6)	(109,238)	-	-	-	-	-	-	-	-	-	(109,238)
Adjustment	-	-	40	-	-	-	-	(239)	-	(1,452)	(1,651)
March 31, 2008	5,911,256	1,027,130	14,014,391	5,314,854	3,483,962	942,613	94,227	145,136	125,623	4,483,964	35,543,156
Additions	-	-	6,156	-	296		2,499	11,873	7,460	1,093,331	1,121,615
Disposals	-	-	-	-	-	-	-	(483)	(3,228)	-	(3,711)
Transfer from works-in-progress	10,327	691	326,420	-	-	-	-	13,113	-	(350,551)	-
Transfer to intangible asset (Note 7)	-	-	-	-	-	-	-	(13,113)	-	-	(13,113)
Adjustment (Note 5(g))	-	-	-	-	-	-	(15)	-	-	(91,328)	(91,343)
March 31, 2009	5,921,583	1,027,821	14,346,967	5,314,854	3,484,258	942,613	96,711	156,526	129,855	5,135,416	36,556,604
Depreciation											
April 1, 2007	-	154,996	3,504,993	785,032	427,945	269,743	34,287	82,165	70,029	-	5,329,190
Charge for year	-	33,457	862,881	133,453	201,028	53,697	10,615	17,282	15,047	-	1,327,460
On disposals	-	-	-	-	-	-	(21)	(34)	(1,400)	-	(1,455)
March 31, 2008	-	188,453	4,367,874	918,485	628,973	323,440	44,881	99,413	83,676	-	6,655,195
Charge for year	-	34,524	1,039,540	133,260	179,230	53,697	10,154	16,101	22,602	-	1,489,108
On disposals	-	-	-	-	-	-	-	(426)	(3,227)	-	(3,653)
March 31, 2009	-	222,977	5,407,414	1,051,745	808,203	377,137	55,035	115,088	103,051	-	8,140,650
Net book value											
March 31, 2009	5,921,583	804,844	8,939,553	4,263,109	2,676,055	565,476	41,676	41,438	26,804	5,135,416	28,415,954
March 31, 2008	5,911,256	838,677	9,646,517	4,396,369	2,854,989	619,173	49,346	45,723	41,947	4,483,964	28,887,961

Notes to the Financial Statements Year Ended March 31, 2009

5 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

(a) The following useful lives are used in the calculation of depreciation:

Buildings	-	20 - 40 years
Machinery and equipment	-	10 - 25 years
Vessels	-	20 years
Lighting, docks and berths	-	20 - 40 years
Infrastructure and dredging	-	15 - 20 years
Furniture and office equipment	-	10 years
Computers	-	3 - 7 years
Motor vehicles	-	5 years

(b) Property, plant and equipment stated at deemed cost based on valuations as permitted under IFRS 1 are as follows:

- Land

  Land included at $3.3 billion was valued at March 31, 2002 by Allison Pitter and Company, Chartered (Valuation) Surveyors.

- Freehold buildings

  Freehold buildings included at $52.94 million were valued at March 31, 2002 by Allison Pitter and Company, Chartered (Valuation) Surveyors.

- Port equipment, plant and machinery

  Port equipment, plant and machinery included at depreciated replacement cost of $1.02 billion were valued by Deryck A. Gibson, Licensed Real Estate Appraisers, at March 31, 2000.

- Lighthouses, harbour lights, beacons including associated buildings located in Westmoreland, St. Elizabeth, St. Thomas, Clarendon, Portland, St. Mary and Port Royal included at $165 million were valued by Winston Madden for Commissioner of Land (Valuation) in February 2003 on the transfer of these assets to the Authority by the Government of Jamaica.

All valuations which, except otherwise stated, were at market value were recorded at the respective dates of valuation.

Subsequent additions are stated at cost.

(c) Capitalised interest included in property, plant and equipment acquired during the year amounted to approximately $35.857 million (2008 - $191.348 million) (Note 21).

(d) There are charges over certain property, plant and equipment as security for some long-term liabilities. (Note 15(c)).

(e) Included in property, plant and equipment is land with a carrying value of approximately $1.6 billion for which the Authority does not hold a registered title, as the legal formalities in this regard have not been completed.

(f) The Authority self insures straddle carriers with a carrying value of $1.494 billion.

(g) This relates to impairment resulting from the abandonment of a Container Position Information System project at the Container Terminal.

Notes to the Financial Statements Year Ended March 31, 2009

6 INVESTMENT PROPERTIES

	$'000
Fair values	
Land (Note 6(a))	
Balance, April 1, 2007	3,395,093
Transfers (Note 5)	109,238
Increase in fair value	879,977
Balance, March 31, 2008	4,384,308
Transfer (below)	(48,100)
Increase in fair value	146,064
Balance, March 31, 2009	4,482,272
Buildings (Note 6(b))	
Balance, April 1, 2007	1,525,715
Disposals	(36,035)
Increase in fair value	785,085
Balance, March 31, 2008	2,274,765
Transfer (above)	48,100
Increase in fair value	205,593
Balance, March 31, 2009	2,528,458
Carrying amount:	
March 31, 2009	7,010,730
March 31, 2008	6,659,073

(a) Investment Properties (Land)

Comprise mainly land retained for future development.

(b) Investment Properties (Buildings)

Comprise commercial and office buildings held for long-term rental and are not occupied by the Authority.

(c) Fair value of Investment Properties

The fair value of the Authority's investment properties at March 31, 2009 has been arrived at on the basis of valuations carried out during April 2009 by C. D. Alexander Realty Company Limited independent valuers not connected with the Authority. C. D. Alexander Realty Company Limited are licensed real estate valuers with the Real Estate Board, and have appropriate qualifications and recent experience in the valuation of properties in relevant locations. The valuations, which conform to International Valuation Standards, were arrived at by the reference to market evidence of transaction prices for similar properties.

(d) The property rental income earned by the Authority from its investment properties all of which are leased under operating leases amounted to $104.11 million (2008: $91.13 million). Direct operating expenses arising in the investment properties during the period amount to $13.55 million (2008: $1.097 million).

Notes to the Financial Statements Year Ended March 31, 2009

7 INTANGIBLE ASSETS

	$'000
Cost	
Balance, April 1, 2007	46,225
Additions	8,028
Balance, March 31, 2008	54,253
Additions	1,503
Transfer (Note 5)	13,113
Balance, March 31, 2009	68,869
Amortisation	
Balance, April 1, 2007	30,002
Charge for year	11,450
Balance, March 31, 2008	41,452
Charge for the year	17,432
Balance, March 31, 2009	58,884
Carrying amount:	
March 31, 2009	9,985
March 31, 2008	12,801

This consists primarily of software purchased, the costs of which are being amortized over a period of three years.

