The Port Authority of Jamaica

ANNUAL REPORT 2010


ZIM ANTWERP
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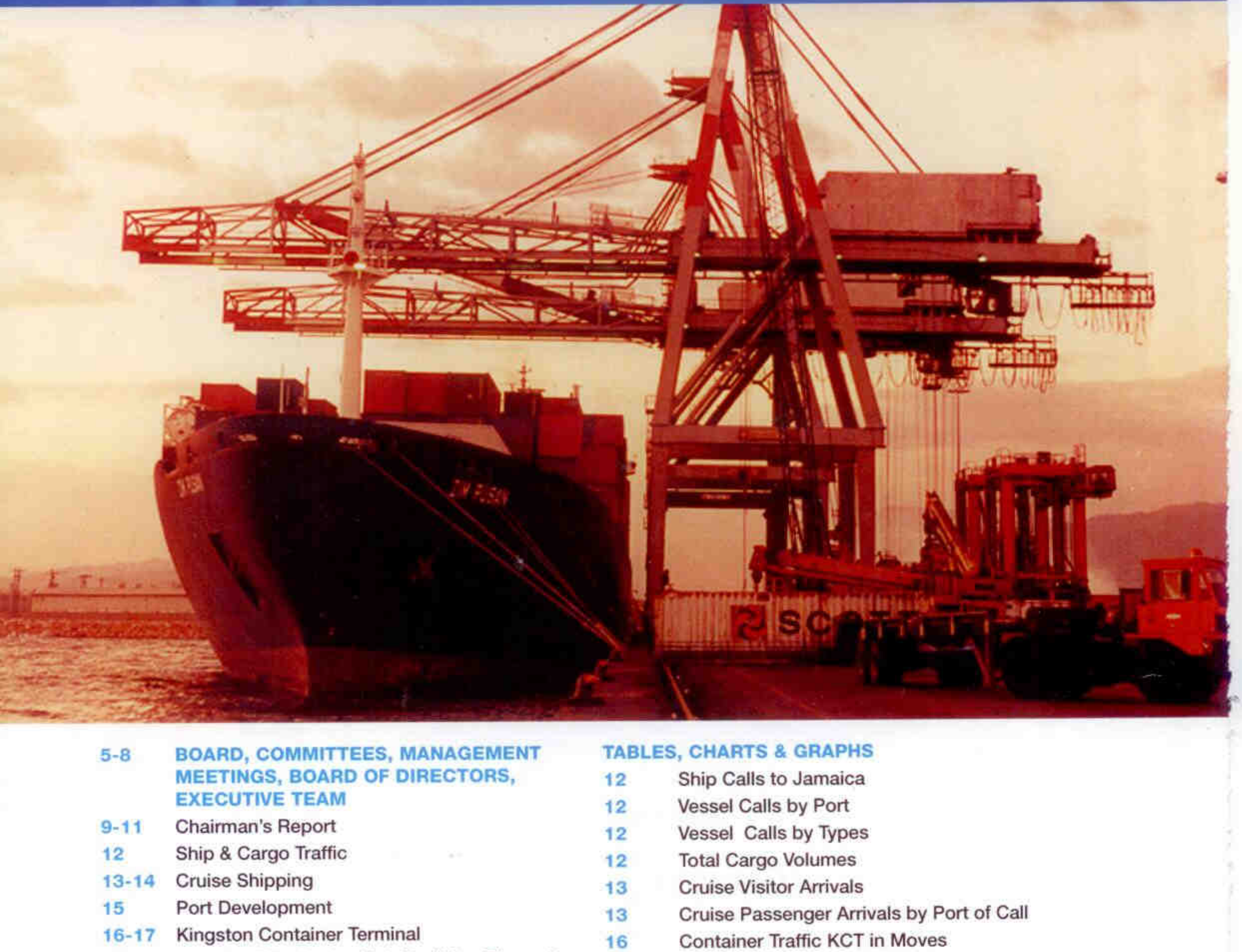
Mission

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 THE PORT AUTHORITY OF JAMAICA



The Board of Directors & BOARD COMMITTEES

BOARD OF DIRECTORS

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
Ms.	Belinda Ward	VP, Human Resource & Administration (Actg.)
Messrs.	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 2009 to March 2010), the Board of The Port Authority of Jamaica had ten (10) formal meetings and four (4) special meetings.

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

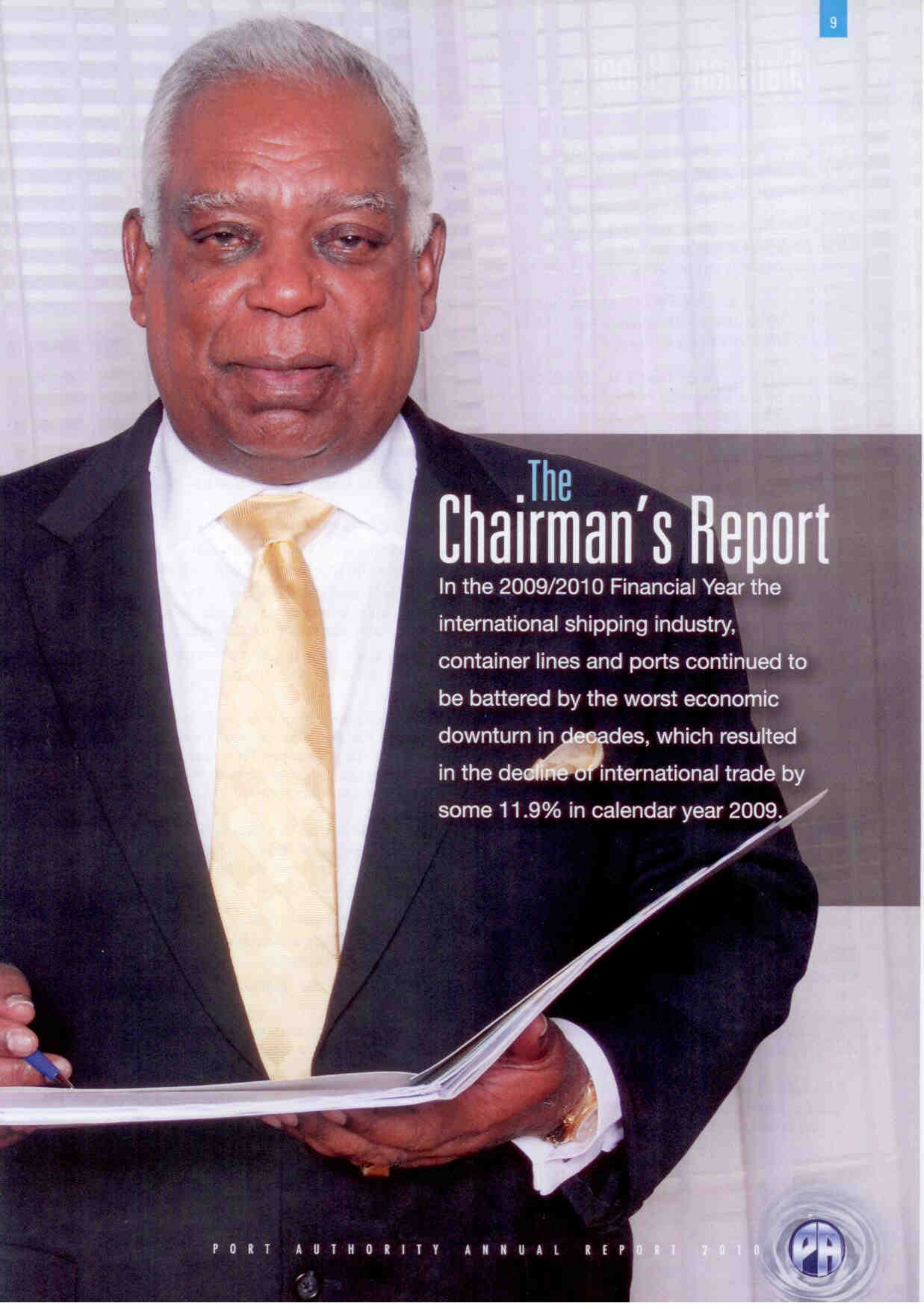
The Board Members

FROM LEFT: Dr. Carrol Pickersgill - Secretary, the Hon. Noel A. Hylton, OJ, CD, Hon. LLD, JP - Chairman, Mr. Clifton Stone, Mrs. Kerry-Ann Tulloch

FROM LEFT: Mr. Gregory Shirley, Mr. Paul East, Mrs. Corah-Ann Robertson-Sylvester, Mr. Ian Moore
Absent from photograph: Mr. Charles Johnston

The Executive Team

FROM LEFT: Mr. Winston Boothe - SVP, Finance & Information Services
Mrs. Beverley Williamson - SVP, Business Management & Special Projects
Ms, Rosalie Donaldson - SVP, International Marketing and Client Services
Dr. Carrol Pickersgill - SVP, Legal, Regulatory & Corporate Affairs
Mr. Mervis Edghill- SVP, Engineering & Port Devolpment
STANDING: The Hon. Noel A. Hylton, OJ, CD, Hon. LLD, JP-Chairman



The Chairman's Report

In the 2009/2010 Financial Year the international shipping industry, container lines and ports continued to be battered by the worst economic downturn in decades, which resulted in the decline of international trade by some 11.9% in calendar year 2009.

The Chairman's Report Year Ended March 31, 2010

It was in this environment that the Port Authority of Jamaica conducted business in the fiscal year under review April1, 2009 - March 31, 2010; a year in which the very existence of some foremost shipping lines, including some of the Authority's major clients, had to face and deal with the possibility of their going out of business.

It was a year in which the Port Authority had to summon its creativity with an unerring focus in order to preserve its long term viability.

At the end of the year on March 31, 2010, albeit buffeted by the upheavals in the industry, the Authority had survived the stormy seas, recording a small profit and emerged a more focused organization.

The core business of the Port Authority of Jamaica is transshipment at its Kingston Container Terminal. In the past year the KCT's major customers were numbered among shipping lines which had to seek extensive private and/or Government financing in order to weather the severe turbulence they encountered.

Activity levels at the KCT fell below the initial projection for the fiscal year by some 10%, resulting in an estimated fallout in revenue of $970M.

In fiscal year 2009/2010 there were 933,740 box moves at the KCT accounting for a throughput of 1,352,337 TEUs, reflecting an 8.11% and 18.96% reduction respectively compared to the Terminal's performance in fiscal year 2008/2009.

The tightening of international credit and liquidity problems have had a negative impact on our major customers. Sixteen (16) of the world's top container lines are reported to have incurred operating losses of $9 billion in the first nine months of calendar year 2009, thus falling precipitously from a combined operating profit of $5.3 billion in the corresponding period of 2008. Similarly, most port operators suffered from significantly reduced profitability, while in some instances there were painful losses.

It became necessary to renegotiate credit terms with our customers, resulting in an extension of credit periods and an increase in receivables.

While there were clear signs of recovery in some economies, particularly those of developed countries during the past fiscal year, analysts are not projecting a quick return to profitability and buoyancy in the container shipping industry.

Excess capacity on the part of the shipping lines, even against the background of the cancellation of some orders for new vessels, was a significant factor affecting recovery in the container industry during fiscal 2009/2010.

Drewery Shipping Consultants have suggested that the global container market could begin to recover toward the end of 2010, in conjunction with the upturn in the global economy and international trade. However, Drewry feels that as was the case in 2009/2010, improvement in port costs and productivity levels will be the continuing targets of shipping lines in their efforts to minimize operating costs.

Over the past year the Authority focused on a number of corporate goals:

- maintaining long-term viability;
- achievement and maintenance of high levels of productivity and organizational effectiveness;
- development and maintenance of the Authority's port facilities and other infrastructure required to take advantage of market opportunities; and
- the maintenance of the required internationally acceptable security profile at the country's ports.

In meeting the challenges of the past year the Authority embarked upon a focused effort at cost, receivables and cash flow management. Capital expenditure was curtailed to one major area of infrastructural development already underway and the required maintenance programme.

The Authority also ramped up its efforts through the International Marketing, Cruise and Client Services Division to ensure that it did not lose any of its customer container lines or cruise ship companies serving Jamaica's ports.

Cost Management initiatives included:

- limiting of expenditure to debt servicing commitments and primary operating expenses;
- restricting of capital expenditure to items already contracted; and
- stringent monitoring and accountability of all budget holders to ensure the sound management of all cost centers.

In the areas of Receivables and Cash Flow Management the Authority:

- maintained a persistent focus on the management of receivables, including dialogue with clients;
- extended credit periods and negotiated a reduction in some rates from our major suppliers; and
- reduced inventory to the lowest levels prudent through "just in time" purchasing.

It was imperative to institute these measures and to persue them on a continuing basis. Although there were indications that there would be some recovery in the industry in the latter months of 2010, international analysts have posited that throughput at container ports in most regions will not regain 2008 levels until 2012-2013.

As consumer spending was curtailed during the global economic crisis, the cruise shipping industry also felt the impact. There were some 880,760 cruise passengers visiting Jamaica during fiscal 2009/2010, or some 8.25% less than the projected 960,000 visitors.

