



TRANSPORT AUTHORITY

Annual Report

2007-2008

VISION

To be a first world Regulator and Licensing Authority for Public Passenger and Commercial Land Transportation by 2015.

MISSION

The Transport Authority:

As the Agency of government charged with the responsibility for the licensing of all public and commercial vehicles, and the regulating and monitoring of public transportation, throughout the island of Jamaica is committed to:

- The impartial enforcement of all laws, regulations and agreements relating to public transportation;
- The close and effective monitoring of the transportation system;
- Fostering public awareness of the role, duties and responsibilities of users of the system;
- Maintaining an efficient, courteous and knowledgeable work team, on the roads and in the office;
- Ensuring the on-going training and upgrading of our staff and systems, to improve the quality of service and output delivered by the Authority.

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Corporate Office

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Kingston 10

Tel: 926-8912, 908-1997-8, 926-5451

Fax: 929-4178

Operations Department

107 Maxfield Avenue,

Kingston 10

Tel: 929-9556, 968-5906

North Eastern Regional Office

Tower Isle, St. Mary

Tel: 975-4285, 975-5676

Fax:975-4199

Western Regional Office

Unit U, LOJ Complex, Montego Bay, Freeport, St. James

Tel: 684-9639, 684-9640-1

Fax:684-9617

Southern Regional Office

Shop #48, Caledonia Court Plaza,

29-31Caledonia Road

Mandeville, Manchester

Tel: 962-1539, 962-1550

Fax: 962-1550

Website: www.ta.org.jm

Pound Facilities:

Lyndhurst: 27 Lyndhurst Rd., Kingston 5

Lakes Pen: Lawrence Field, Lakes Pen, St. Catherine

Swansea: Clarendon

Mandeville: Mandeville, Manchester

NERO: Tower Isle, St. Mary

Bevin: Montego Bay, St. James

CORPORATE PROFILE 2007-2008 ANNUAL REPORT

The Transport Authority (“the Authority/ TA”) is a statutory body, established by the Transport Authority Act of 1987. The Authority is charged with the responsibility of regulating and Monitoring public passenger transport throughout the island. The Authority is also the sole government entity in Jamaica responsible for the licensing of all public passenger vehicles and commercial carriers a function which the Authority undertakes pursuant to the Road Traffic Act.

CATEGORIES OF LICENCES:

There are five (5) categories of licences issued by the Authority under which Public Passenger vehicles operate and two (2) categories of Commercial Carriers licences. These are listed below.

CATEGORIES OF PUBLIC PASSENGER VEHICLES:

Stage Carriage

Express Carriage

Contract Carriage

Route Taxi

Hackney Carriage

CATEGORIES OF COMMERCIAL CARRIERS:

Public Carriers

Private Carriers

DEPARTMENTS:

Research and Statistics

Finance and Planning

Internal Audit

Corporate and Legal Services

Communication and Customer Services

Human Resource and Administration

Operations

Information Technology

Licensing

Property & Facilities

Training



Hon. L. Michael Henry C.D.,M.P.,

Minister of Transport and Works

It was with pleasure that I took portfolio responsibility for the Transport Authority among the public agencies within the umbrella network of the Ministry of Transport and Works in September 2007. This was because of, among other factors, my long-held view that with more appropriate strategies, including technological innovations, it will be much easier to regulate and license public passenger and commercial carrier transportation.

With a focus on developing a colour-coded approach to public passenger transportation as part of a broad multi-modal transportation policy that is being formulated, I look forward to the day when there will be a seamless integration and flow of both Government and privately-operated public passenger transportation across the country. This will no doubt take years to be fully implemented, but it is an essential journey for the development of the country, and a policy direction that I have already charged the hierarchy of the Transport Authority to integrate into its medium to long-term programme of development and implementation.

Clearly there is need for much more effective regulation of the public passenger vehicle (PPV) transportation sector, but within that context, it must be appreciated that this challenge is a very complex one. The Transport Authority therefore has an awesome responsibility to plan for, and gradually succeed at taming the monster that elements of the PPV sector have represented across the country for so long.