8 INVESTMENTS IN SUBSIDIARY, JOINT VENTURE AND ASSOCIATED COMPANIES

	2009 $'000		2008 $'000	
Shares at cost				
Subsidiary companies				
Kingston Free Zone Co. Ltd.	13,327		13,327	
Montego Bay Freezone Co. Ltd.	-	*	-	*
Ports Management and Security Ltd.	-	**	-	**
Jamaica International Free Zone Co. Ltd.	-	***	-	***
Port Authority Management Services	-	****	-	****
	13,327		13,327	
Joint venture				
Boundbrook Wharves Development Company	-	*****	-	*****
Associated companies				
Security Administrators Ltd.	7,353		7,353	
Montego Bay Cold Storage	20		20	
	7,373		7,373	
Total investments in subsidiary, joint venture and associated companies	20,700		20,700	

* Denotes 1 ordinary share at a cost of $1.00
** Denotes 2 ordinary shares at a cost of $2.00
*** Denotes 75 ordinary shares at a cost of $75.00
**** Denotes 500 ordinary shares at a cost of $500
***** Denotes 102 ordinary shares at a cost of $102

Notes to the Financial Statements Year Ended March 31, 2009

8 INVESTMENTS IN SUBSIDIARY, JOINT VENTURE AND ASSOCIATED COMPANIES (Cont'd)

(a) Details of the subsidiaries as at March 31, 2009 are as follows:

Name of subsidiaries	Place of Incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Date of last Unaudited Financial statements	Principal Activity
Kingston Free Zone Company Limited	Jamaica	60%	60%	March 31, 2009	Rental of warehouses and property management.
Montego Bay Free Zone Co. Ltd.	Jamaica	50%	50%	March 31, 2009	Rental of offices and factory space and property management.
Port Management and Security Limited	Jamaica	51%	51%	March 31, 2009	Provision of security at ports.
Jamaica International Freezone Development Limited	Jamaica	75%	75%	March 31, 2009	Acquiring, developing and leasing property for the purpose of logistics and distribution activities.
Port Authority Management Services	Jamaica	100%	100%	March 31, 2009	Managing Half-Way-Tree Transport Centre on behalf of the Ministry of Transport and Works

(b) Details of the joint venture as at March 31, 2009 are as follows:

Name of joint venture	Place of Incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Date of last Unaudited Financial statements	Principal Activity
Boundbrook Wharves Development Ltd.	Jamaica	51%	51%	March 31, 2009	Rehabilitation and leasing of Boundbrook Wharf.

Notes to the Financial Statements Year Ended March 31, 2009

8 INVESTMENTS IN SUBSIDIARY, JOINT VENTURE AND ASSOCIATED COMPANIES (Cont'd)

(c) Details of the associates as at March 31, 2009 are as follows:

Name of associates	Place of Incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Date of last Unaudited Financial statements	Principal Activity
Security Administrators Ltd.	Jamaica	33.33%	33.33%	December 31, 2007	Provision of security services at Port Bustamante
Montego Bay Cold Storage	Jamaica	33.33%	33.33%	December 31, 2008	Rental of refrigerated warehouses.

(d) (i) Summarized financial information in respect of the Authority's subsidiaries is as follows:

	2009 $'000	2008 $'000
Total assets	2,072,533	1,856,473
Total liabilities	828,584	716,346
Net assets	1,243,949	1,140,127
Revenue	1,917,974	1,848,743
Profit for the period	70,780	228,315

(ii) Summarized financial information in respect of the Authority's joint venture is as follows:

	2009 $'000	2008 $'000
Total assets	119,272	114,903
Total liabilities	131,430	123,642
Net liabilities	(12,158)	(8,739)
Revenue	2,738	4,594
Loss for the period	(3,419)	(1,401)

(iii) Summarized financial information in respect of the Authority's associates is as follows:

	2009 $'000	2008 $'000
Total assets	217,688	203,921
Total liabilities	31,873	41,382
Net assets	185,815	162,539
Revenue	381,410	366,949
Profit for the period	86,877	18,551

Notes to the Financial Statements Year Ended March 31, 2009

9 OTHER INVESTMENTS

	2009	2008
	$'000	$'000
Deposit (See (i) below)	547,277	518,028
Staff mortgage deposits (See (ii) below)	21,793	21,665
	569,070	539,693
Unquoted		
Available-for-sale		
At cost		
Tourism Action Plan Limited (See (iii) below)		
- Shares	1	1
- Unsecured debenture (Interest free)	100	100
	101	101
	569,171	539,794

(i) This amount includes approximately US$6,194,000 (2008: US$6,047,000) deposit in an offshore bank trust account in the names of the Authority and the European Investment Bank (EIB). The deposit is made in accordance with the EIB loan agreements 20.553 and 20.729, Articles 1.04A(e) and (c), which stipulate a specific ratio in respect of the aggregate principal on loans outstanding and the balance in the trust account. The Authority maintains the deposit at an amount to meet the required ratio. At year end the rate of interest on this deposit was 0.7187% (2008: 4.5%) per annum.

(ii) This represents savings account balances held at Victoria Mutual Building Society at a rate of approximately 7% per annum.

(iii) These are recorded at cost as there is no active market and management is otherwise unable to determine the fair value of these investments.

10 LONG-TERM RECEIVABLES

	2009	2008
	$'000	$'000
Motor car loans (Note 10(a))	52,589	57,983
Staff housing assistance fund (Note 10 (b))	14,718	16,136
Deposit – Jamaica Public Service Co. Ltd.	2,200	2,200
Advances to related companies (net) (Note 10(c))	164,914	164,973
Other	3,309	3,484
	237,730	244,776
Current portion included in		
trade and other receivables (Note 12) - other	(17,956)	(19,755)
	219,774	225,021

Notes to the Financial Statements Year Ended March 31, 2009

10 LONG-TERM RECEIVABLES (Cont'd)

(a) Motor car loans

The balance relates to amounts outstanding under motor car loan agreements between the Authority and its staff. It is recoverable over a period of three to five years and bears interest at 5% - 8% per annum calculated on the reducing balance basis. The loans are secured by bills of sale over the motor cars.

(b) Staff housing assistance fund

This represents the balance on a revolving fund used to provide housing benefits to staff members. The loan amounts range between $200,000 and $500,000 with repayment terms ranging between 7 to 10 years. Loans are granted at an average interest rate of 6% per annum.

(c) Advances to related companies (net)

This comprises the following:

	2009 $'000	2008 $'000
Kingston Freezone Company Limited	70,308	70,308
Montego Bay Freezone Company Limited	(4,500)	(4,500)
Boundbrook Wharves Development Limited	7,706	7,706
Jamaica International Freezone Development Limited	91,400	91,459
	164,914	164,973

There are no stipulated repayment terms.

11 INVENTORIES

	2009 $'000	2008 $'000
Spares	759,251	677,458
Fuel	14,786	15,609
Other	2,052	1,337
Goods in transit	20,396	31,074
	796,485	725,478
Provision for obsolescence	(18,350)	(10,761)
	778,135	714,717

The cost of inventories recognized as an expense during the year was $838.196M (2008: $600.98M).