Nonetheless, Jamaica fared better than several of its competitors and for the fourth consecutive year, was voted the World's Leading Cruise Destination' at the World Travel Awards in 2009.

Analysts project that the cruise industry will recover much more quickly than container shipping and the projection is for a record number of arrivals in 2012, surpassing the 1,329400 cruise ship visitors to Jamaica in 2006.

Infrastructural Development: Work was advanced significantly during the year on the construction of the Falmouth Cruise Pier.

The PAJ continued to invest in the training of its staff during the course of the year through a raft of programmes to promote employee development, increase efficiency and enhance work performance.

During the year the Authority also pursued its responsibilities as the Agency responsible for ensuring the maintenance of the certification of the country's ports under the International Maritime Organization's International Ship and Port Facility Security Code (ISPS).

The challenges faced by the Authority over the past year have been unlike any other period in the 38 years of the PAJ's existence.

A seminal input enabling the organization to meet those challenges has been the continuing support of the Government of Jamaica and the Minister of Transport & Works, the Hon. L. Michael Henry, who is vested with portfolio responsibility for the Authority.

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

There is no doubt that notwithstanding the travails of the shipping industry and the difficulties faced by the organization over the past fiscal year, the Port Authority of Jamaica in 2009/2010 continued to make a critical contribution to national development and the day-to-day endeavours of the Jamaican people.

In that regard, I also pay tribute to the Board of Directors and every member of staff for their invaluable commitment to the work of the Authority.

The unions representing the staff are also worthy of the Authority's commendation in light of the "give back" of some $700,000,000 in benefits in the face of the challenges we have been required to meet.

It is my honour and privilege to be leader of the team.

Noel A. Hylton, OJ, CD, LLD (Hon.), JP.

SHIP & CARGO TRAFFIC

During the calendar year 2009, there were a total of 3,397 vessels visiting Jamaica's ports, 190 less than the 3,587 vessel calls in 2008, representing a 5.3% decline in vessel calls.

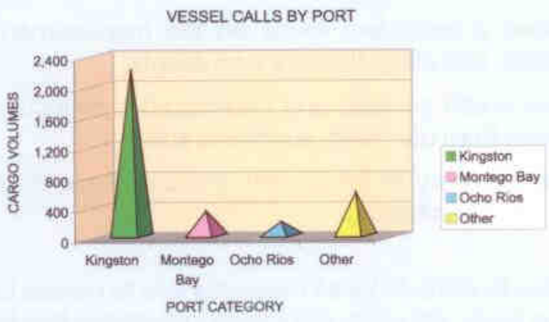
The decline in vessel calls at Jamaica's ports reflects a decrease of 268 ships or 23.7% at the outports, which was partly offset by an increase of 78 ship calls or 3.2% at the Port of Kingston.

The severity of the decline in ship calls at the other ports is in large measure attributed to the general reduction in activities at the bauxite /alumina ports, due to low demand for those commodities on the world market since the global recession.

In fiscal 2009/2010 there were 3,375 vessel calls, a reduction of 3.68% compared with the 3,504 in the 2008/2009 fiscal year.

Ship Calls to Jamaica

Kingston continues to be the primary port of call. There were 2,229 vessels calling at the Port of Kingston in 2009/2010, 359 less than the 2,588 which called at the port in 2008/2009. Montego Bay had 336 vessels calling, while there were 213 calling at Ocho Rios. There was a combined total of 597 calls to the island's other ports.



Vessel Calls by Port

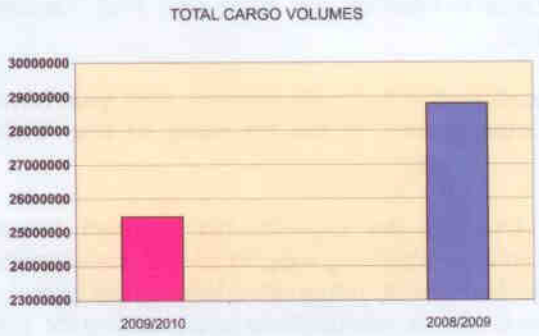
A breakdown of vessel types reveal that there were calls by 3,066 cargo vessels, while the cruise ports received passengers from 309 ship calls.

Vessel calls by type

Cargo Volumes

The volume of cargo handled at the outports decreased in calendar year 2009 by 5,179,043 tonnes or 37.1%, reflecting a major reduction from 2008 in imports (38%) and exports (36.7%).

However, in fiscal 2009/2010 the overall decline in cargo volumes handled at the country's ports was 13.26%, with 25,070,402 tonnes being handled compared to 28,903,528 tonnes in fiscal 2008/2009.



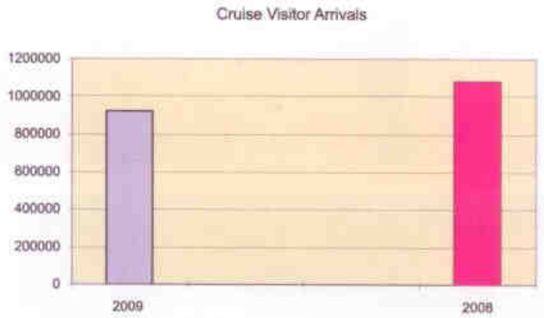
Total cargo volumes

CRUISE SHIPPING

The PAJ through its Cruise Jamaica brand continues to drive the marketing of the cruise ship sector.

The international cruise industry has also been impacted by the recent global recession, and although it has demonstrated greater resilience, the cruise lines have suffered fallout in revenue. With lower consumer spending, the lines had to reduce their rates and enhance their offering in order to attract and maintain their customers.

The significance of the effect on the sector locally was reflected in the 17% decline in vessel calls in 2009 relative to 2008, resulting from a record level of cancellation of bookings in the cruise industry. Consequently, the cruise visitor count to the island fell from 1,080,508 in 2008 to 922,397 in 2009.



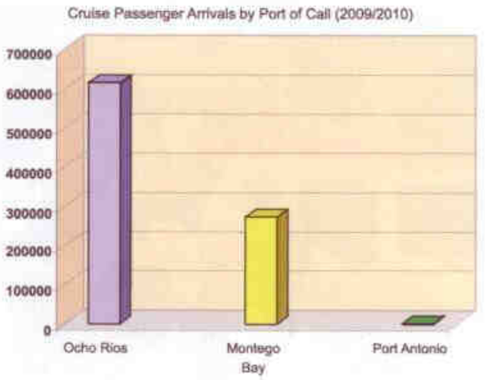
Cruise visitor arrivals

Ocho Rios continued to be the preferred port for cruise passengers, with 69.1% of the total number of visitors in 2009, while the Port of Montego Bay accounted for 30.7% of the total visits.

For fiscal 2009/2010, there were 310 cruise vessels - 49 less than 2008/2009 calling at Jamaican ports, ferrying some 880,760 passengers. This was approximately 8.25% less than the projection of 960,000 cruise visitors for the year.

...the projection is for passenger arrivals to recover significantly in 2011 and for arrivals to surpass the 2006 record of 1,325,000 cruise visitors to Jamaica in 2012.

The Port of Ocho Rios attracted 197 vessels - 18 less than the 215 the previous fiscal year, and accommodated 604,943 or 66.8% of all cruise passengers hosted by Jamaica in 2009/2010.



Cruise Passenger Arrivals by Port of Call

One hundred and seven cruise ships - 27 less than the previous fiscal year docked in Montego Bay, bringing some 274,293 or 28.6% of all cruise visitors to Jamaica in 2009/2010 to that port. Six ships, four less than the previous year, ferried 1,524 visitors to Port Antonio during 2009/2010.

The recovery in this sector is expected more quickly than in the cargo industry. While internal forecasts based on bookings suggest modest arrivals in 2010, the projection is for passenger arrivals to recover significantly in 2011, **and for arrivals to surpass the 2006 record of 1,325,000 cruise visitors to Jamaica in 2012.**

Cruise Shipping

Cruise passengers disembark in Montego Bay.

The Caribbean remains, even in what has been a challenging time, the world's primary cruise region.

William Tatham, (left) Vice President Cruise Shipping & Marina Operations, Port Authority, receives the award made to Jamaica as the 'World's Leading Cruise Destination' for 2009 from Graham Cooke, President & Founder, World Travel Awards.

The Caribbean remains, even in what has been a challenging time, the world's primary cruise region.

Despite the falloff in the sector internationally, in 2009, Jamaica was for the fourth consecutive year, voted the World's Leading Cruise Destination at the annual World Travel Awards function of the international hospitality industry.

Port Development

The new Falmouth Pier under construction.

In 2009, work was started on the development of a new cruise pier and facilities at Falmouth on Jamaica's northwestern coast, which will host the new Genesis Class Generation of mega vessels recently introduced into the industry by Royal Caribbean Cruises International. These new ships boast the capacity to accommodate some 6,000 passengers and a crew of over 2,000.

The new Falmouth Cruise Pier will consist of a seaside development (pier, Customs, Immigration and related facilities), as well as a landside development (featuring shops, restaurants, art and craft and in-bond offerings, transportation facilities, as well as housing).

The landside development being undertaken by RCCL will feature Georgian architecture for which the town of Falmouth is already noted. The pier being developed at Falmouth will be able to host two vessels at a time.

The addition of the Falmouth Cruise Pier will effectively double the current cruise berth capacity and projections suggest that over 900 direct jobs could be created in the first full year of operation.

The PAJ expects that the seaside development will be completed by November of 2010, and current projections are for the first cruise vessel visit to the new port in that month. It is expected that the first of the new mega liners to visit the new cruise pier will do so early in 2011.

The PAJ was also involved in discussions during the year with a major cruise line regarding the further upgrade of the ports of Ocho Rios and Montego Bay, and the establishment of a cruise pier at historic Port Royal.

The Focus for the 2010/2011 Fiscal Year

- Pursuing the rigorous cruise marketing programme
- Completion of the new Falmouth pier and pursuing related works
- Maintaining the Country's other cruise ports in a visitor-friendly state, while planning for their upgrade

The KINGSTON CONTAINER TERMINAL

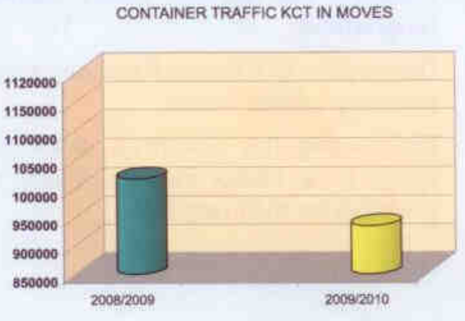
At the Kingston Container Terminal (KCT), container volumes handled by the major shipping lines fell sharply during 2009.

Declines of 9.6% and 20.1% respectively, were posted by the two dominant carriers at the Terminal. In the first instance one of the leading carriers recorded a total of 528,421 box moves in 2009, which was 56,075 less than in 2008. In the case of the second carrier, that line handled 276,386 box moves in 2009, some 69,730 less than it did in 2008.

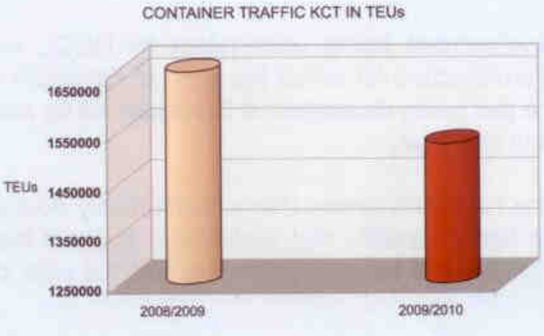
In calendar year 2008, 1,442,744 TEUs were handled by the KCT, while in 2009 the figure was 1,323,899.

For the fiscal year under review 2009/2010, the throughput at the KCT was 1,352,337 TEUs or 18.96% less than the 1,668,810 it processed in 2008/2009.

The impact of the global recession on overall international trade is readily discerned in the transshipment numbers for the KCT. There was a 20.36% reduction of 316,473 TEUs handled by the KCT in 2009/2010 compared to the 1,438,678 TEUs handled in 2008/2009. The decline in domestic containers handled by the Terminal to 172,088 TEUs was, however, only 7.28 % less than the 185,523 handled in 2008/2009.



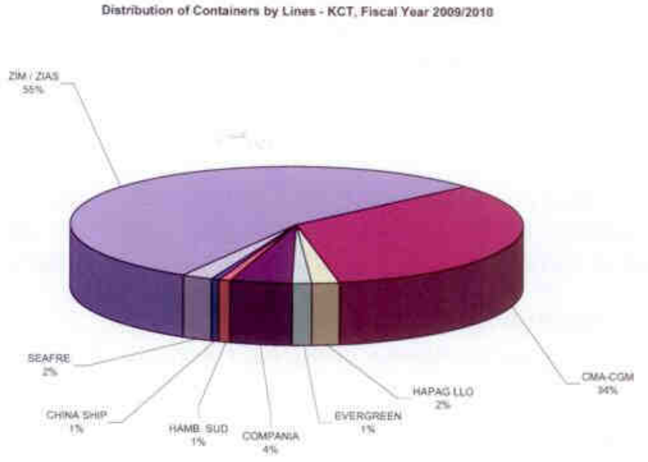
Container traffic KCT in moves



Container Traffic KCT in TEUs

The Kingston Container Terminal

It is particularly noteworthy, however, that the KCT was able to register significantly less fallout than other regional and world container ports and was able to keep its major customers during the year.