I intend to support the upgrading of both the human and physical resources of the Authority, while fostering the updating of the legal framework within which it operates, to enable the agency to be more effective in delivering on its overall mandate. This will include a major effort at being more customer-friendly and accessible to those requiring its services.

I firmly believe that the Transport Authority has a pivotal role to play in the national development process, as without a properly streamlined public passenger transport service, national productivity will always be behind our real capacity. This is something which needs to be steadily and strategically tackled in our quest to bring about the positive changes which our people yearn so much for and are so deserving of.

I look forward to the Transport Authority's positive input in the developmental path being charted by the Ministry, as we look to assess, consolidate, implement and solidify our progress going forward.

Hon. L. Michael Henry CD, MP

Subsequent to the September 2007 General Elections and the change in political administration, a new board was appointed in November 2007. The members of the new Board are as follows:

George Johnson, J.P. (Chairman)

Heather Little-White Watson

Saleem Lazarus, J.P.

Dennis Wright

Winston Maragh

Elsa-May Binns, J.P.

Wainsworth Anderson

Ealan Powell

Arthur McKenley

Cheryl Lewis

Keith Goodison (Managing Director)

Keith Gardner

Leslie Campbell

AUDITORS

KPMG was reappointed as auditors in accordance with the legal requirements.

The Board extends appreciation to the management and staff for their effort during the year.



Mr. George Johnson J.P.
 Chairman of the Board

LICENSING

A total of sixty one thousand, two hundred and fifty five (61, 255) licences were printed during the period. Of this number fifty thousand, nine hundred and twenty nine (50,929) were issued. This reflected a 4.5% decrease from the previous period when fifty three thousand, two hundred and forty (53,240) licences were issued. There was however a 5.3% increase in the number of applications received which was fifty thousand, five hundred and eighty nine (50,589) in 2006 -2007 and fifty three thousand, two hundred and ninety eight (53,298) in 2007– 2008.

As the Transport Authority continues to strive for the delivery of first class service to our customers, the 2008 peak licensing period which began in February saw the introduction of a numbering system and seating for customers at the Head Office. This significantly reduced the level of discomfort of customers and was reflected in a reduction in complaints and behavioural challenges.

OPERATIONS

As the arm of the Transport Authority with responsibility for monitoring and regulating public passenger transportation in Jamaica, the Operations Division is critical to the Transport Authority’s success in fulfilling its functions. There was a 7% increase in the number of prosecutions instigated by the Division during 2007 -2008 when compared to the 2006 -2007 period, moving from seventeen thousand, one hundred and two (17,102) to eighteen thousand, three hundred and twenty two (18,322). Other areas such as seizures, special operations and court fines reflected a decrease during the reporting period.

Figures 1 and 2 below provide a comparison of activities in the Operations Department for the periods 2006-2007 and 2007-2008.