Notes to the Financial Statements Year Ended March 31, 2009

12 TRADE AND OTHER RECEIVABLES

	2009 $'000	2008 $'000
Trade	1,843,136	930,894
Provision for impairment	(8,425)	(8,608)
	1,834,711	922,286
Staff receivables	68,125	61,819
Prepaid expenses	42,616	45,162
GCT recoverable	214,400	208,854
Sundry receivables	79,009	66,287
Advances to (from) subsidiaries and associates (See (a) below)	25,118	(33)
Lease receivable – Ports Management Company Limited	46,749	-
Current portion of long-term receivables (Note 10)	17,956	19,755
	2,328,684	1,324,130

The average credit period on services rendered is 30 days.

It is the policy of the Port Authority of Jamaica and its managed entities to minimize credit and the associated risks of non-collection. The management of credit risk is therefore given priority. Therefore, despite the majority of the Authority's major debtors being entities within the maritime industry which have developed long-standing relationships with the Authority, the Authority has established a credit quality review process, and has credit policies and procedures which require regular analysis of the ability of debtors to meet their obligations.

The credit policy requires that each customer must be analyzed individually for creditworthiness prior to the Authority offering them a credit facility. Management also has the option to strengthen the credit terms for individual accounts if it is felt that the customer's financial strength has declined.

The credit evaluation process includes inter alia, reviewing the number of years that the customer has been in business, the volume of business conducted with the Authority, reviewing financial statements and obtaining bank references for the customer. In certain instances an irrevocable bank guarantee is required prior to granting credit. The credit policy also addresses specific actions that will be taken when receivables are in excess of the credit periods granted.

The Authority assesses the probability of default of individual counterparties using internal ratings. Clients of the Authority are segmented into two groups as follows:

Rating	Description of the grade
Grade A	Standard
Grade B	Potential problem credit

Notes to the Financial Statements Year Ended March 31, 2009

12 TRADE AND OTHER RECEIVABLES (Cont'd)

Ninety-seven percent (97%) of trade receivables that were neither past due nor impaired at March 31, 2009 were classified in Grade A.

As at March 31, 2009 trade and other receivables of $944.390 million (2008 - $447.929 million) was past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The Authority does not hold any collateral over these balances. The average age of these receivables is 60 days (2008: 70 days).

Ageing of past due but not impaired

	2009	2008
	$'000	$'000
31-60 days	561,784	220,415
61-90 days	143,687	75,244
Over 90 days	238,919	152,270
	944,390	447,929

Quarterly reviews are performed on all receivables to verify the quality of the receivables as well as to determine whether the amounts outstanding are collectible.

Among the matters considered is the age of the receivable, the payment patterns of the customer, whether there is any history of default, whether there are any known difficulties in the cash flows of the customer, as well as the circumstances surrounding the specific balances being reviewed. Provisions are made where balances owed are considered to be impaired.

Movement in the allowance for impaired receivables

	2009	2008
	$'000	$'000
Balance at beginning of the year	8,608	10,311
Impairment losses recognized	5,982	1,613
Amounts written off as uncollectible	(6,165)	(3,316)
Balance at end of the year	8,425	8,608

In determining the recoverability of a receivable, the Authority considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. Management believes that at balance sheet date, there is no further credit provision required in excess of the allowance for impaired receivables.

Ageing of impaired trade and other receivables

	2009	2008
	$'000	$'000
Over 60 days	8,425	8,608

Notes to the Financial Statements Year Ended March 31, 2009

12 TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Advances to (from) subsidiaries and associates

This comprises the following:

	2009 $'000	2008 $'000
Kingston Free Zone Company Limited	1,725	1,353
Montego Bay Free Zone Company Limited	(634)	700
Port Management and Security Limited	15,642	(6,085)
Port Authority Management Services	8,385	3,999
	25,118	(33)

13 CASH AND SHORT-TERM DEPOSITS

			2009		2008	
			US$'000	J$'000	US$'000	J$'000
Cash	-	**J$**	-	86,093	-	19,304
	-	**US$**	13,852	1,221,018	14,790	1,047,181
Short-term deposits	-	**J$**	-	590,681	-	93,900
	-	**US$**	9,994	879,054	5,005	354,554
			23,846	2,776,846	19,795	1,514,939

Short-term deposits have an original maturity of three (3) months or less and are being held to meet short-term cash needs. Included in cash and short-term deposits are amounts totalling $942.86 million representing loan proceeds for payout in respect of the KCT 5 development project. Also included is $1.5 billion representing other loan proceeds to be used for capital development projects. Further, there are amounts totalling $57.1M (2008: $53.3M) in respect of the funding of fixed asset replacement and wharfage reserves. The Jamaican dollar deposits are at interest rates ranging from 9% - 18.5% per annum (2008: 3% - 12.6%). The United States dollar deposits are at interest rates ranging from 1% - 7% (2008: 2% - 6%).

14 RESERVES

	2009 $'000	2008 $'000
General (Note 14(a))	359,450	359,450
Capital (Note 14(b))	5,083,337	5,083,337
Development (Note 14(c))	305,150	305,150
Equalization (Note 14(d))	1,630	1,630
Stabilization (Note 14(e))	32	32
Fixed assets replacement (Note 14(f))	428,887	421,004
Insurance (Note 14(g))	37,500	37,500
Wharfage (Note 14(h))	11,051	17,045
	6,227,037	6,225,148

Notes to the Financial Statements Year Ended March 31, 2009

14 RESERVES (Cont'd)

(a) General

This represents transfer from the income statement at the discretion of the directors.

(b) Capital

This represents the unrealized surplus on the revaluation of property, plant and equipment.

(c) Development

This represents transfers from the income statement at the discretion of the directors to provide for the expansion and/or improvement of the port facilities.

(d) Equalization

This represents profits realized from the hiring of motor vessels for the Pilotage Department. This will be used to off-set any losses on future operations of motor vessels.

(e) Stabilization

This represents profits from the operation of a tug service on behalf of the Authority. These will be used to off-set losses, if any, on future operations of the tug service.

(f) Fixed assets replacement

This represents transfers from the income statement to offset the cost of replacing fixed assets. It is partially funded by bank deposits totalling $46.375 million (2008: $36.27 million).

This comprises:

	2009	2008
	$'000	$'000
Transfers from income statement	527,054	503,803
Amounts received from wharf operators from the Special Wharfage Fund as reimbursement to the Authority for certain capital expenditure	4,996	4,996
Amounts used to offset repairs to wharves	(25,511)	(10,143)
Amounts used to acquire property	(77,652)	(77,652)
	428,887	421,004

(g) Insurance reserve

This represents amounts set aside for an insurance reserve fund to provide for future insurance coverage of the Authority's assets.

Notes to the Financial Statements Year Ended March 31, 2009

14 RESERVES (Cont'd)

(h) Wharfage reserve

This represents a percentage of gross wharfage revenue that is transferred annually to a reserve fund for any port development and expenditure. The percentage transferred for the year represents 16% (2008: 16%) of total direct gross wharfage revenue. It is fully funded by bank deposits.