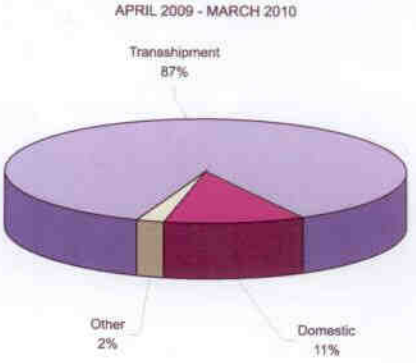
Distribution of containers by lines

The impact on the Authority's main business units has in the main been as follows:-

- activity levels at the Kingston Container Terminal fell below the initial projection by 10%.
- The tightening of international credit, and liquidity problems had a negative impact on our major customers and credit terms were re-negotiated with them, resulting in an extension of credit periods and an increase in receivables.

In recognition of the impact on the Authority's business, management implemented strategies to:

- reorganize the operations to increase efficiency and reduce expenses;
- close the gap created by the fallout in revenues and the downturn in collections; and
- revise the 2009/10 Budget to account for the changes.



TEUs handled at KCT by type

Cost Reduction Strategies

- As a result of the downturn in the industry cost reduction strategies were implemented by the Authority, resulting in a reduction of more than $700M in operating expenses. These included:
- re-organization of operations at the business centers, resulting in savings in operational expenses and improvement in productivity ratios;

Staff Rationalization

- implementing a programme of cross-training of staff aimed at creating a more multi-skilled workforce and maintaining inventory levels as low as possible and exploring reworking of parts, without compromising the efficiency of our operations.

Under the aegis of Kingston Container Services Limited, the wholly owned PAJ subsidiary which assumed the management of operations at the KCT in March 2009 - a relentless effort throughout the year to improve productivity and overall efficiency at the Terminal - bore significant fruit. In the last quarter of fiscal year 2009/2010 workers at the KCT established a record when in the first week of February they achieved sustained production of 42 container moves an hour while working the Zim Antwerp, the first of the new generation of mega container vessels to call at the KCT.

The mega vessel Zim Antwerp (10,062 TEUs) being worked at the Kingston Container Terminal

The Zim Antwerp has a capacity of 10,062 containers and it is expected that several more of these 10,000 to 12,000 TEU mega vessels will be calling regularly at Hub ports like Kingston over the next two years and, even more so when the expansion of the Panama Canal is completed in the next three years.

The KCT is projecting that in 2010/2011 the terminal will handle some 1,510,000 TEUs.

Logistics/Distribution Hub Facilities

Tinson Pen

The Authority remains intent on taking advantage of business opportunities through the development of multi-modal logistics/distribution hub facilities.

Plans were advanced significantly during the year for these developments to take place on the 39.5 Hectare (97 acres) Tinson Pen property, which is adjacent to the Kingston Container Terminal. **The goal is to:**

- put facilities in place for the breakdown and repackaging of cargo for onward distribution;
- provide for light manufacturing and/or assembly of goods to be undertaken; and
- to create a major marketing point for a wide variety of goods.

In the first phase, the development will comprise approximately 10 acres and is estimated to cost in the region of US$45m, over a 30-month period.

In this regard, the PAJ has signed a Letter of Intent with COMPLANT, a Chinese company that focuses on infrastructural development, to explore business opportunities and ultimately, to design and construct the required Phase I facilities. Plans for this development are expected to be completed within the first half of 2010.

Vernamfield

It is expected that operations at the KCT will also be integral to the development of the multi-modal logistics center to be established at Vernamfield, the plans for which are well in train.

The focus for the 2010/2011 Fiscal Year

- Intensifying the marketing of the KCT in order to attract more business as more economies rebound
- Maintaining the programme in order to achieve further gains in efficiency and productivity
- The development of Logistics/Distribution Hub capabilities
- Handling some 1,510,000 TEUs at the KCT

SECURITY


Aracor Eagle X-ray machine

In the year under review, The Port Authority of Jamaica, as the Agency designated by Cabinet with responsiblity for leading the effort to establish and maintain the certification of Jamaica's ports under the International Maritime Organization's International Ship and Port Facility Security (ISPS) Code, successfully pursued its mandate to have local ports recertified.

In pursuing that role, the PAJ has since worked with national security agencies and the Customs Department, a variety of agencies of our major trading partner, the United States of America, such as the Drug Enforcement Agency, Customs and Border Patrol and the Department of Homeland Security, as well as other countries in the Caribbean, Britain and Canada.

ISPS Re-certification

During 2009-2010 the PAJ's Security Department completed the re-certification of eighteen (18) Marine Port Facilities for which ISPS Certification had expired in June and August of 2009.

This recertification process involved the review of Port Facility Security Assessments (PFSAs) and Port Facility Security Plans (PFSPs) prepared by each port.

These were reviewed and approved by the National Accreditation Committee, after the inspection of each port and the holding of meetings with the port's management to discuss and finalize the Plans and Assessments.

The Security Department also assisted several ports in conducting their Annual Security Exercise, to simulate the responses of supporting agencies in the event of a security incident or threat to the facility that would require an increase in its security level.

The PAJ was also instrumental in co-coordinating a raft of security-related courses for port personnel and allied organizations during the year. These included:

- the second phase of an OAS-sponsored Port Security-related training programme, focusing on specialized intelligence-related courses for the Jamaica Customs Department and other government agencies involved in Maritime Security.
- Customs Intelligence Analyst Training Course: Theoretical and practical exercises to provide potential intelligence analysts of the Customs Department with the knowledge and skills to support operational Customs security-related work; and the knowledge and understanding of the Intelligence Cycle
- Surveillance Training Course: To provide Customs and PAJ personnel at the managerial and operational levels with an introduction to the basic skills required to successfully conduct surveillance operations
- An Agent-Handling/Advanced Port Security and Customs Training project

A total of 131 persons from agencies involved in port security attended. The agencies represented were:

- Jamaica Customs;
- Jamaica Defense Force Coastguard;
- Jamaica Constabulary Force Intelligence Unit;
- Port Facility Security Officers; and
- Port Authority of Jamaica.

A comprehensive set of Port Facility Security Instructions was compiled in a single document for the guidance of managers of Port Facilities and Port Facility Security Officers.

The Security Department of the PAJ was also a party to efforts resulting in the seizure of substantial quantities of illegal drugs, firearms and other contraband during the year.

The Focus for the 2010/2011 Fiscal Year

- Maintaining the certification of the ports under the ISPS Security Code
- Continuing the programme of improving assets to enhance the security at the ports
- Pursuing a series of training programmes for the relevant security personnel

HUMAN RESOURCES & SOCIAL PROGRAMMES

Sfaff Training

Despite the continuation of the global economic downturn into 2009/2010, and its negative impact on organizations worldwide, the Authority continues to promote its philosophy that development of its human capital is an important component in achieving organizational success.

Consistent with this thinking the Human Resource department identified creative and cost-effective approaches in promoting employee development. Some approaches continue to be the reviewing of processes for greater efficiencies and cost savings, job enrichment, job enlargement and mentoring. Through these initiatives, approximately 88% of the vacancies created by employees leaving the Authority were filled internally, with no increase in the staff complement.

Gaps identified through our performance management and appraisal programme were used as the basis in developing and delivering a number of in-house training programmes, which in turn, prepared employees to take on greater levels of responsibility.

Human Resources & Social Programmes

Training & Development

A number of training programmes were designed during the period.

Additionally, employees participated in various seminars geared towards broadening of their perspectives on current developments in the industry. Employees at all levels were beneficiaries of these training programmes.

The National Council on Technical & Vocational Education and Training (NCTVET) certification programme which commenced in 2007 is ongoing.

Records & Information Management

In keeping with the mandate of the Port Authority to maintain efficiency through an aggressive programme to better manage its records and information, efforts were made during the course of the year to implement the necessary activities at the Kingston Container Terminal (KCT) related to the Records & Information Management (RIM) Programme.

KCT represents the single largest entity of The Port Authority which, based on the nature of its operations, generates the most significant numbers of records on a daily basis.

The objective of action is to analyze the types of records in order to determine the relevance and importance to the work processes at the location, and identify ways to better organize and reduce retrieval time for all records.

Intranet Service

During the year, the RIM Unit as content managers, partnered with the Information Technology Department to significantly upgrade the Intranet service. This will become the official medium by which all members of the organization will be able to post, retrieve, and have access to relevant information such as policy documents. In addition, collaborative features were implemented on the service to assist work groups in conducting projects, while still maintaining an effective and secure environment in which to work.

Employee Benefits

As the Authority continues to explore and initiate cost-effective measures, an analysis of the usage of our overseas health coverage revealed low utilisation of this benefit and it was therefore discontinued. This has realized significant savings.

Additionally, savings are being realized from the increased sensitization of staff and pensioners on the effective use of the Government of Jamaica-funded NHF, JADEP and NIGOLD health programmes.

Corporate Health and Wellness Programme

Various approaches are used to heighten awareness of benefits to be gained from health, wellness, lifestyle and behavioural changes.

Through our annual health screening exercise, all members of staff were afforded the opportunity of being exposed to the various health checks, which in turn provide useful baseline data to inform our health and wellness activities going forward.

The programme is enhanced by activities promoted by the Sports and Social Clubs.

Community Relations

With the firm commitment to being a good corporate citizen, the Authority continues to build strong relationships with its community, particularly in its downtown Kingston environs, with a variety of activities involving several schools and proactive community organizations.

The Financial Review

Financial Review Year Ended March 31, 2010

For the financial year ended March 31, 2010, operating surplus of $3.92 billion was earned. After finance and interest costs of $1.92 billion, and exchange loss of $316 million on foreign currency loans, there was a net surplus of $1.83 billion. This was a significant increase of $6.63 billion when compared to March 31, 2009 net loss of $4.8 billion.

The increase in net surplus compared to March 31, 2009 was due mainly to the $5.87 billion reduction in the unrealized exchange loss on foreign currency loans, resulting from the stabilization of the Jamaican Dollar (JMD) vis-à-vis the US Dollar (USD) in the latter part of the financial year. In addition, the cost reduction and operational strategies implemented during the year resulted in operating expenses decreasing by $822 million (8%).

During the financial year, the international shipping industry continued to be severely impacted by the global economic crisis. Consequently, the Authority's core business was affected. Notwithstanding this, measures were implemented during the year to improve operational efficiency, reduce costs and maintain financial stability.

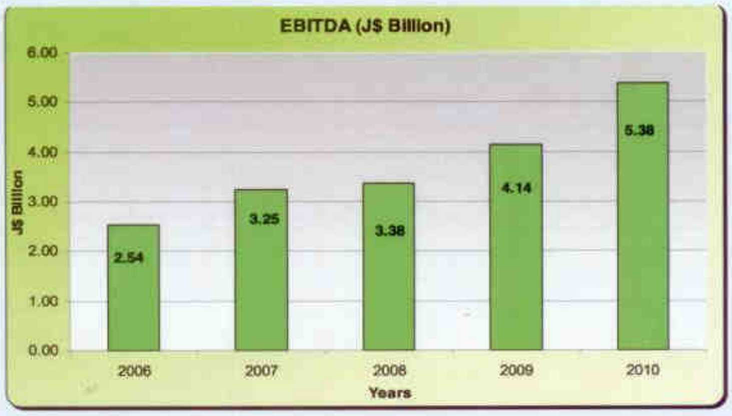
The volume of business handled by Kingston Container Terminal (KCT) during the financial year declined by 8% with container moves of 933,740 (1.49 million TEUs) compared to 1.02 million moves (1.63 million TEUs) the previous year. Transshipment continues to be the dominant activity, accounting for approximately 89% of the total throughput. Domestic moves declined by 8% relative to last year.

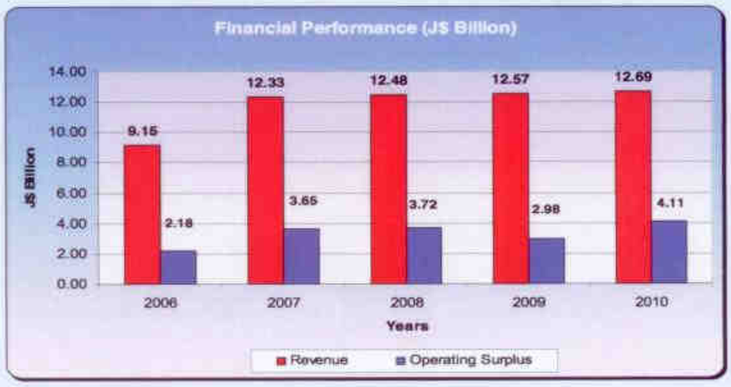
Income for the year was $12.69 billion, an increase of $121 million compared to last year. Fees generated from the operations at KCT continue to be the main contributor to income, generating a net of $8.73 billion or 69% of total income. The other sources of income and their relative contribution to total income were generally the same as the previous year. However, exchange gains decreased by $843.47 million, due to the stabilization of the JMD vis-à-vis the USD.