Figure 1

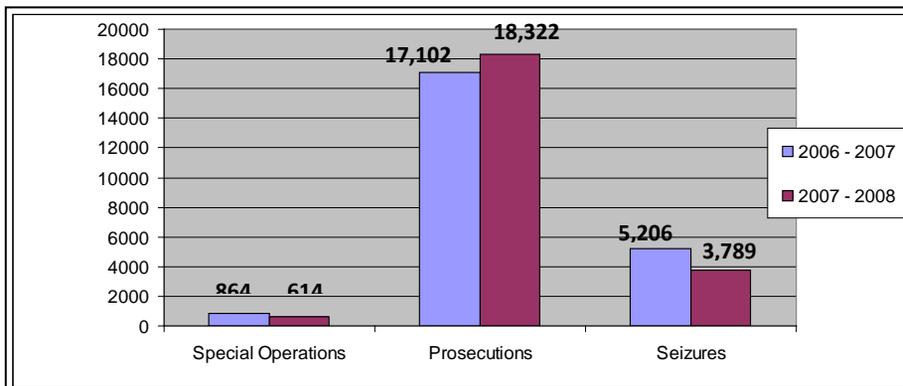
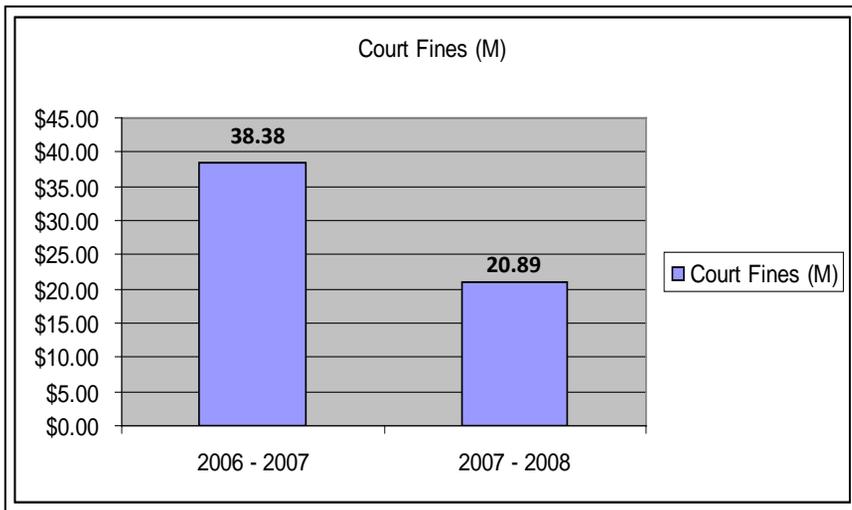


Figure 2



A number of factors have been identified which affected the performance of the Division during the period. These include resource constraints, activities relating to the General Elections in September 2007 and inclement weather conditions.

Going forward, special focus will be placed on reducing of the number of illegal operators island-wide. The goal is to reduce the number by 50% over the next three years or fiscal year 2010/2011. There are also plans to boost monitoring activities particularly in the Half Way Tree area with the use of surveillance cameras.

HUMAN RESOURCES

During the period, continued emphasis was placed on the development of human resources. Training was a crucial area of focus with approximately 80% of the staff participating in the different programmes. Areas of training included : Supervisory Management, Report and Statement Writing, Auditing Techniques, Performance Management and Public Speaking. Emphasis was also placed on Customer Service training which was identified as one of areas in need of improvement.



Staff members Marcia Brown (left) and Yvonne Reese (right) participating in a role play during a training session

The Human Resource policies and procedures were also revised during the period to ensure consistency with the Authority's objectives, industry trends and best practices. The recruitment and selection process was also strengthened with the introduction of assessment centres.

For the upcoming year the focus will be on the implementation of the Performance Management Appraisal System (PMAS). The performance recognition and reward systems are also being revised, so as to emphasize performance and behaviours which reflect the Authority's core values and objectives. Internal communication programmes are also to be implemented in a bid to improve information flow.

RESEARCH & STATISTICS

In September, 2007 the Transport Authority commenced an all island rationalization survey as a means of strengthening the database of information regarding public transportation needs. The survey sought to:

- determine the demand and supply for public transportation
- identify the number of legal and illegal vehicles on routes
- determining the adequacy, usability and condition of public passenger terminals and identify measures that will improve or prohibit efficiency in the sector.

A substantial percentage of the field work was carried out by December 2007. Data collection in Spanish Town, St. Catherine and Clarendon was delayed due to an upsurge in violence in these areas, but has since been completed. Data analysis is projected to be completed in June, 2008.

In the upcoming period the Research Department will focus on generating a series of reports to guide both licensing and operational activities. The reports will provide information on the:

- Commuting population on established and non-established routes;
- Compliance rate among Public Passenger Vehicle operators in respect of wearing of uniform and markings on vehicles; and
- Adequacy, usability and condition of public passenger terminals (formal and informal island wide).