This comprises:	2009 $'000	2008 $'000
Transfers from income statement	136,349	115,001
Amount drawn down for property purchase	(125,298)	(97,956)
	11,051	17,045

15 LONG-TERM LIABILITIES

These comprise:	2009 $'000	2008 $'000
(a) Non-government loans		
Foreign currency loans (Note 15(c)(i))	22,242,395	23,114,935
Local currency loans (Note 15(c)(ii))	1,187	3,758
	22,243,582	23,118,693
(b) Government loans (Note 15(d))		
Local currency loans	30,974	30,974
Foreign currency loans	10,336,369	2,345,931
	10,367,343	2,376,905
	32,610,925	25,495,598
Loan interest payable	385,773	252,175
Prepaid credit insurance (Note 15(f))	(637,010)	(755,930)
	32,359,688	24,991,843
Current portion:		
Long-term liabilities	(2,939,723)	(3,474,663)
Prepaid credit insurance	148,496	145,329
Current portion of long-term liabilities	(2,791,227)	(3,329,334)
	29,568,461	21,662,509

Notes to the Financial Statements Year Ended March 31, 2009

15 **LONG -TERM LIABILITIES (Cont'd)**

(c) Non-government loans

(i) Foreign currency loans

Interest Rate %	Lender	Repayment Instalments		2009 Foreign Currency $'000	2009 JMD $'000	2008 Foreign Currency $'000	2008 JMD $'000
LIBOR + 3.00	HSBC S/Carrier – 3.687M	Semi-annually until 2010/2011	US$	-	- *	2,764	196,465
5.21	HSBC S/Carrier – 23.27M	Semi-annually until 2014/2015	US$	16,423	1,458,671	19,161	1,362,119
5.51	HSBC Tractors & Trailers 3.6M	Semi-annually until 2013/2014	US$	-	- *	3,399	241,623
3.00	European Investment Bank Loan #1.7391	Semi-annually until 2015/2016)	US$	1,571	139,568	1,777	126,302
	MBFZ 70 Acre	)	YEN	14,224	13,027	16,082	11,468
		)	SF	973	75,027	1,101	78,413
		)	STRL	76	9,798	86	12,120
		)	EURO	110	12,824	123	13,831
3.00	European Investment Bank Loan #20.729 (KCT 3 WESTERN EXPANSION)	Annually until 2020/2021	EURO	10,006	1,169,085	10,690	1,197,743
3.56	European Investment Bank Loan #20.553 (KCT 3 WESTERN EXPANSION)	Semi-annually until 2019/2020	US$	22,810	2,025,888	24,503	1,741,918
3.38	European Investment Bank Loan #1.8902	Semi-annually until 2016/2017)	US$	12,194	1,083,066	13,602	966,924
	Gordon Cay	)	SF	963	74,238	1,075	76,544
		)	STRL	342	44,213	382	53,953
5.30	European Investment Bank Loan #1.4107	Semi-annually until 2009/2010)	US$	844	74,916	2,466	175,333
	– Container Terminal	)	YEN	11,334	10,379	33,122	23,620
7.18	Exim Bank of China BLA00014	Semi-annually until 2008/2009	US$	-	-	1,349	95,883
3.79	Exim Bank of China – BLA03046	Semi-annually 2010/2011	US$	10,329	917,360	13,280	944,059
5.9	Exim Bank of China – BLASH 2006001	Semi-annually 2013/2014	US$	9,420	836,660	11,304	803,600
6.07	Exim Bank of China – BLASH2006002	Semi-annually 2015/2016	US$	-	- *	22,119	1,572,404
4.91	Commerzbank	Semi-annually until 2010/2011)	US$	6,448	572,704	9,672	687,594
	Commerzbank	Semi-annually until 2015/2016)	EURO	3,484	407,122	3,982	446,186
LIBOR +0.25	Wachovia Bank N.A. Xray Loan – Tranche A	Semi-annually until 2014/2015	US$	10,496	932,197	12,245	870,493
LIBOR +0.25	Wachovia Bank N.A. Xray Loan – Tranche B	Semi-annually until 2016/2017	US$	2,297	203,976	2,584	183,672
8.06	Citibank (2000 KCT Equip)	Semi-annually until 2008/2009	US$	-	-	579	41,135
7.25	Citibank (KCT4 S/Carriers)	Semi-annually until 2010/2011	US$	-	- *	3,108	220,971
LIBOR +3.20	Citibank (Panamax KCT5)	Semi-annually until 2015/2016	US$	-	- *	2,458	174,712
	Carried forward				10,060,719		12,319,085

Notes to the Financial Statements Year Ended March 31, 2009

15 LONG -TERM LIABILITIES (Cont'd)

(c) Non-government loans (Cont'd)

Interest Rate %	Lender	Repayment Instalments		2009 Foreign Currency $'000	2009 JMD $'000	2008 Foreign Currency $'000	2008 JMD $'000
(i) Foreign currency loans (Cont'd)							
	Brought forward				10,060,719		12,319,085
7.25	First Caribbean (C&W Lands)	Quarterly until 2020/2021	US$	-	- *	1,434	101,948
7.25	First Caribbean (St. Alban's)	Quarterly until 2020/2021	US$	-	- *	1,836	130,493
Greater of LIBOR + 2.875 or 7.25	Bank of Nova Scotia (US$17M) (Note (h))	Quarterly until 2017/2018	US$	17,000	1,509,869	17,000	1,208,510
9.5	Bank of Nova Scotia (US$10.5M)	Monthly until 2011/2012	US$	-	- *	3,264	232,026
LIBOR + 5.5	Bank of Nova Scotia (US$44M) refinanced	Quarterly until 2020/2021	US$	36,590	3,249,796 **	37,340	2,654,477
8.5	Bank of Nova Scotia - Navy Island (US$2.75M)	Monthly until 2009/2010	US$	-	- *	2,177	154,766
5.97	Bank of Nova Scotia – Europe (US$48.65M)	Quarterly until 2017/2018	US$	42,572	3,781,066	47,437	3,372,265
8.95	Bank of Nova Scotia – (US$39.4M) refinanced	Quarterly until 2021/2022	US$	39,400	3,499,342 **	30,029	2,134,706
LIBOR + 4.25	National Commercial Bank (US$2.695M)	Semi-annually to 2014/2015	US$	-	- *	1,844	131,084
Base + 1	National Commercial Bank (US$0.94M)	Semi-annually to 2008/2009	US$	-	-	313	22,274
9.25	National Commercial Bank (US$0.443 M)	Semi-annually to 2015/2016	US$	-	- *	399	28,365
8.25	Citibank (Revolving working capital)	Annually until 2007/2008	US$	-	-	1,850	131,524
LIBOR + 4.25	Citibank S/Carrier Fac D	Quarterly until 2007/2008	US$	-	-	5,165	367,176
7.28	Insurance Financing	Monthly until 2008/2009	US$	-	-	1,768	125,677
6.75	Insurance Financing	Monthly until 2009/2010	US$	1,588	141,044	-	-
5.0	Governments of Jamaica and the Netherlands	No fixed terms	NKR	1,622	559	1,622	559
					22,242,395		23,114,935
(ii) Local currency loans							
19.75	National Commercial Bank (JMD 8.9M)	Monthly until 2009/2010	JMD		1,187		3,758
TOTAL					22,243,582		23,118,693
Secured							
Guaranteed by the Government of Jamaica					16,204,954		17,108,987
Letters of undertaking by the Government of Jamaica					3,249,796		2,809,243
Charge on the assets (Note 5(e) and Note 6(e))					2,647,788		3,074,786
Unsecured - Evidenced by Promissory Notes					141,044		125,677
					22,243,582		23,118,693

LIBOR at March 31, 2009 was 1.80313%

* These loans were repaid before their maturity dates as a result of the restructuring of the loan portfolio during the year.
** These loans were restructured resulting in an extension of the repayment period (Note (c)(i)).