Total expenses were $8.77 billion for the financial year March 31, 2010 which was $822.44 million or 9% less than the previous year. The Container Terminal had the most significant decrease, reducing by $843 million, due mainly to staff rationalization and reorganization of operations during the year.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) reflected an increase of $1.1 billion. The Authority met all its operational and loan servicing obligations on time.

The financial performance of the Authority over last 5 years is illustrated in the graphs below.





BALANCE SHEET

The asset base of the Authority grew by 12% or $5.24 billion to stand at $47.37 billion at March 31, 2010. Cash and short-term deposits reduced by $1.57 billion over the last year's balance of $2.78 billion, due mainly to the utilization of committed funds during the year, which were held in short term investments at March 31, 2009.

A Chartered Valuator undertook the valuation of the Authority's investment properties and an increase of $501.92 million fair value gain was recognized in the accounts. Property, Plant and Equipment continues to be the most significant class of assets, accounting for 71% of the total asset base.

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

During the financial year, the international shipping industry continued to be severely impacted by the global economic crisis. Consequently, the Authority's core business was affected.

SUBSIDIARIES, JOINT VENTURE & ASSOCIATED COMPANIES

The Authority held investments in the following companies and at March 31, 2010 these entities had combined net assets of $1.45 billion, and made net profits of $134 million.

SUBSIDIARY/RELATEDCOMPANY/ASSOCIATES	ROLE/BUSINESS UNIT MANAGED
MONTEGO BAY FREE ZONE LTD.	A subsidiary of the Port Authority which was 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 the 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 LTD.	Established to manage the maintenance of international security standards at the Ports of Kingston and Montego Bay as well as the cruise ship ports - (The company is owned by PAJ, Kingston Wharves and Shipping Association of Jamaica, with PAJ being the majority shareholder with 51% ownership).
KCT SERVICES LIMITED	A 100% subsidiary whose primary activity is managing the operations of the Kingston Container Terminal
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 owns 75% of the shares and ZIM Integrated Shipping Services 25%).
PORT AUTHORITY MANAGEMENT SERVICES LTD.	A wholly-owned subsidiary of the Port Authority, this company was established to offer management services to agents of Government entities involved in transportation.
BOUNDBROOK WHARVES DEVELOPMENT CO. LTD.	This is a joint venture company 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 ADMINISTRATORS LTD.	A 33% associate company whose primary activity is the provision of security and other related services
MONTEGO BAY COLD STORAGE LTD.	A 33% associate company whose primary activity is the rental of refrigerated warehouses

Financial Review Year Ended March 31, 2010

EXECUTIVE EMOLUMENTS

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

Senior Executive Compensation

Financial Year Ending March 31, 2010

Category	Number of Persons	Emoluments	Gratuity (25% of Taxable Pay	Traveling Allowance or value of Assigned Motor vehicle	Pension or other Retirement Benefits	Other Allowances	Total
President & CEO	1	$15,387,000	$3,846,750	$2,970,00O NBV assigned car	Nil	$422,821	$19,656,571
Senior Vice Presidents	5	$8,234,336 to $9,150,435	$2,058,584 to $2,287,608	$2,001,186 (Allowance)	Nil	Nil	$12,294,106 to $13,439,228
Vice Presidents	13	$5,120,566 to $7,788,375	$1,280,141 to $1,947,094	$1,616,226 (Allowance)	Nil	Nil	$8,016,933 to $11,351,695

Directors' Compensation

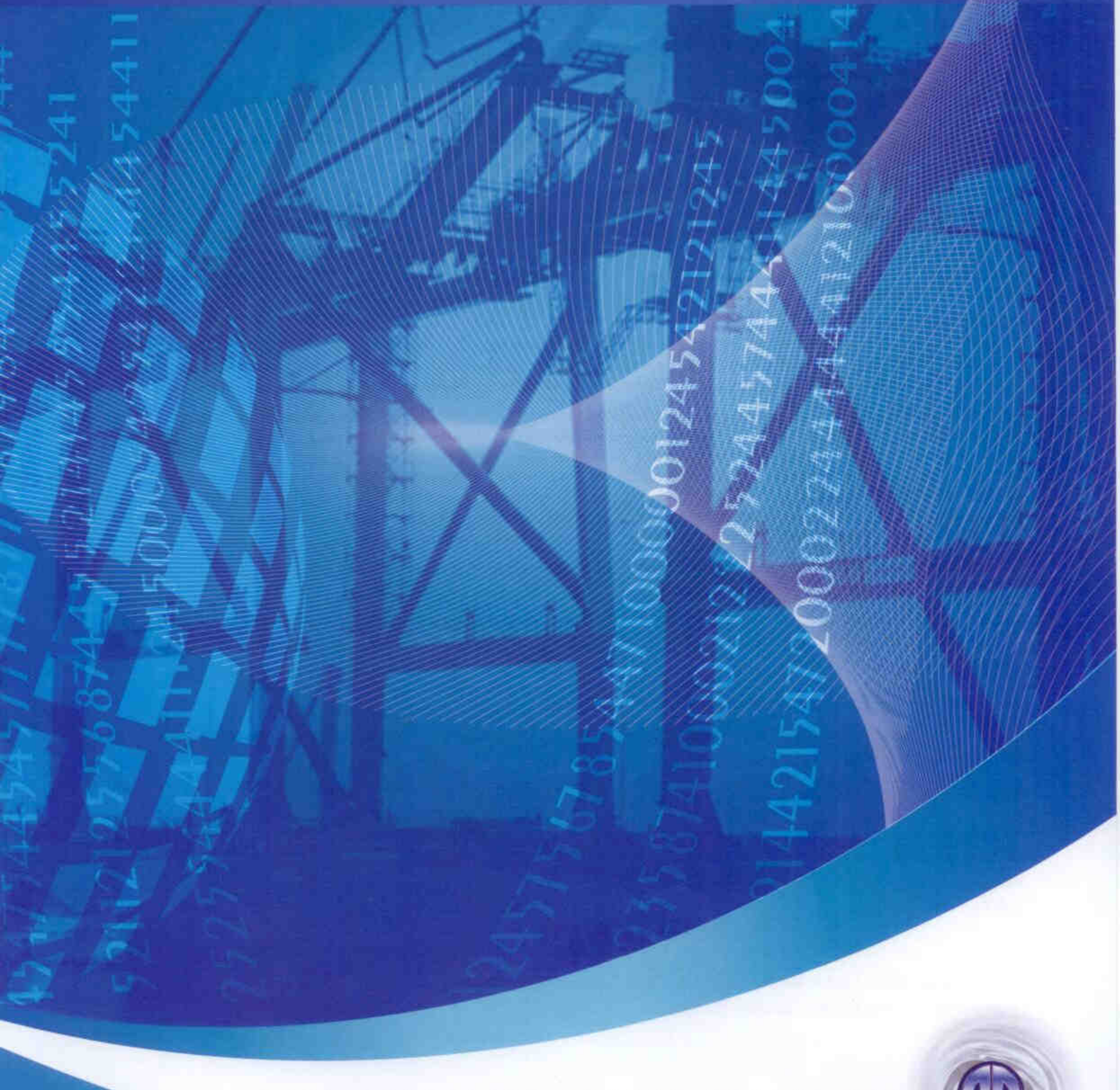
Position of Director	Total Fees	Total Travelling Allowance	Honoraria	Accommodation	Grand Total
	$	$	$	$	$
Board Members	986,000	491,545	Nil	51,670	1,529,215
Finance Committee Members	129,500		Nil		129,500
Audit Committee Members	52,500		Nil		52,500
Project Committee Members	87,500		Nil		87,500
Pilotage Committee Members	7,000		Nil		7,000
Special Committee Members	21,000				21,000
TOTAL	**1,283,500**	**491,545**	**-**	**51,670**	**1,826,715**

Note: The $1,826,715 represents the full amount paid collectively to the Directors of the Board.

STATUTORY DEDUCTIONS

	$M
Balance Outstanding at April 1, 2009	19.05
Deductions – April 1, 2009 to March 31, 2010	951.39
Balance Outstanding at March 31, 2010	74.32

The 2009-2010 Auditors' Report & Financial Statements



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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 79, which comprise the statement of financial position as at March 31, 2010, the statement of comprehensive income, the statement of changes in equity and the statement of 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, 2010, 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 8, 2010

Statement of Financial Position at March 31, 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	33,395,625	28,415,954
Investment properties	6	7,562,408	7,010,730
Intangible assets	7	24,597	9,985
Investments in subsidiary, joint venture and associated companies	8	20,700	20,700
Other investments	9	577,595	569,171
Long-term receivables	10	123,110	219,774
		41,704,035	36,246,314
Current assets			
Inventories	11	793,398	778,135
Trade and other receivables	12	3,662,112	2,328,684
Cash and short-term deposits	13	1,209,400	2,776,846
		5,664,910	5,883,665
Total assets		47,368,945	42,129,979
EQUITY AND LIABILITIES			
Equity			
Reserves	14	6,273,995	6,227,037
Retained earnings		3,488,127	1,709,335
		9,762,122	7,936,372
Non-current liabilities			
Long-term liabilities	15	32,890,983	29,568,461
Deferred income	16	273,898	277,545
Retirement benefit liability	17	24,229	31,221
		33,189,110	29,877,227
Current liabilities			
Trade payables and accruals	18	2,221,729	1,323,851
Current portion of long-term liabilities	15	2,064,774	2,791,227
Provisions	19	69,107	108,727
Bank overdraft (unsecured)		62,103	92,575
		4,417,713	4,316,380
Total equity and liabilities		47,368,945	42,129,979

The Notes on Pages 33 to 79 form an integral part of the Financial Statements.

The financial statements on Pages 29 to 79 were approved and authorized for issue by the Board of Directors on July 8, 2010 and are signed on its behalf by:

Noel A. Hylton
President

Gregory Shirley
Director

Statement of Comprehensive Income Year Ended March 31, 2010

	Notes	2010 $'000	2009 $'000
Revenue	20	12,688,296	12,567,604
Expenses			
Administration		1,295,027	1,377,405
Marine operations		7,472,663	8,212,720
		8,767,690	9,590,125
		3,920,606	2,977,479
Interest income	22	141,339	105,643
Finance charges and interest on loans	21	(1,920,402)	(1,707,748)
		2,141,543	1,375,374
Loss on exchange on foreign currency loans		(315,793)	(6,183,593)
NET SURPLUS (DEFICIT) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	22	1,825,750	(4,808,219)

The Notes on Pages 33 to 79 form an integral part of the Financial Statements.

(Expressed in $'000)

		RESERVES										
		General	Capital	Development	Equalisation	Stabilization Fund	Fixed Assets Replacement	Insurance	Wharfage	Total Reserves	Retained Earnings	Total
	Note	14(a)	14(b)	14(c)	14(d)	14(e)	14(f)	14(g)	14(h)			
		$	$	$	$	$	$	$	$	$	$	$
Balance at April1, 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 comprehensive income for the year		-	-	-	-	-	-	-	-	-	(4,808,219)	(4,808,219)
Transfer to reserves of managed operations		-	-	-	-	-	23,251	-	21,348	44,599	(44,599)	-
Amounts utilised		-	-	-	-	-	(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
Surplus for the year		-	-	-	-	-	-	-	-	-	1,825,750	1,825,750
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	1,825,750	1,825,750
Transfer to reserves of managed operations		-	-	-	-	-	27,730	-	24,501	52,231	(52,231)	-
Amounts utilised		-	-	-	-	-	(5,273)	-	-	(5,273)	5,273	-
Balance at March 31, 2010		359,450	5,083,337	305,150	1,630	32	451,344	37,500	35,552	6,273,995	3,488,127	9,762,122

The Notes on Pages 33 to 79 form an integral part of the Financial Statements.

Statement of Cash Flows Year Ended March 31, 2010

	2010 $'000	2009 $'000
OPERATING ACTIVITIES		
Net Surplus (Deficit)	1,825,750	(4,808,219)
Non-cash items included in net surplus (deficit):		
Interest income	(141,339)	(105,643)
Foreign exchange loss adjustment (net)	286,004	5,952,917
Finance cost	1,920,402	1,707,748
Provision for impairment loss recognised on trade receivables	40,228	5,982
Change in fair value of investment property	(501,916)	(351,657)
Depreciation and amortisation	1,776,341	1,506,540
Gain on disposal of property, plant and equipment	(150)	(374)
Adjustment to property, plant and equipment	160,563	91,343
Increase in provisions	53,449	51,737
Amortisation of deferred income	(23,147)	(22,740)
Post-retirement benefit liability	2,061	3,764
	5,398,246	4,031,398
Increase in operating assets		
Trade and other receivables	(1,311,742)	(987,182)
Inventories	(15,263)	(63,418)
Increase (Decrease) in operating liabilities		
Trade payables and accruals	897,878	(366,558)
Provisions utilized	(93,069)	(33,301)
Deferred income	19,500	-
Contributions to defined benefit and retiree medical plans	(9,053)	(7,354)
Cash generated by operations	4,886,497	2,573,585
Interest paid	(2,011,689)	(1,574,150)
Cash provided by operating activities	2,874,808	999,435
INVESTING ACTIVITIES		
Interest received	141,339	104,572
Decrease in long-term receivables	24,096	6,987
Advances from (to) related parties	10,654	(25,094)
Other investments (net)	(8,424)	(28,306)
Acquisition of intangible assets	(2,680)	(1,503)
Acquisition of property, plant and equipment	(6,978,269)	(1,121,615)
Proceeds on disposal of property, plant and equipment	150	432
Cash used in investing activities	(6,813,134)	(1,064,527)
FINANCING ACTIVITIES		
Receipt of long-term loans	6,458,721	8,147,090
Repayment of long-term loans	(2,874,849)	(7,215,356)
(Increase) Decrease in prepaid credit insurance	(1,212,309)	118,920
Cash provided by financing activities	2,371,563	1,050,654
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,566,763)	985,562
OPENING CASH AND CASH EQUIVALENTS	2,684,271	1,468,033
Effect of foreign exchange rate changes	29,789	230,676
CLOSING CASH AND CASH EQUIVALENTS	1,147,297	2,684,271
Cash and cash equivalents comprise:		
Cash and short-term deposits	1,209,400	2,776,846
Bank overdrafts	(62,103)	(92,575)
	1,147,297	2,684,271

The Notes on Pages 33 to 79 form an integral part of the Financial Statements.

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 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 cruiseship 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.

These financial statements are expressed in Jamaican dollars.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations affecting presentation and disclosure reported in the current period (and/or prior periods)

The following revised Standard has been adopted in the current period and has affected the presentation in these financial statements.

Standard affecting presentation and disclosure

IAS 1 (as revised in 2007) Presentation of Financial Statements	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. These changes include the presentation of a Statement of Comprehensive Income in one or two statements. The Authority has adopted the one statement method. (See Page 30). On adoption of the standard, the Authority changed the name of the balance sheet to "Statement of Financial Position." Presentation of the Authority's Statement of Financial Position and Statement of Changes in Equity has also been amended to comply with the revisions. In addition, the revised standard requires presentation of a third statement of financial position in certain situations.

Standards and Interpretations affecting the reported results or financial position

There were no Standards or Interpretations that were adopted during the year that affected the Authority's reported results or financial position.

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

	Effective for annual periods beginning on or after
Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*	January 1, 2009
Amendment to IFRS 7*: Enhancing Disclosures about Fair Value and Liquidity risk (Note 2(a))*	January 1, 2009
IFRS 8 Operating Segments	January 1, 2009
IAS 23 (as revised in 2007) Borrowing Costs (Note 2(b))	January 1, 2009

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

Standards and Interpretations adopted with no effect on financial statements (Cont'd)

	Effective for annual periods beginning on or after
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	January 1, 2009
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	(i)
Improvements to IFRS (2008)	(ii)
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 18 Transfers of Assets from Customers	(iii)
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009

(i) effective for annual period ending on or after June 30, 2009.
(ii) the majority of these amendments are effective from January 1, 2009.
(iii) effective for transfers received on or after July 1, 2009.

(a) The amendments expand the disclosures required in respect of fair value measurements recognised in the statement of financial position. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced for financial instruments recognised at fair value in the financial statements. The Authority does not hold financial instruments that are subsequently measured at fair value, as such the adoption of this amendment has no effect on the amounts reported.

(b) The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred and to capitalise borrowing costs attributable to qualifying assets. This change has had no impact on these financial statements as borrowing costs attributable to qualifying assets have always been capitalised in accordance with the Authority's accounting policy.

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 9	Financial Instruments – Classification and measurement	January 1, 2013
Amendments to Standards		
IAS 1, 7, 17, 36, 39,) IFRS 5 and 8 (Revised))	Amendments arising from April 2009 Annual Improvements to IFRS	January 1, 2010

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 1, 34, IFRS 1 and 7 (Revised)	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
IAS 27 and IFRS 3	Amendments arising from May 2010 Annual Improvements to IFRS	July 1, 2011
IAS 24 (Revised)	Related Party Disclosures – revised definition of related parties	January 1, 2011
IAS 27, 28, and 31 (Revised)	Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: - Amendment relating to classification of rights issue	February 1, 2010
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
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards - Amendment relating to oil and gas assets and determining whether an arrangement contains a lease	January 1, 2010
IFRS 2 (Revised)	Share-based Payment:	
	– 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
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 (Revised)	Amendments arising from May 2010 Annual Improvements to IFRS	January 1, 2011
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 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

New and Revised Standards and Interpretations considered relevant

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.

- 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.
- Amendments specifically to IAS 1, 27 and IFRS 7 resulting from May 2010 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.

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

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

New and Revised Standards and Interpretations considered relevant (Cont'd)

- 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*. On adoption, these amendments are not expected to have any 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. On adoption, these revised standards are not expected to have any impact on the Authority's financial statements.

- *IAS 24 (Revised 2009) Related Party Disclosures* – Amendment to IAS 24 allows for a partial exemption from the disclosures requirements for transactions between a government-controlled reporting entity and that government or entities controlled by that government. The revision also resulted in an amendment to the definition of related party. On adoption at its effective date, the revised standard is not expected to have any significant impact on the Authority's financial results but will have an impact on the disclosures in the financial statements.

- IFRS 9 *Financial Instruments: Classification and Measurement* - IFRS 9 introduces new requirements for classifying and measuring financial assets. On adoption at its effective date, the standard is not expected to have a significant impact on the Authority's financial statements.

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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below:

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 recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Authority's accounting policy (See Borrowing costs at Page 43). 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 recognised in income.

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

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 amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis so as to write off cost over the estimated useful lives. The estimated useful life and amortisation 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 the end of each reporting period, 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.

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 profit or loss, 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 statement of comprehensive income 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 on page 38). 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.

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

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 of the joint venture 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 realisable 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.

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 recognised on the Authority's statement of financial position when the Authority becomes a party to the contractual provisions of the instrument. Financial assets are derecognised 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 recognises 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 recognises a collateralised borrowing for the proceeds received. Financial liabilities are derecognised when and only when, the Authority's contractual obligations are discharged, cancelled or they have 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 overleaf are the Authority's financial assets and liabilities and the specific accounting policies relating to each.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial assets

These are recognised and derecognised on a trade-date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the time frame established by the market concerned 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 receivable, 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 amortised 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 amortised cost of debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial assets, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

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 recognised 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 recognised in other comprehensive income and accumulated 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 recognised directly in profit or loss. When the securities are disposed of or are determined to be impaired, the related accumulated unrealized gains or losses previously included in fair value and other reserves are reclassified to profit or loss for the period. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where fair values cannot be determined for unquoted available-for-sale equity securities, these are recorded at cost.

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 end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and the other changes recognised in other comprehensive income in fair value and other reserves. The available for-sale securities held by the Authority include unquoted shares and an unsecured debenture.

b) *Receivables (short-term)*

These are classified as "loans and receivables" and 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 recognised 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.

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

Financial Instruments (Cont'd)

Financial assets (Cont'd)

d) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 assets have been impacted.

For shares (listed and unlisted) 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, in addition, 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.

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

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 reducing the amount of the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income. Recoveries of amounts previously written off are credited to income.

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 recognised, the previously recognised 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 recognised. In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in government equity.

Financial liabilities

These are classified as "other financial liabilities" and comprise borrowings and payables.

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 recognised on an effective yield basis. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Authority's accounting policy for borrowing costs (See Borrowing costs Page 43).

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits (Cont'd)

Pension (Cont'd)

(ii) Defined benefit plan (Cont'd)

The cost of providing benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Authority's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and is otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised 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 the end of each reporting period. Actuarial gains and losses that exceed 10 per cent of the present value of the Authority's unfunded defined benefit obligation are recognised in full.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses. Any asset resulting from this calculation is limited to unrecognised 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 recognises 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 end of the reporting period are discounted to present value.

Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave for services rendered by employees up to the end of the reporting period.

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;

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

3 SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related party identification (Cont'd)

(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 recognised 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 recognised 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 recognised when service is provided.

Interest income is recognised when it is probable that the economic benefits will flow to the Authority and the amount of revenue can be measured reliably. 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 on initial recognition.

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

Dividend income is recognised when the Authority's rights to receive payments have been established (provided that it is probable that the economic benefits will flow to the Authority and the amount of revenue can be measured reliably).

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 recognised in profit or loss in the period in which they are incurred.

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).

In preparing the financial statements, transactions in currencies other than the Jamaican dollar are recorded at the rates of exchange prevailing on the dates of those transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical costs in foreign currency are not re-translated. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when fair value was determined. All exchange gains and losses are recognised 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 recognised 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 recognised 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 recognised 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 recognised in the financial statements.

Assets leased to subsidiary company

Assets with a net book value at the reporting date totalling $466.652 million (2009: $683.571 million) 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.

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

Critical Judgements in applying accounting policies (Cont'd)

Investment property

Land held in Montego Bay valuing $1.936 billion (2009: $1.779 billion) was classified as investment property in 2009 because the future usage of this land is undetermined. During the current financial year, a fair value gain of $156.5 million (2009: $236.6 million) on this land was included in the statement of comprehensive income.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, 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

In 2006, management estimated that with routine maintenance, dredging of the sea channel capitalised had a remaining useful life of 20 years. The carrying value at March 31, 2010 is $511.78 million with management estimating remaining useful life as approximately 16 years. At March 31, 2009 the carrying value was $565.48 million with an estimated useful life of approximately 17 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 statement of financial position of an asset of approximately $7.813 million (2009: $0.26 million) in respect of the defined benefit plan and a liability of approximately $32.04 million (2009: $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 are determined at the end of each reporting 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 benefits scheme, the beneft 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.

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, 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 assets (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
Additions	23,483	4,312	1,164	210,337	4,892	-	3,567	4,343	5,393	6,720,778	6,978,269
Disposals	-	-	-	-	-	-	-	-	(1,216)	-	(1,216)
Transfer from works-in-progress	199,933	36,097	80,984	2,489,795	1,032,080	-	20,462	102,057	5,830	(3,967,238)	-
Transfer to investment property (Note 6)	(35,300)	-	-	-	-	-	-	-	-	(14,462)	(49,762)
Transfer to intangible assets (Note 7)	-	-	-	-	-	-	-	(21,332)	-	(735)	(22,067)
Adjustment (Note 5(g))	-	-	(35,892)	-	-	-	-	(521)	-	(124,150)	(160,563)
Reclassification	-	-	(135,804)	-	135,804	-	-	-	-	-	-
March 31, 2010	6,109,699	1,068,230	14,257,419	8,014,986	4,657,034	942,613	120,740	241,073	139,862	7,749,609	43,301,265
Depreciation											
April 1, 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
Charge for year	-	39,320	1,002,275	268,218	304,341	53,697	16,166	68,825	13,364	-	1,766,206
On disposals	-	-	-	-	-	-	-	-	(1,216)	-	(1,216)
March 31, 2010	-	262,297	6,409,689	1,319,963	1,112,544	430,834	71,201	183,913	115,199	-	9,905,640
Net book value											
March 31, 2010	6,109,699	805,933	7,847,730	6,695,023	3,544,490	511,779	49,539	57,160	24,663	7,749,609	33,395,625
March 31, 2009	5,921,583	804,844	8,939,553	4,263,109	2,676,055	565,478	41,876	41,438	26,804	5,135,416	28,415,954

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 and 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 $70.281 million (2009 - $35.857 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 $674.80 million (2009: $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 $1.273 billion (2009: $1.494 billion).

(g) During the year the Authority embarked upon a review of assets in construction in progress resulting in the write-off of amounts totalling $124.1 million not deemed to fulfil the criteria for capitalization under IAS 16, Property, Plant and Equipment.
Additionally, amounts included in tugs, cranes, trailer, straddle carriers, vessel and other equipment and computers totalling $36.413 million representing equipment damaged beyond repairs, were also written off.

5 **PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

(g) (Cont'd)

In 2008/2009, this related to impairment resulting from the abandonment of a Container Position Information System project at the Container Terminal.