Notes to the Financial Statements Year Ended March 31, 2009

15 **LONG-TERM LIABILITIES (Cont'd)**

(d) Government of Jamaica (GOJ) - loans

			US$'000	2009 $'000	US$'000	2008 $'000
(i)	Purchase of lands at Gordon Cay					
	Interest Rate %					
	Prime + 1.25)			7,500		7,500
	LIBOR + 2)			4,100		4,100
				11,600		11,600
	Add: Accrued interest			7,770		7,770
				19,370		19,370
(ii)	Purchase of Montego Wharves 12% payable semi-annually 1991-1996, to be evidenced by promissory notes			10,098		10,098
	Add: Accrued interest capitalized			16,938		16,938
				27,036		27,036
(iii)	Payments to the Accountant General (Note 15(e))			(15,091)		(15,091)
(iv)	Payment of Caribbean Development Bank loan for GOJ re Ocho Rios Cruise Ship Pier			(341)		(341)
				30,974		30,974
(v)	GOJ Petrocaribe		US$'000		US$'000	
	5% payable semi-annually in arrears 2008 – 2020 (US$11 million)		10,154	901,822	11,000	781,977
	5% payable semi-annually in arrears 2008 – 2023 (US$22 million) (evidenced by promissory notes)		20,625	1,831,826	22,000	1,563,954
	6.5% payable semi-annually in arrears 2008 – 2028 (US$85.6 million) (evidenced by promissory notes)		85,601	7,602,721	-	-
				10,336,369		2,345,931
				10,367,343		2,376,905

(e) Payments to Accountant General

The payment of $15.091 million (Note 15(d) (iii)) has been applied in the reduction of loans payable to the GOJ.

(f) Prepaid credit insurance

This represents credit insurance on certain long-term loans. This amount is being amortized over the respective lives (3 - 10 years) of these loans.

(g) The loans from the GOJ including the Petrocaribe loans are unsecured.

Notes to the Financial Statements Year Ended March 31, 2009

15 LONG-TERM LIABILITIES (Cont'd)

(h) Loans with moratorium on repayment

i) The loan from Bank of Nova Scotia of US$17 million is for a period of 10 years and is being amortized over 15 years, inclusive of a 24 months moratorium on principal repayments.

Principal repayments will commence on September 1, 2009.

ii) Bank of Nova Scotia (US$44M) – the principal amount is repayable in 34 equal quarterly instalments commencing May 15, 2012.

iii) Bank of Nova Scotia (US$39.4M) – the principal is repayable in 44 equal quarterly instalments commencing May 15, 2012.

iv) The Petrocaribe loan of US$100 million is disbursed in tranches, of which US$85.6 million was received during the year. The loan is for a period of 20 years inclusive of a 2 year moratorium and is repayable in 36 semi-annual instalments commencing June 30, 2011.

(i) Breach of loan agreements

During the year, the Authority was late in making payment of certain loan instalments on loans with carrying amounts as noted below. The delay arose because of a time lag on the part of the Authority's bankers on transfer of funds to lenders due to the unavailability of the respective currencies. The loan instalments outstanding in the respective currency as noted below were repaid in full prior to year end, including additional interest and penalties. The lenders did not request accelerated repayment of the loans and the terms of the loans were not changed. Management has reviewed the Authority's settlement procedures to ensure that such circumstances do not recur.

	Carrying amount of loan	Principal and interest in breach
	$'000	$'000
SF	973	79
STRL	342	26
Euro	10,026	1,005

16 DEFERRED INCOME

		2009	2008
		$'000	$'000
Balance, April 1		300,285	323,026
Amortized during the year		(22,740)	(22,741)
Balance, March 31		277,545	300,285
Comprising:			
Grants received	(Note 16(a))	137,289	155,904
Assets transferred	(Note 16(b))	140,256	144,381
		277,545	300,285

This represents:

(a) Two grants that were received from the Netherlands Government in respect of:

(i) Construction of a tug;
(ii) Dredging of ship's channel at Kingston Harbour.

The two grants are being amortized over twenty years.

Notes to the Financial Statements Year Ended March 31, 2009

16 DEFERRED INCOME (Cont'd)

(b) The transfer to the Authority by the Government of Jamaica of lighthouses and associated buildings. The grant is being amortized over forty years, the lives of the respective assets.

17 POST EMPLOYMENT BENEFITS

Defined benefit pension plan

(i) The benefit based plan for pilots, which was valued triennially, was last valued at December 31, 1997 by independent actuaries. At that time there was a deficiency of $17.7 million for past service liabilities. Subsequent to that date, the respective employees have withdrawn from the Scheme and the Authority ceased its contributions to the Scheme and is in the process of winding up the Scheme. The financial statements of the Scheme as at March 31, 2008 showed net assets of $133.56 million. An agreement was reached between the Authority and the pilots for this amount to be shared in the ratio 70:30 between the Authority and the former members of the Scheme.

(ii) The Authority has established a defined benefit plan for its employees that is administered by Trustees and managed by Guardian Life Limited.

The Plan is funded by contributions from the employees and the Authority. The employees contribute at a rate of 5% of annual pensionable salaries and may also elect to pay additional voluntary contributions of 5% of pensionable salaries in order to secure additional benefits on retirement or otherwise. Pension benefits are determined on a prescribed basis and are payable at a rate of 2% of the employee's average earnings over the three years prior to retirement from the fund times the number of years pensionable service. Normal retirement is 65 years.

The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligations were carried out on June 15, 2009 by Duggan Consulting Limited, Fellow of the Institute of Actuaries. This valuation was in respect of balances at March 31, 2009. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

Retiree medical and group life plan

The Authority provides health benefits to certain retired employees of a company that previously managed one of its operations.

The most recent actuarial valuations of the retiree medical plan assets and the present values of the obligations were carried out at June 15, 2009 by Eckler Partners Limited (Consulting Actuaries) in respect of obligations as at March 31, 2009. The present value of the obligation and the related current service costs and past service cost, were measured using the projected unit credit method.