6 **INVESTMENT PROPERTIES**

	$'000
Fair values	
Land (Note 6(a))	
Balance, April 1, 2008	4,384,308
Transfer (below)	(48,100)
Increase in fair value	146,064
Balance, March 31, 2009	4,482,272
Transfer (Note 5)	35,300
Increase in fair value	288,712
Balance, March 31, 2010	4,806,284
Buildings (Note 6(b))	
Balance, April 1, 2008	2,274,765
Transfer (above)	48,100
Increase in fair value	205,593
Balance, March 31, 2009	2,528,458
Transfer (Note 5)	14,462
Increase in fair value	213,204
Balance, March 31, 2010	2,756,124
Carrying amount:	
March 31, 2010	7,562,408
March 31, 2009	7,010,730

(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 the end of the reporting period has been arrived at on the basis of valuations carried out during May 2010 (2009: 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 relevant experience in the valuation of similar properties. The valuations 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 $133.76 million (2009: $104.11 million). Direct operating expenses arising in the investment properties during the period amount to $15.35 million (2009: $13.55 million).

7 INTANGIBLE ASSETS

	$'000
Cost	
Balance, April 1, 2008	54,253
Additions	1,503
Transfer (Note 5)	13,113
Balance, March 31, 2009	68,869
Additions	2,680
Transfer (Note 5)	22,067
Balance, March 31, 2010	93,616
Amortisation	
Balance, April 1, 2008	41,452
Charge for year	17,432
Balance, March 31, 2009	58,884
Charge for the year	10,135
Balance, March 31, 2010	69,019
Carrying amount:	
March 31, 2010	24,597
March 31, 2009	9,985

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

8 INVESTMENTS IN SUBSIDIARY, JOINT VENTURE AND ASSOCIATED COMPANIES

	2010 $'000		2009 $'000	
Shares at cost				
Subsidiary companies				
Kingston Free Zone Co. Ltd.	13,327		13,327	
Montego Bay Free Zone Co. Ltd.	-	*	-	*
Ports Management and Security Ltd.	-	**	-	**
Jamaica International Free Zone Development Ltd.	-	***	-	***
Port Authority Management Services	-	****	-	****
KCT Services Limited	-	*****	-	
	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 51 ordinary shares at a cost of $51.00
*** 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
****** Denotes 200 ordinary shares at a cost of $200

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

(a) Details of the subsidiaries as at March 31, 2010 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, 2010	Rental of warehouses and property management
Montego Bay Free Zone Company Limited	Jamaica	50%	50%	March 31, 2010	Rental of offices and factory space and property management
Port Management and Security Limited	Jamaica	51%	51%	March 31, 2010	Provision of security at ports
Jamaica International Free Zone Development Limited	Jamaica	75%	75%	March 31, 2010	Acquiring, developing and leasing property for the purpose of logistics and distribution activities
Port Authority Management Services Limited	Jamaica	100%	100%	March 31, 2010	Managing Half-Way-Tree Transportation Centre on behalf of the Ministry of Transport and Works
KCT Services Limited	Jamaica	100%	100%	See Note 8(e)	Managing the operations of the Kingston Container Terminal

(b) Details of the joint venture as at March 31, 2010 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 Limited	Jamaica	51%	51%	March 31, 2010	Rehabilitation and leasing of Boundbrook Wharf

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

(c) Details of the associates as at March 31, 2010 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 Limited	Jamaica	33.33%	33.33%	December 31, 2009	Provision of security services at Port Bustamante
Montego Bay Cold Storage Limited	Jamaica	33.33%	33.33%	December 31, 2009	Rental of refrigerated warehouses.

(d) (i) Summarised financial information in respect of the Authority's subsidiaries (except KCT Services Limited (See Note 8(e)) is as follows:

	2010 $'000	2009 $'000
Total assets	2,228,580	2,072,533
Total liabilities	983,891	828,584
Net assets	1,244,689	1,243,949
Revenue	1,902,839	1,917,974
Profit for the period	108,522	70,780

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

	2010 $'000	2009 $'000
Total assets	109,998	119,272
Total liabilities	130,974	131,430
Net liabilities	(20,976)	(12,158)
Revenue	1,388	2,738
Loss for the period	(12,237)	(3,419)

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

	2010 $'000	2009 $'000
Total assets	267,382	217,688
Total liabilities	39,718	31,873
Net assets	227,664	185,815
Revenue	410,746	381,410
Profit for the period	37,934	86,877

(e) No financial information in respect of the operations of this entity was available at the end of the reporting period.

9 OTHER INVESTMENTS

	2010 $'000	2009 $'000
Deposit (See (i) below)	554,557	547,277
Staff mortgage deposits (See (ii) below)	22,937	21,793
	577,494	569,070
Unquoted - Available-for-sale (At cost)		
Tourism Action Plan Limited (See (iii) below)		
- Shares	1	1
- Unsecured debenture (Interest free)	100	100
	101	101
	577,595	569,171

(i) This amount includes approximately US$6,213,000 (2009: US$6,194,000) 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 0.0937% per annum (2009: 0.7187%).

(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

	2010 $'000	2009 $'000
Motor car loans (Note 10(a))	32,129	52,589
Staff housing assistance fund (Note 10 (b))	14,324	14,718
Deposit – Jamaica Public Service Co. Ltd.	2,200	2,200
Advances to related companies (net) (Note 10(c))	85,099	164,914
Other	67	3,309
	133,819	237,730
Current portion included in Trade and Other Receivables (Note 12)	(10,709)	(17,956)
	123,110	219,774

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:

	2010 $'000	2009 $'000
Kingston Free Zone Company Limited	(917)	70,308
Montego Bay Free Zone Company Limited	(4,500)	(4,500)
Boundbrook Wharves Development Limited	(895)	7,706
Jamaica International Free Zone Development Limited	91,411	91,400
	85,099	164,914

These amounts are non-interest bearing and there are no stipulated repayment terms.

11 **INVENTORIES**

	2010 $'000	2009 $'000
Spares	782,417	759,251
Fuel	30,558	14,786
Other	2,116	2,052
Goods in transit	11,331	20,396
	826,422	796,485
Provision for obsolescence	(33,024)	(18,350)
	793,398	778,135

The cost of inventories recognised as an expense during the year was \$782.071M (2009: \$838.196M).

The cost of inventories recognised as an expense includes \$15.14 million (2009: \$7.59 million) in respect of write-downs of inventory to net realisable value, and has been reduced by \$0.47 million (2009: \$1,168) in respect of the reversals of such write-downs.

12 TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Trade	3,142,088	1,843,136
Provision for impairment	(46,597)	(8,425)
	3,095,491	1,834,711
Staff receivables	62,293	68,125
Prepaid expenses	49,258	42,616
GCT recoverable	220,022	214,400
Sundry receivables	17,507	79,009
Advances to subsidiaries and associates (See (a) below)	94,279	25,118
Lease receivable – Ports Management and Security Limited	112,553	46,749
Current portion of long-term receivables (Note 10)	10,709	17,956
	3,662,112	2,328,684

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 mimimise credit and the associated risks of non-collection. The management of credit risk is treated as a 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 analysed 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 the granting of 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

12 TRADE AND OTHER RECEIVABLES (Cont'd)

99% (2009: 97%) of trade receivables that were neither past due nor impaired at the end of the reporting period were classified in Grade A.

As at March 31, 2010 trade and other receivables of $1.421 billion (2009 - $944.390 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 (2009: 60 days).

Ageing of past due but not impaired

	2010 $'000	2009 $'000
31-60 days	622,052	561,784
61-90 days	292,108	143,687
Over 90 days	507,571	238,919
	1,421,731	944,390

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

	2010 $'000	2009 $'000
Balance at beginning of the year	8,425	8,608
Impairment losses recognised	40,228	5,982
Amounts written off as uncollectible	(2,056)	(6,165)
Balance at end of the year	46,597	8,425

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 the end of the reporting period, there is no further credit provision required in excess of the allowance for impaired receivables.

Ageing of impaired trade and other receivables

	2010 $'000	2009 $'000
0 – 30 days	40,534	-
Over 60 days	6,063	8,425
	46,597	8,425

12 TRADE AND OTHER RECEIVABLES (Cont'd)

(a) Advances to (from) subsidiaries and associates

This comprises the following:

	2010 $'000	2009 $'000
Kingston Free Zone Company Limited	1,297	1,725
Montego Bay Free Zone Company Limited	498	(634)
Port Management and Security Limited	36,321	15,642
Port Authority Management Services	56,163	8,385
	94,279	25,118

13 CASH AND SHORT-TERM DEPOSITS

			2010		2009	
			US$'000	J$'000	US$'000	J$'000
Cash	-	J$	-	104,685	-	86,093
	-	US$	6,089	541,766	13,852	1,221,018
Short-term deposits	-	J$	-	143,859	-	590,681
	-	US$	4,697	419,090	9,994	879,054
			10,786	1,209,400	23,846	2,776,846

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 $246.47 million (2009: $942.86 million) representing loan proceeds for payout in respect of the KCT 5 development project. Also included is $Nil (2009: $1.5 billion) representing other loan proceeds to be used for capital development projects. Further, there are amounts totalling $105.24M (2009: $57.426M) designated in respect of the funding of fixed asset replacement (Note 14f) and wharfage reserves (Note 14(h). The Jamaican dollar deposits are at interest rates ranging from 9% - 18% per annum (2009: 9% - 18.5%). The United States dollar deposits are at interest rates ranging from 2% - 6.5% (2009: 1% - 7%).

14 RESERVES

	2010 $'000	2009 $'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
Equalisation (Note 14(d))	1,630	1,630
Stabilisation (Note 14(e))	32	32
Fixed assets replacement (Note 14(f))	451,344	428,887
Insurance (Note 14(g))	37,500	37,500
Wharfage (Note 14(h))	35,552	11,051
	6,273,995	6,227,037

14 RESERVES (Cont'd)

(a) General

This represents transfer from retained earnings at the discretion of the directors.

(b) Capital

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

(c) Development

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

(d) Equalisation

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

(e) Stabilisation

This represents profits from the operation of a tug service on behalf of the Authority transferred from retained earnings. 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 retained earnings to off-set the cost of replacing fixed assets. It is partially funded by bank deposits totalling \$69.689 million (2009: \$46.375 million).

This comprises:

	2010 \$'000	2009 \$'000
Transfers from retained earnings	554,784	527,054
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	(30,784)	(25,511)
Amounts used to acquire property	(77,652)	(77,652)
	451,344	428,887

This reserve is used to fund the operations at the Authority as well as the Container Terminal and Montego Bay operations.

(g) Insurance reserve

This represents amounts transferred from retained earnings for an unfunded insurance reserve to provide for future insurance coverage of the Authority's assets.

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% (2009: 16%) of total direct gross wharfage revenue. It is fully funded by bank deposits.

This comprises:	2010 $'000	2009 $'000
Transfers from retained earnings	160,850	136,349
Amount drawn down for property purchase	(125,298)	(125,298)
	35,552	11,051

15 LONG-TERM LIABILITIES

These comprise:	2010 $'000	2009 $'000
(a) Non-government loans		
Foreign currency loans (Note 15(c)(i))	24,884,802	22,242,395
Local currency loans (Note 15(c)(ii))	-	1,187
	24,884,802	22,243,582
(b) Government loans (Note 15(d))		
Local currency loans	30,974	30,974
Foreign currency loans	11,520,493	10,336,369
	11,551,467	10,367,343
	36,436,269	32,610,925
Loan interest payable	368,807	385,773
Prepaid credit insurance (Note 15(f))	(1,849,319)	(637,010)
	34,955,757	32,359,688
Current portion:		
Long-term liabilities	(2,734,840)	(2,939,723)
Prepaid credit insurance	670,066	148,496
Current portion of long-term liabilities	(2,064,774)	(2,791,227)
	32,890,983	29,568,461

15 LONG -TERM LIABILITIES (Cont'd)

(c) Non-government loans

Interest Rate %	Lender	Repayment Instalments		2010 Foreign Currency $'000	2010 JMD $'000	2009 Foreign Currency $'000	2009 JMD $'000
(i) Foreign currency loans							
5.21	HSBC S/Carrier – $23.27M	Semi-annually until 2014/2015	US$	13,812	1,236,354	16,423	1,458,671
LIBOR + 1.50	HSBC US$121.65 (Falmouth Cruise Ship Development)	Semi-annually until 2013/2014	US$	57,871	5,179,970	-	-
3.00	European Investment Bank Loan #1.7391 MBFZ 70 Acre	Semi-annually until 2015/2016)	US$	1,357	121,460	1,571	139,568
		)	YEN	12,278	11,819	14,224	13,027
		)	SF	841	70,567	973	75,027
		)	STRL	66	8,858	76	9,798
		)	EURO	90	10,931	110	12,824
3.00	European Investment Bank Loan #20.729 (KCT 3 WESTERN EXPANSION)	Annually until 2020/2021	EURO	9,300	1,117,432	10,006	1,169,085
3.56	European Investment Bank Loan #20.553 (KCT 3 WESTERN EXPANSION)	Semi-annually until 2019/2020	US$	21,061	1,885,143	22,810	2,025,888
3.38	European Investment Bank Loan #1.8902 Gordon Cay	Semi-annually until 2016/2017)	US$	10,739	961,208	12,194	1,083,066
		)	SF	848	71,209	963	74,238
		)	STRL	302	40,758	342	44,213
5.30	European Investment Bank Loan #1.4107 – Container Terminal	Semi-annually until 2009/2010)	US$	-	-	844	74,916
		)	YEN	-	-	11,334	10,379
3.79	Exim Bank of China – BLA03046	Semi-annually 2010/2011	US$	7,370	659,628	10,329	917,360
5.9	Exim Bank of China – BLASH 2006001	Semi-annually 2013/2014	US$	7,658	685,486	9,420	836,660
4.91	Commerzbank	Semi-annually until 2010/2011)	US$	-	-	6,448	572,704
	Commerzbank	Semi-annually until 2015/2016)	EURO	2,987	358,860	3,484	407,122
LIBOR +0.25	Wachovia Bank N.A. X-ray Loan – Tranche A	Semi-annually until 2014/2015	US$	8,169	731,139	10,496	932,197
LIBOR +0.25	Wachovia Bank N.A. X-ray Loan – Tranche B	Semi-annually until 2016/2017	US$	1,896	169,636	2,297	203,976
	Carried forward				13,320,458		10,060,719

15 LONG -TERM LIABILITIES (Cont'd)

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

Interest Rate %	Lender	Repayment Instalments		2010 Foreign Currency $'000	2010 JMD $'000	2009 Foreign Currency $'000	2009 JMD $'000
(i) Foreign currency loans (Cont'd)							
	Brought forward				13,320,458		10,060,719
Greater of LIBOR + 2.875 or 7.25	Bank of Nova Scotia (US$17M) (Note (h)(i))	Quarterly until 2017/2018	US$	15,994	1,431,604	17,000	1,509,869
8.755	Bank of Nova Scotia (US$44M) refinanced (Note (h)(ii))	Quarterly until 2020/2021	US$	36,149	3,235,655	36,590	3,249,796 *
5.97	Bank of Nova Scotia – Europe (48.65M)	Quarterly until 2017/2018	US$	37,674	3,372,060	42,572	3,781,066
8.95	Bank of Nova Scotia – ($39.4M) refinanced (Note (h)(iii))	Quarterly until 2021/2022	US$	39,376	3,524,466	39,400	3,499,342 *
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
					24,884,802		22,242,395
(ii) Local currency loans							
19.75	National Commercial Bank (JMD 8.9M)	Monthly until 2009/2010	JMD		-		1,187
TOTAL					24,884,802		22,243,582
Secured							
Guaranteed by the Government of Jamaica					19,316,210		16,204,954
Letters of undertaking by the Government of Jamaica					3,235,654		3,249,796
Charge on the assets (Note 5(e))					2,332,938		2,647,788
Unsecured - Evidenced by Promissory Notes					-		141,044
					24,884,802		22,243,582

LIBOR at March 31, 2010 was 0.4106% (2009: 1.80313%)

* These loans were restructured in 2008/2009 resulting in an extension of the repayment period (Note (h)).

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

(d) Government of Jamaica (GOJ) - loans

			2010		2009
(i)	Purchase of lands at Gordon Cay Interest Rate %		$'000		$'000
	Prime + 1.25)		7,500		7,500
	LIBOR + 2)		4,100		4,100
			11,600		11,600
	Add: Accrued interest		7,770		7,770
			19,370		19,370
(ii)	Purchase of Montego Wharves 12% payable semi-annually 1991-1996, to be evidenced by promissory notes		10,098		10,098
	Add: Accrued interest capitalised		16,938		16,938
			27,036		27,036
(iii)	Payments to the Accountant General (Note 15(e))		(15,091)		(15,091)
(iv)	Payment of Caribbean Development Bank loan for GOJ re Ocho Rios cruise ship pier		(341)		(341)
			30,974		30,974
(v)	GOJ Petrocaribe	US$'000		US$'000	
	5% payable semi-annually in arrears 2008 – 2020 (US$11 million)	9,446	845,480	10,154	901,822
	5% payable semi-annually in arrears 2008 – 2023 (US$22 million) (evidenced by promissory notes)	19,360	1,732,846	20,625	1,831,826
	6.5% payable semi-annually in arrears 2008 – 2028 (US$100M (2009: US$85.6 million)) (evidenced by promissory notes) (Note (h)(iv))	99,903	8,942,167	85,601	7,602,721
			11,520,493		10,336,369
			11,551,467		10,367,343

(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 amortised over the respective lives (5 - 11 years) of these loans.

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

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 amortised over 15 years, inclusive of a 24-month moratorium on principal repayments.

Principal repayments commenced 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 was disbursed in tranches, and the entire amount (2009: US$85.6 million) was received by the end of the reporting period. 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 installments 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 installments 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.

	2010		2009	
	Carrying amount of loan	Principal and interest in breach	Carrying amount of loan	Principal and interest in breach
	$'000	$'000	$'000	$'000
SF	-	-	973	79
STRL	-	-	342	26
Euro	9,300	1,006	10,026	1,005

16 **DEFERRED INCOME**

		2010	2009
		$'000	$'000
Balance, April 1		277,545	300,285
Additions during the year (Note 16(b)(ii))		19,500	-
Amortised during the year		(23,147)	(22,740)
Balance, March 31		273,898	277,545
Comprising:			
Grants received	(Note 16(a))	118,673	137,289
Assets transferred	(Note 16(b))	155,225	140,256
		273,898	277,545

16 DEFERRED INCOME (Cont'd)

This represents:

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

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

The two grants are being amortised over twenty years.

(b) This represents:

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

(ii) Transfer of land in 2009/2010 to the Authority by the Government of Jamaica. The grant is being amortised over forty years.

17 POST-EMPLOYMENT BENEFITS

Defined benefit pension plans
The Authority has established a defined benefit plan for its employees. The Plan 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 30, 2010 by Duggan Consulting Limited, Fellow of the Institute of Actuaries. This valuation was in respect of balances at March 31, 2010. 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's assets and the present values of the obligations were carried out at April 15, April 21 and May 13, 2010 by Eckler Partners Limited (Consulting Actuaries) in respect of obligations as at March 31, 2010. 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:

	2010	2009
Expected return on plan assets	11.0%	14%
Future salary increases	8.5%	12%
Discount rates	11.5%	16%
Health cost inflation	11.0%	11%

17 POST-EMPLOYMENT BENEFITS (Cont'd)

(b) Amounts included in the statement of financial position in respect of these plans are as follows:

	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Present value of obligation	14,556	4,349	34,319	28,675	48,875	33,024
Fair value of plan assets	(18,539)	(6,693)	-	-	(18,539)	(6,693)
	(3,983)	(2,344)	34,319	28,675	30,336	26,331
Unrecognised actuarial (loss) gains	(3,830)	2,084	(2,277)	2,806	(6,107)	4,890
Net (asset) liability recognised in balance sheet	(7,813)	(260)	32,042	31,481	24,229	31,221

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

	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Balance, April 1	(260)	3,871	31,481	34,811	31,221	38,682
Amounts (credited) charged to expense	(995)	(542)	3,056	435	2,061	(107)
Contributions by employer	(6,558)	(3,589)	(2,495)	(3,765)	(9,053)	(7,354)
Balance, March 31	(7,813)	(260)	32,042	31,481	24,229	31,221

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

	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Current service cost	(431)	(855)	-	-	(431)	(855)
Interest cost	1,136	756	4,388	3,527	5,524	4,283
Recognised actuarial gain	(88)	-	(1,332)	(3,092)	(1,420)	(3,092)
Expected return on plan asset	(1,612)	(443)	-	-	(1,612)	(443)
Total included in employee benefit expense	(995)	(542)	3,056	435	2,061	(107)
Actual return on plan assets	2,205	347	-	-	2,205	347

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 Plan		Total	Total
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Opening defined benefit obligation	4,349	4,913	28,675	29,021	33,024	33,934
Current service cost	(431)	(855)	-	-	(431)	(855)
Interest cost	1,136	756	4,388	3,527	5,524	4,283
Contributions from plan participants	3,551	1,928	-	-	3,551	1,928
Benefits paid	(468)	(213)	(2,495)	(3,765)	(2,963)	(3,978)
Actuarial loss (gain)	6,419	(2,180)	3,751	(108)	10,170	(2,288)
Closing defined benefit obligation	14,556	4,349	34,319	28,675	48,875	33,024

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

	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Opening fair value of plan assets	6,693	1,042	-	-	6,693	1,042
Expected return on plan assets	1,612	443	-	-	1,612	443
Contributions	10,109	5,517	-	-	10,109	5,517
Benefits paid	(468)	(213)	-	-	(468)	(213)
Actuarial gain (loss)	593	(96)	-	-	593	(96)
Closing fair value of the plan assets	18,539	6,693	-	-	18,539	6,693

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

	2010	2009	2008	2007	2006
	$'000	$'000	$'000	$'000	$'000
Defined Benefit Plan					
Present value of defined benefit obligation	14,556	4,349	-	-	-
Fair value of plan assets	18,539	6,693	-	-	-
Fund surplus	3,983	2,344	-	-	-
Experience adjustment on plan liabilities	6,419	(2,180)	-	-	-
Experience adjustment on plan assets	593	96	-	-	-
Retiree Medical Plan					
Present value of defined benefit obligation	34,319	28,675	29,021	36,030	33,253
Deficit	34,319	28,675	29,021	36,030	33,253
Experience adjustment on plan liabilities	3,751	(108)	(8,304)	1,023	9,507

Impact of 1% Increase/Decrease in medical inflation rate in the Retiree Medical Plan

	2010	2010
	@12%	@10%
Revised interest cost	4,497	3,923
Revised accumulated benefit obligation	35,818	30,581

The Authority expects to make a contribution of $6.45 million (2009: $4.1 million) to the health benefit scheme and $39.08 million (2009: $39.95 million) to the defined benefit plan during the next financial year.

18 TRADE PAYABLES AND ACCRUALS

	2010 $'000	2009 $'000
Trade	1,086,112	532,716
Amounts to be disbursed in respect of specific projects	163,582	82,753
Accruals	590,082	460,806
Other payables	381,953	247,576
	2,221,729	1,323,851

19 PROVISIONS

	2010 $'000	2009 $'000
At April 1	108,727	90,291
Provision for the year	53,449	51,737
Utilised for the year	(93,069)	(33,301)
At March 31	69,107	108,727

This represents amounts provided for in respect of annual vacation leave entitlement for employees.

20 REVENUE

	2010 $'000	2009 $'000
Container terminal fees	8,540,255	8,375,562
Facility fees – net	780,862	607,588
Investment property – fair value adjustment	501,916	351,657
Wharfage	701,648	584,200
Harbour fees	462,767	409,686
Tug fees	395,842	315,556
Equipment lease (Note 20(a))	627,462	540,997
Land and building lease (Note 20(b))	120,586	88,258
Port Antonio Marina	51,366	46,711
Foreign currency gain	83,860	927,326
Oil royalty	94,825	84,211
Pilotage	61,729	58,415
Other (Note 20(c))	265,178	177,437
	12,688,296	12,567,604

(a) Equipment lease includes charges for equipment rented to the subsidiary company, Ports Management and Security Company Limited of $558.34 million (2009: - $480.59 million).

20 **REVENUE (Cont'd)**

(b) Land and building lease includes charges to Kingston Freezone Company Limited of $18.34 million (2009: $12.90 million) and charges to Montego Bay Freezone Company Limited of $102.25 million (2009: $75.35 million).

(c) Other income includes management fees from Ports Management and Security Company Limited of $16.5 million (2009: $16.5 million) and rental from other investment properties of $13.17 million (2009: $15.85 million) as well as management fees from Port Authority Management Services Limited of $47.11 million (2009: $Nil).

21 **FINANCE CHARGES AND INTEREST ON LOANS**

	2010 $'000	2009 $'000
Interest on long-term liabilities	1,910,221	1,706,171
Interest on overdraft and other finance charges	80,462	37,434
	1,990,683	1,743,605
Less amount included in additions to property, plant and equipment (Note 5(c))	(70,281)	(35,857)
	1,920,402	1,707,748

22 **NET SURPLUS (DEFICIT)**

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

	2010 $'000	2009 $'000
Revenue (expense) on:		
Financial asset at amortised cost		
Interest income on long-term receivables	3,052	21,545
Income from short-term deposits	138,287	84,098
	141,339	105,643
Other revenue		
Foreign exchange gain	83,860	927,326
Fair value gain on investment properties	501,916	351,657
Gain on disposal of property, plant and equipment	150	374
	585,926	1,279,357
Expenses		
Audit fees (Authority and managed operations)		
- current year	9,113	9,724
- prior year	-	14
Cost of inventories recognised in expenses	782,071	838,196

23 **COMMITMENTS AND CONTINGENT LIABILITIES**

Capital commitments

Capital commitments in the amount of approximately $6.358 billion (2009: $14.325 billion) have been contracted by the Authority for Kingston Container Terminal 5 (KCT 5) expansion, Montego Bay Freezone infrastructure, Falmouth Cruise Ship development and the purchase of lands at Hunts Bay, Millsborough and Montego Bay Freeport. Also included in the amount as at March 31, 2010 is $322.7 million (US$3.606 million) (2009: $47 million (US$0.547 million)) in respect of the maintenance of the X-ray machines.