(a) Key assumptions used:

	2009	2008
Expected return on plan assets	14%	12%
Future salary increases	12%	10%
Discount rates	16%	13%
Health cost inflation	11%	10%

Notes to the Financial Statements Year Ended March 31, 2009

17 POST EMPLOYMENT BENEFITS (Cont'd)

(b) Amounts included in the balance sheet in respect of these plans are as follows:

	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Present value of obligation	4,349	-	28,675	29,021	33,024	29,021
Fair value of plan assets	(6,693)	-	-	-	(6,693)	-
	(2,344)	-	28,675	29,021	26,331	29,021
Unrecognized actuarial gains	2,084	-	2,806	5,790	4,890	5,790
Net (asset) liability recognized in balance sheet	(260)	-	31,481	34,811	31,221	34,811

(c) Movements in the net (asset) liability in the year were as follows:

	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1	3,871	-	34,811	31,670	38,682	31,670
Amounts (credited) charged to expense	(542)	-	435	5,998	(107)	5,998
Contributions by employer	(3,589)	-	(3,765)	(2,857)	(7,354)	(2,857)
Balance, March 31	(260)	-	31,481	34,811	31,221	34,811

(d) Amounts recognized in the income statement in respect of the plans are as follows:

	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	(855)	-	-	-	(855)	-
Interest cost	756	-	3,527	4,152	4,283	4,152
Recognized actuarial (gain) loss	-	-	(3,092)	1,846	(3,092)	1,846
Expected return on plan asset	(443)	-	-	-	(443)	-
Total included in employee benefit expense	(542)	-	435	5,998	(107)	5,998
Actual return on plan assets	347	-	-	-	347	-

Notes to the Financial Statements Year Ended March 31, 2009

17 POST EMPLOYMENT BENEFITS (Cont'd)

(e) Changes in the present value of the defined benefit obligation were as follows:

	Defined Benefit Plan		Retiree Medical Plans		Total	Total
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Opening defined benefit obligation	4,913	-	29,021	36,030	33,934	36,030
Current service cost	(855)	-	-	-	(855)	-
Interest cost	756	-	3,527	4,152	4,283	4,152
Contributions from plan participants	1,928	-	-	-	1,928	-
Benefits paid	(213)	-	(3,765)	(2,857)	(3,978)	(2,857)
Actuarial gain	(2,180)	-	(108)	(8,304)	(2,288)	(8,304)
Closing defined benefit obligation	4,349	-	28,675	29,021	33,024	29,021

(f) Movement in the present value of the plan assets in the current period were as follows:

	Defined Benefit Plan		Retiree Medical Plans		Total	Total
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Opening fair value of plan assets	1,042	-	-	-	1,042	-
Expected return on plan assets	443	-	-	-	443	-
Contributions	5,517	-	-	-	5,517	-
Benefits paid	(213)	-	-	-	(213)	-
Actuarial gain	(96)	-	-	-	(96)	-
Closing fair value of the plan assets	6,693	-	-	-	6,693	-

(g) The history of experience adjustments is as follows:

	2009	2008	2007	2006	2005
	$'000	$'000	$'000	$'000	$'000
Defined Benefit Plan					
Present value of defined benefit obligation	4,349	-	-	-	-
Fair value of plan assets	6,693	-	-	-	-
Fund surplus	2,344	-	-	-	-
Experience adjustment on plan liabilities	(2,180)	-	-	-	-
Experience adjustment on plan assets	96	-	-	-	-
Retiree Medical Plan					
Present value of defined benefit obligation	28,675	29,021	36,030	33,253	23,940
Deficit	28,675	29,021	36,030	33,253	23,940
Experience adjustment on plan liabilities	(108)	(8,304)	1,023	9,507	2,427

Impact of 1% Increase/Decrease in Retiree Medical Plan

	2009	2009
	@12%	@10%
Revised interest cost	3,633	3,130
Revised accumulated benefit obligation	29,258	25,666

The Authority expects to make a contribution of $4.1 million (2008: $2.9 million) to the health benefit scheme and $39.95 million to the defined benefit plan during the next financial year.

Notes to the Financial Statements Year Ended March 31, 2009

18 TRADE PAYABLES AND ACCRUALS

	2009 $'000	2008 $'000
Trade	532,716	409,657
Amounts to be disbursed in respect of specific projects	82,753	48,445
Accruals	460,806	248,381
Other payables	247,576	983,926
	1,323,851	1,690,409

19 PROVISIONS

	2009 $'000	2008 $'000
At April 1	90,291	78,240
Provision for the year:		
Vacation leave	51,737	42,857
Utilized for the year	(33,301)	(30,806)
At March 31	108,727	90,291
Comprising:		
Vacation leave	108,727	87,564
Claim (a)	-	2,727
	108,727	90,291

(a) This relates to a claim made by a worker of Maritime Towing Company Limited for an injury sustained on the job. This claim was discontinued and the provision written back.

20 INCOME

	2009 $'000	2008 $'000
Container terminal fees	8,375,562	7,747,930
Facility fees – net	607,588	646,030
Investment property – fair value adjustment	351,657	1,665,062
Wharfage	584,200	630,598
Harbour fees	409,686	387,334
Tug fees	315,556	304,760
Equipment lease (Note 20(a))	540,997	501,422
Land and building lease (Note 20(b))	88,258	81,469
Port Antonio Marina	46,711	47,353
Foreign currency gain	927,326	168,057
Oil royalty	84,211	81,352
Pilotage	58,415	58,285
Other (Note 20(c))	177,437	157,852
	12,567,604	12,477,470

(a) Equipment lease includes charges for equipment rented to the subsidiary company, Ports Management and Security Company Limited of $480.59 million (2008: - $450.51 million).

Notes to the Financial Statements Year Ended March 31, 2009

20 **INCOME (Cont'd)**

(b) Land and building lease includes charges to Kingston Freezone Company Limited of $12.90 million (2008: $11.96 million) and charges to Montego Bay Freezone Company Limited of $75.35 million (2008: $69.50 million).

(c) Other income includes management fees from Ports Management and Security Company Limited of $16.5 million (2008 – $13.8 million) and rental from other investment properties of $15.85 million (2008: $0.198 million).

21 **FINANCE CHARGES AND INTEREST ON LOANS**

	2009 $'000	2008 $'000
Interest on long-term liabilities	1,706,171	1,503,396
Interest on overdraft and other finance charges	37,434	55,273
	1,743,605	1,558,669
Less amount included in additions to property, plant and equipment (Note 5(c))	(35,857)	(191,348)
	1,707,748	1,367,321

22 **NET (DEFICIT) SURPLUS**

Net (deficit) surplus is stated after taking into account the following items:

	2009 $'000	2008 $'000
Revenue (expense) on:		
Financial asset at amortized cost		
Interest income on long-term receivables	21,545	24,061
Income from short-term deposits	84,098	57,543
	105,643	81,604
Other revenue		
Foreign exchange gain	927,326	168,057
Fair value gain on investment properties	351,657	1,665,062
Gain on disposal of property, plant and equipment	374	13,371
	1,279,357	1,846,490
Expenses		
Audit fees (Authority and managed operations)		
- current year	9,724	7,381
- prior year	14	-
Cost of inventories recognized in expenses	838,196	600,980

Notes to the Financial Statements Year Ended March 31, 2009

23 COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

Capital commitments in the amount of approximately $14.325 billion have been contracted by the Authority for Kingston Container Terminal 5 (KCT 5) expansion, Montego Bay Freezone infrastructure, Falmouth development and the purchase of lands at Fort Augusta, Millsborough and Montego Bay Freeport. Also included is $47 million (US$0.547 million) in respect of the maintenance of the X-ray machines.

Contingent liabilities

The following legal proceedings have been initiated against the Authority.

A group of fishermen have filed a claim to recover the sum of US$1,280,000 and J$14,870,000 for loss of income and damage to their boats as a result of dredging in the Kingston Harbour.

The Authority has filed its defence in respect of these claims and its attorneys have advised that it has a good defence. Accordingly, no provision has been recognized in these financial statements as the Authority's directors do not believe that there is any probable loss.

24 OPERATING LEASE ARRANGEMENTS

Operating leases relate to the investment properties and equipment owned by the Authority with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessee exercises his option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental earned during the year was $598 million (2008: $592 million).

At balance sheet date, the Authority contracted with its lessees for the following future minimum lease payments.

	2009	2008
	$'000	$'000
Within one year	673,638	557,088
In the second to fifth years inclusive	1,653,078	1,720,939
	2,326,716	2,278,027

25 RELATED PARTY TRANSACTIONS/BALANCES

Operating transactions

During the year, the Authority entered into the following transactions with affiliated entities and key management personnel, including members of the board of directors.

	Lease rental		Other		Balance due	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Affiliated entities	569,044	532,160	104,943	89,997	236,781	164,940
Key management personnel	-	-	23,428	33,292	43,496	41,549

The balances owed are included in long-term receivables (Note 10), trade and other receivables (Note 12).

Notes to the Financial Statements Year Ended March 31, 2009

25 RELATED PARTY TRANSACTIONS/BALANCES (Cont'd)

The remuneration of directors, committee members and other key members of management during the year was as follows:

Key management personnel

	2009 $'000	2008 $'000
Short-term benefits	187,525	137,121
Pension	2,936	2,936
	190,461	140,057

The remuneration of the above is determined by the Board of Directors under the guidelines set by the Ministry of Finance, having regards to the performance of individuals and market trends.

Board of Directors and Committee members (excluding those included above)

	2009 $'000	2008 $'000
Short-term benefits (directors fees)	2,181	1,307

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized in respect of each class of financial assets, financial liability and equity instruments are disclosed in Note 3 to the financial statements.

Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	2009 $'000	2008 $'000
Financial Assets		
Loans and receivables at amortized cost		
Other investments	569,171	539,794
Long-term receivables	219,774	225,021
Trade and other receivables	2,071,668	1,070,114
Cash and cash equivalents	2,776,846	1,514,939
Total Financial Assets	5,637,459	3,349,868
Financial Liabilities		
Long-term liabilities	32,359,688	24,991,843
Trade and other payables	863,045	1,442,028
Bank overdraft	92,575	46,906
Total Financial Liabilities	33,315,308	26,480,777

Notes to the Financial Statements Year Ended March 31, 2009

26 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives

The Authority's activities involve the use of financial instruments.

The Authority has exposure to the following risks from its use of its financial instruments: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

<u>Financial risk management objectives</u>

The Authority's activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Authority's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Authority's financial performance.

The Authority's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date information systems. The Authority regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The Board of Directors is ultimately responsible for the establishment and oversight of the Authority's risk management framework. Its directives are carried out through the Finance Committee, Audit Committee, Internal Audit Department and Procurement Sector Committee.

Finance Committee

This Management Committee has direct responsibility for the management of balance sheet and overall financial structure which includes liquidity, interest rate and foreign currency risks management.

Audit Committee

Audit Committee has oversight for the integrity of the financial statements and reviews the adequacy and effectiveness of internal controls and risk management procedures.

The Internal Audit Department

The Internal Audit Department has responsibility for ensuring the effectiveness and adequacy of risk management, internal controls and procedures and conducts both ad hoc and regular reviews. The Internal Audit reports the result of all findings to the Audit Committee, who reports the findings, recommendations and management responses to the Board of Directors.

Procurement Sector Committee

The committee has overall responsibility for the monitoring of construction activities of the Authority, including procurement of contracts, evaluation and monitoring of costs incurred.

There has been no change in the Authority's exposure to these financial risks or manner in which it manages and measures risk during the period.

Notes to the Financial Statements Year Ended March 31, 2009

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

Exposures are measured using sensitivity analyses indicated below.

(a) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Authority's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as disclosed in Note 26(b) below as well as interest rates as disclosed in Note 26(c) below.

Management of market risk
The Authority manages this risk by conducting market research and ensuring that its net exposure is kept to an acceptable level. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Authority's exposure to market risk for the manner in which it manages and measures the risk.

(b) Foreign currency risk management

The Authority undertakes transactions denominated in currencies other than the Jamaican dollar resulting in exposures to exchange rate fluctuation.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Authority monitors its exposure in this regard by constant monitoring of international foreign exchange markets and factors influencing currency movements and positioning its foreign currency assets and liabilities and by ensuring that the net exposure of such assets and liabilities is kept to an acceptable level. The entity further manages the risk by maximizing foreign currency earnings and holdings in foreign currency balances.

At year ended March 31, 2009 the Authority had US$ denominated investments amounting to US$24.172 million (2008:US$7.287 million) of which US$6.197 million is held in respect of certain loans amounting to US$32.816 million at the year end.

The carrying amounts of the Authority's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets		Net liabilities	
	2009	2008	2009	2008	2009	2008
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
United States Dollar	30,833,289	23,470,074	2,898,929	2,081,150	27,934,360	21,388,924
Japanese Yen	23,667	35,473	-	-	23,667	35,473
Swiss Franc	150,679.	156,458	-	-	150,678	156,458
Pound Sterling	54,437	66,602	-	-	54,437	66,602
EURO	1,614,409	1,683,874	-	-	1,614,409	1,683,874
NKR:	727	727	-	-	727	727

Notes to the Financial Statements Year Ended March 31, 2009

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(b) Foreign currency risk management (Cont'd)

Foreign currency sensitivity analysis
The Authority's most significant currency exposure is to the United States dollar. The following table details the Authority's sensitivity to a 2% revaluation and 10% devaluation (2008:4%) in the Jamaican dollar against the relevant foreign currencies. The above sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the percentage changes in foreign currency rates as described above. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the borrower.

If the Jamaican dollar strengthens by 2% or weakens by 10% against the relevant currencies, (2008: 4%) income will increase or decrease by:

	Revaluation 2009		Devaluation 2009		Revaluation and Devaluation 2008	
	Change in Currency rates		Change in Currency rates		Change in Currency rates	
	%	$'000	%	$'000	%	$'000
Currency						
United States Dollar	+2	558,687	-10	(2,793,436)	±4	855,557
Japanese Yen	+2	473	-10	(2,367)	±4	1,419
Swiss Franc	+2	3,014	-10	(15,068)	±4	6,258
Pound Sterling	+2	1,089	-10	(5,444)	±4	2,664
EURO	+2	32,288	-10	(161,441)	±4	67,355
NKR	+2	15	-10	(73)	±4	29

This is mainly attributable to the exposure outstanding on cash and cash equivalents, receivables, payables and long term loans in the respective currency at year end.

The Authority's sensitivity to foreign currency has increased during the period due to the acquisition of new loans, and increased investment in bank deposits.

(c) Interest rate risk

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rate. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow interest rate risk.

The Authority is exposed to significant interest rate risk as it borrows funds at both fixed and floating interest rates.