Contingent liabilities

There were no legal proceedings initiated against the Authority at the end of the reporting period.

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. The lessee does not have an option to purchase the property at the expiry of the lease period.

Rental earned during the year was $705 million (2009: $598 million).

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

	2010 $'000	2009 $'000
Within one year	676,753	673,638
In the second to fifth years inclusive	476,373	1,653,078
	1,153,126	2,326,716

25 RELATED PARTY TRANSACTIONS/BALANCES

Transactions and Balances

During the year, the Authority entered into transactions with affiliated entities and key management personnel, including members of the board of directors. The following is a summary of the transactions and balances:

	Lease rental		Other		Balance due from (to)	
	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000
Subsidiaries						
Jamaica International Free Zone Development Limited	-	-	11	(59)	91,411	91,400
Kingston Free Zone Company Limited	18,336	12,900	(440)	23,358	380	72,033
Montego Bay Free Zone Company Limited	102,250	75350	1,131	32,663	(4,002)	(5,134)
Ports Management and Security Limited	558,338	480,585	24,855	42,258	148,874	62,391
Port Authority Management Services Limited	-	-	47,779	6,664	56,163	8,385
	678,924	568,835	73,336	104,884	292,826	229,075
Included in the following balances:						
Long-term receivables (Note 10(c))	-	-	-	-	85,994	157,208
Trade and other receivables (Note 12)	-	-	-	-	206,832	71,867
	-	-	-	-	292,826	229,075
Joint venture						
Boundbrook Wharves Development Limited (Note 10(c))	-	-	(8,601)	-	(895)	7,706
Key management personnel	-	-	22,369	23,428	30,403	43,496

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

	2010 $'000	2009 $'000
Short-term benefits	208,914	187,525
Pension	3,976	2,936
	212,890	190,461

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

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

	2010 $'000	2009 $'000
Short-term benefits (directors fees)	1,827	2,181

Interest on staff loans
Interest earned on loans to employees amounted to $18.557 million (2009: $21.546 million).

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 recognised 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 end of the reporting period:

	2010 $'000	2009 $'000
Financial Assets		
Available for sale (at cost)		
Investment in subsidiary, joint venture and associated companies	20,700	20,700
Other investments	101	101
	20,801	20,801
Loans and receivables at amortised cost		
Other investments	577,494	569,070
Long-term receivables	123,110	219,774
Trade and other receivables	3,392,832	2,071,668
Cash and cash equivalents	1,209,400	2,776,846
	5,302,836	5,637,358
Total Financial Assets	5,323,637	5,858,159

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

Categories of financial instruments (Cont'd)

	2010	2009
	$'000	$'000
Financial Liabilities		
Long-term liabilities	34,955,757	32,359,688
Trade and other payables	1,631,647	863,045
Bank overdraft	62,103	92,575
Total Financial Liabilities	36,649,507	33,315,308

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.

Financial risk management objectives
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 minimise 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 the statement of financial position and overall financial structure which includes liquidity, interest rate and foreign currency risks management.

Audit Committee

The 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 Department 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 procurement 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 managed and measured risk during the period.

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 analyses.

There has been no change to the Authority's exposure to market risk or 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 Authority further manages the risk by maximising foreign currency earnings and holdings in foreign currency balances.

At year ended March 31, 2010 the Authority had US$ denominated investments amounting to US$10.79 million (2008:US$23.85 million) of which US$6.213 million (2009: US$6.194 million) is held in respect of certain loans amounting to US$46.676 million (2009: 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	
	2010	2009	2010	2009	2010	2009
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
United States Dollar	35,059,323	30,833,289	21,745	2,898,929	35,037,578	27,934,360
Japanese yen	11,962	23,667	-	-	11,962	23,667
Swiss franc	143,128	150,679	-	-	143,128	150,679
Pound sterling	50,009	54,437	-	-	50,009	54,437
EURO	1,511,472	1,614,409	-	-	1,511,472	1,614,409
NKR	727	727	-	-	727	727

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 (2009: 2% revaluation and 10% devaluation) 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 as 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, (2009: strengthens by 2% or weakens by 10%) income will increase or decrease by:

	Revaluation 2010		Devaluation 2010		Revaluation 2009		Devaluation 2009	
	Change in Currency rates		Change in Currency rates		Change in Currency rates		Change in Currency rates	
	%	$'000	%	$'000	%	$'000	%	$'000
Currency								
United States dollar	+2	700,752	-10	(3,503,757)	+2	558,687	-10	(2,793,436)
Japanese yen	+2	239	-10	(1,196)	+2	473	-10	(2,367)
Swiss franc	+2	2,863	-10	(14,313)	+2	3,014	-10	(15,068)
Pound sterling	+2	1,000	-10	(5,001)	+2	1,089	-10	(5,444)
EURO	+2	30,229	-10	(151,147)	+2	32,288	-10	(161,441)
NKR	+2	15	-10	(73)	+2	15	-10	(73)

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 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).

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 end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date is outstanding 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 (2009: 50 basis points lower/higher) and all other variables were held constant, the surplus for the year would decrease/increase by approximately $30 million (2009: $0.63 million). For the local borrowings and investments if interest rates were 500 basis points higher and 800 basis points lower the surplus for the year would increase/decrease by $13.34 million and $21.35 million respectively (2009: $26.91 million and $43.05 million respectively). 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 consists of trade receivables, investment in subsidiary, joint venture and associated companies, other investments, long-term receivables and cash and bank deposits. The maximum exposure to credit risk is the amount of approximately $5.324 billion (2009: $5.858 billion) 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, aging 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 (2009: 100%). Two debtors of the Authority account for approximately 30% and 35% (2009: 34% and 36%) respectively of the Authority's trade receivables. Management however seeks to minimise 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 34% (2009: 31%) 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 minimise 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.

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 optimising 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.

	2010				
	TERM TO MATURITY/REPRICING				
	Less than 3 Months	3 Months to 1 year	1-5 years	Over Five years	Total
	$'000	$'000	$'000	$'000	$'000
Financial Liabilities					
Interest bearing					
Variable rate loans	161,832	792,698	6,007,745	1,452,571	8,414,846
Fixed rate loans	355,118	3,211,584	16,487,399	21,600,808	41,654,909
Bank overdraft	62,103	-	-	-	62,103
Non-interest bearing					
Trade and other payables	1,163,353	468,294	-	-	1,631,647
Total	1,742,406	4,472,576	22,495,144	23,053,379	51,763,505

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)

	2009				
	TERM TO MATURITY/REPRICING				
	Less than 3 Months $'000	3 Months to 1 year $'000	1-5 years $'000	Over Five years $'000	Total $'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)

Non-derivative financial assets

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

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

	2010				
	Term to Maturity/Repricing				
	Less than 3 Months $'000	3 Months to 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	Total $'000
Financial Assets					
Other Investments	-	24,802	-	558,085	582,887
Long term receivables	-	95,485	27,582	3,282	126,349
Trade and other receivables	2,251,107	473,677	694,072	-	3,418,856
Cash & cash equivalents	1,169,501	39,899	-	-	1,209,400
Total Financial Assets	3,420,608	633,863	721,654	561,367	5,337,492

	2009				
	Term to Maturity/Repricing				
	Less than 3 Months $'000	3 Months to 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	Total $'000
Financial Assets					
Other Investments	-	24,326	-	599,048	623,374
Long-term receivables	-	189,697	46,646	6,196	242,539
Trade and other receivables	2,053,712	17,956	-	-	2,071,668
Cash & cash equivalents	2,753,372	23,474	-	-	2,776,846
Total Financial Assets	4,807,084	255,453	46,646	605,244	5,714,427

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 from 2009.

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

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 the end of the reporting period. 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 realise 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 $7.512 billion (2009: $2.647 billion) are assumed to approximate their fair values.

(iv) The fair values of concessionary rate loans totalling $16.179 billion (2009: $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:

	2010		2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$'000	$'000	$'000	$'000
Fixed rate loans	12,745,183	13,517,412	13,914,914	14,740,778

28 OTHER DISCLOSURES

(a) Employed by the Authority

Staff costs incurred during the year:

	2010 $'000	2009 $'000
Salaries, wages and allowances	567,585	685,662
Statutory contributions	55,044	58,766
Pension contributions	33,224	36,492
Health scheme contributions	28,699	28,599
Travelling and other	84,139	86,707
	768,691	896,226

Included in the salaries, wages and allowances is an amount of $10.994 million (2009: $51.77 million) for redundancy costs.

(b) Contracted by management companies

Contracted services

	2010 $'000	2009 $'000
Container Terminal	2,124,329	2,899,405
Tugs and Boats	125,492	122,167
Port Handlers	47,978	57,892
Cruiseship Pier	5,696	5,505
	2,303,495	3,084,969

Included in the container terminal balance of $2.12 billion (2009: $2.89 billion) is an amount of $65.17 million (2009: $91.84 million) for redundancy cost at Kingston Container Terminal.

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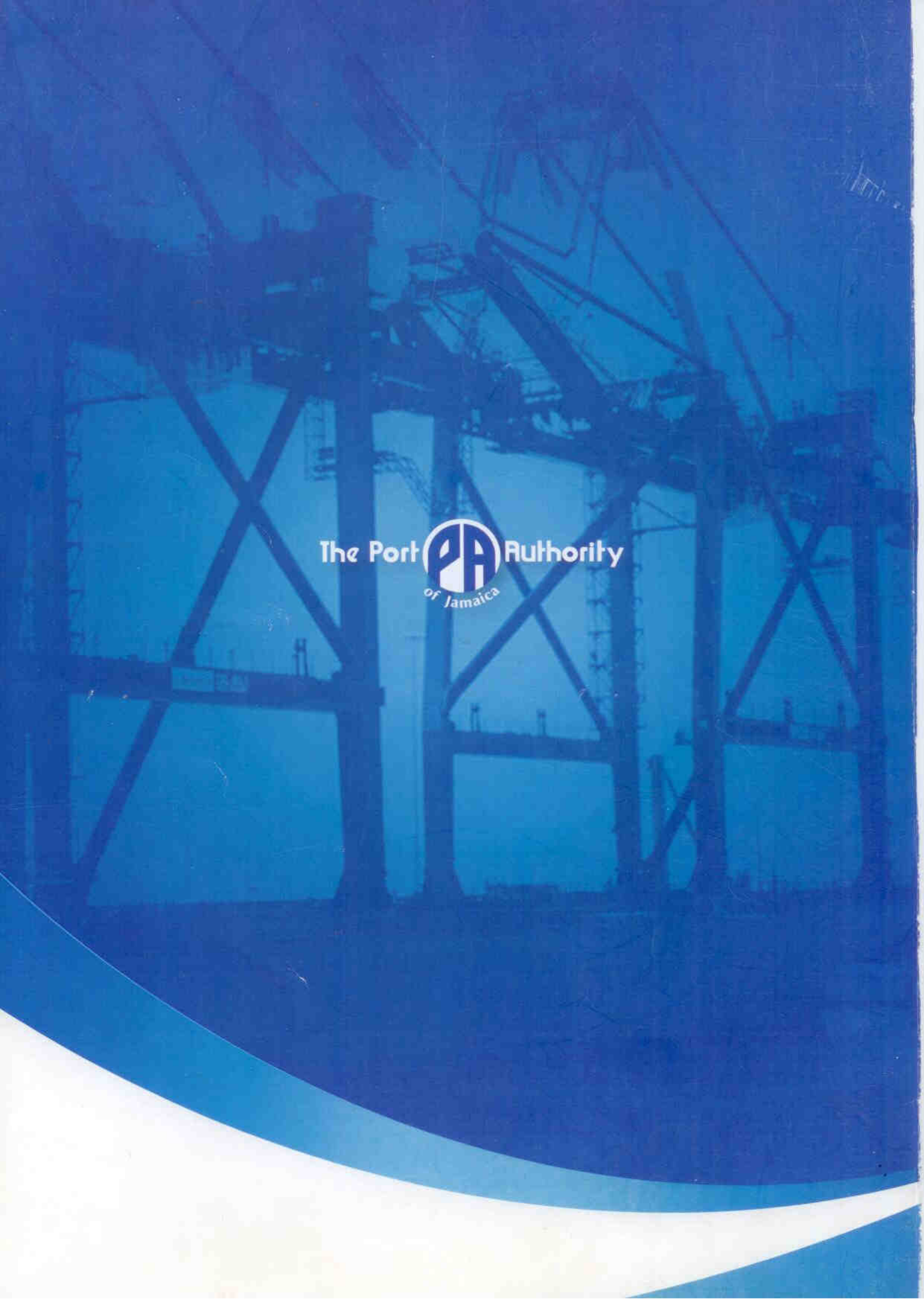
The Port Authority
of Jamaica