Management of interest rate risk
The risk is managed by the Authority by maintaining an appropriate mix between fixed and floating rate of borrowings by monitoring the movements in the market interest rates closely. The Authority's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management note 26(e).

Notes to the Financial Statements Year Ended March 31, 2009

26 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)**

Financial risk management policies and objectives (Cont'd)

(c) Interest rate risk (Cont'd)

Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower on its foreign currency borrowings and investments (2008:200 basis points lower/higher) and all other variables were held constant, the loss for the year would increase/decrease by approximately $241.8 million. For the local borrowings and investments if interest rates were 500 basis points higher and 800 basis points lower the loss for the year would increase/decrease by $31.3 million and $50.08 million respectively. The profit for the previous year would decrease/increase by approximately $124.824 million. This is mainly attributed to the Authority's exposure to interest rates on its variable rate borrowings and amounts held on fixed deposits.

The Authority's sensitivity to interest rates has increased during the current period mainly due to an increase in the variable rate debt instruments.

See also Liquidity risk management at 26(e) below.

(d) Credit risk management

Credit risk is the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Authority. Financial assets that potentially subject the Authority to credit risk primarily consist of trade receivables, other investments, long-term receivables and cash and bank deposits. The maximum exposure to credit risk is the amount of approximately $5.637 million disclosed under "categories of financial instruments" above and the Authority holds no collateral in this regard. The Authority manages the risk primarily by reviews of the financial status of each obligator and its investments which are monitored regularly are held with reputable financial institutions. Management believes that the credit risk associated with these financial instruments are minimal.

In respect of trade receivables from the operations managed by related companies, the risk is low as customers are pre-approved by the Authority and specific credit periods are given in some instances to individual customers. Credit risk is monitored according to their credit characteristics such as whether it is an individual or entity, geographic location, industry, ageing profile, and previous financial difficulties.

The Authority has a significant concentration of credit risk exposure to companies operating in the Marine Industry which accounts for 100% of trade receivables (2008:100%). Two debtors of the Authority account for approximately 34% and 36% respectively of the Authority's trade receivables. Management however seeks to minimize this risk by ensuring that outstanding amounts are received within a reasonable time period.

There is also credit risk with respect to loans to employees which accounts for approximately 31% (2008: 30%) of long-term receivables. The Authority has established policies and procedures which govern standards for granting loans and the process of continuous monitoring.

The Authority seeks to minimize the risk of its investments in deposits in the following ways:

- Investments are only placed with financial institutions stipulated by the Government of Jamaica and the guidelines of the Board.
- Senior management conducts constant monitoring of the investments to ensure that the agreed terms are adhered to and that the particular institutions fulfil their financial obligation to the Authority as they fall due.
- Management limits the amount of investment placed with any institution in accordance with the Board guidelines.

Notes to the Financial Statements Year Ended March 31, 2009

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the Authority will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed facilities. The Authority has contractual arrangements with established local and international lending institutions, which, along with its internally-generated cash resources, are sufficient to meet all its current obligations.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed credit facilities. The Authority aims at maintaining flexibility in funding by keeping lines of funding available with relevant bankers, maintaining a portfolio of marketable assets and optimizing cash returns on investments.

Liquidity and interest risk analyses in respect of non-derivative financial liabilities

Non-derivative financial liabilities

The following tables detail the Authority's remaining contractual maturity for non-derivative financial liabilities.

The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities that will be paid on those liabilities except where the Authority anticipates that the cash flow will occur in a different period.

	2009					
	TERM TO MATURITY/REPRICING					
	Less than 3 Months	3 Months to 1 year	1-5 years	Over Five years	No specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities						
Interest bearing						
Variable rate loans	116,009	319,285	1,673,545	1,389,659	-	3,498,498
Fixed rate loans	890,497	3,168,113	16,560,240	26,913,148	-	47,531,998
Bank overdraft	92,575	-	-	-	-	92,575
Non-interest bearing						
Trade and other payables	670,210	192,835	-	-	-	863,045
Total	1,769,291	3,680,233	18,233,785	28,302,807	-	51,986,116

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(e) Liquidity risk management (Cont'd)

Liquidity and interest risk analyses in respect of non-derivative financial liabilities (Cont'd)

	2008					
	TERM TO MATURITY/REPRICING					
	Less than 3 Months	3 Months to 1 year	1-5 years	Over Five years	No specific Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial Liabilities						
Interest bearing						
Variable rate loans	369,135	883,114	5,387,208	1,813,902	-	8,453,359
Fixed rate loans	669,852	2,574,243	10,343,950	9,322,801	-	22,910,846
Bank overdraft	46,906	-	-	-	-	46,906
Non-interest bearing						
Trade and other payables	357,718	1,084,310	-	-	-	1,442,028
Total	1,443,611	4,541,667	15,731,158	11,136,703	-	32,853,139

Notes to the Financial Statements Year Ended March 31, 2009

26 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (Cont'd)

Financial risk management policies and objectives (Cont'd)

(f) Capital risk management

The Authority's objective when managing capital is to safeguard the Authority's ability to continue as a going concern and to maintain a strong capital base to carry out its mandate.

Capital adequacy is monitored by the Authority's management on a regular basis. The Authority's strategy remains unchanged for 2008.

The capital structure of the Authority consists of reserves (Note 14) and accumulated surplus on income statement.

27 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities, fair values are determined using various estimation techniques based on market conditions existing at balance sheet date. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Authority would realize in a current market exchange.

The following methods and assumptions have been used:

(i) The carrying amounts of cash and short-term deposits, trade receivables, trade payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.

(ii) The carrying amounts of other investments and financial assets included in long-term receivables are assumed to approximate fair value as their applicable interest rates are market determined.

(iii) The carrying amounts of variable rate loans, totalling approximately $2.647 billion are assumed to approximate their fair values.

(iv) The fair values of concessionary rate loans totalling $16.048 billion have not been estimated as the loans are available to the Authority due to its special circumstances. Adequate information is not available to determine the fair value of such loans.

(v) The fair values of other fixed rate loans have been estimated by applying market rates of similar loans at year end to the expected future cash flows.

Fair values of financial instruments which differed from the carrying values are as follows:

	2009		2008	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Fixed rate loans	13,914,914	14,740,778	10,652,805	10,632,604

Notes to the Financial Statements Year Ended March 31, 2009

28 OTHER DISCLOSURES

(a) Employed by the Authority

Staff costs incurred during the year:

	2009 $'000	2008 $'000
Salaries, wages and allowances	685,662	540,839
Statutory contributions	58,766	50,668
Pension contributions	36,492	32,063
Health scheme contributions	28,599	25,393
Travelling and other	86,707	80,206
	896,226	729,169

(b) Contracted by management companies

Contracted services

	2009 $'000	2008 $'000
Container Terminal	2,899,405	2,782,942
Tugs and Boats	122,167	85,784
Port Handlers	57,892	50,894
Cruise Ship Pier	5,505	6,110
	3,084,969	2,925,730

Included in the container terminal balance of $2.89 billion is an amount of $91.84 million for redundancy cost at Kingston Container Terminal.

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