COMMUNICATION

In the upcoming period the Transport Authority will focus on improving its image by enhancing the level of communication with customers. To this end a customer satisfaction survey will be carried out to establish the baseline for measuring future performance. Public Education campaigns will also be developed to inform the public on areas such as the requirements for obtaining a road licence and the roles and responsibilities of commuters and operators.

AUDIT

In keeping with its mandate to meet the Transport Authority's needs and protect its resources, the Audit Department completed a number of audits over the period. These include: fuel usage, funds transfer, cheque disbursement, fixed assets verification and electronic

PROJECTS

The ground breaking ceremony for the Linstead Transportation Centre was held in July, 2007. The Centre which is to be completed in the 2008/9 financial year is expected to provide a more structured, convenient and safe public transportation in the area.

UNIFORMS FOR TAXI ASSOCIATIONS

One of the major achievements of the period was the gazetting of uniforms for Route Taxi operators. Effective February 15, 2008, all Route Taxi operators are required to wear uniforms, as required under section 123 (A) of the Road Traffic Regulations (1988). It is anticipated that this will bring greater order in route taxi operations.

So far thirty two (32) of the existing fifty one (51) Route Taxi Associations have had their prescribed uniforms gazetted. The uniforms have been prescribed based on submissions made to the Transport Authority by the Associations.

Financial Management

Total Assets of the Transport Authority as at March 31, 2008 was \$355.8M versus \$289.3M at the end of the previous year; an increase of \$66.5M or 22.9%. Current Assets represented \$250.3M versus \$179.6M for the previous year, an increase of \$70.7M or 39.4%. The major increase in current assets was in Cash and Short-term deposits which moved from \$130.6M to \$218.2M, an increase of \$87.6M or 67%.

Gross Operating Revenue for the year was \$462.5M, compared with \$386.6M for the previous year, representing an increase of \$75.9M or 19.6%. The major factors which accounted for this increase were the general increase in application fees which became effective in February, 2008. The number of licenses produced also increased from 60,060 to 61,522 or 2.7% for the 2007-08 when compared to 2006-07.

Interest Income earned on short-term deposits increased from \$14.4M in the previous year, to \$16.95M in the year in review. This increase resulted mainly from an increase in surplus funds for investments and more effective management of available financial resources.

Total Expenses for the year before allowance for doubtful debt was \$434.9M, an increase of \$36.3M or 9.1% over the previous year's amount of \$398.6M. Staff costs of \$302.02M accounted for 65.9% of total expenses in 2007-08, a reduction from the 67.2% recorded for the previous year. Staff costs for 2007-08 increased by \$34.1M or 12.7% over the previous year's amount of \$268.1M.

Increase in staff costs resulted from the deployment of additional inspectors together with the 5% increase in emoluments as a result of the implementation of the second year of the Memorandum of Understanding (MOU) for 2006/07 to 2007/08 between the trade unions representing public sector workers and the Government of Jamaica.

Administrative expenses before allowance for doubtful debt increased by 1.6% for the financial year to \$132.6M compared to \$130.5M for the previous year. When administrative expenses is adjusted for allowance for doubtful debt of \$23.6M from the Jamaica Urban Transit Company Limited (JUTC) the total administrative expenses amounted to \$156.2M compared to \$130.5M for the previous year.

The year ended with a surplus before tax of \$21.2M versus surplus of \$3.3M before tax for the previous year.

Financial Projections

Operating Income for 2008/2009 is projected to increase due to operating activities by \$91M or 25% over previous years projection of \$438M.

Interest Income for 2008-2009 the Authority is projecting to generate \$19M increase in income over that of 2006/2007.

Operating Expenses are projected at \$550M for 2008-2009 fiscal year.

Notes:

1. There are no proposed changes in the nature and scope of activities of the body.
2. Corporate Plan—there are no proposed modifications to the corporate plan.
3. Payment of Dividends—as a statutory body, the Transport Authority does not pay dividends.

KEY PERFORMANCE INDICATORS

PRIORITY AREA	PERFORMANCE TARGET	ASSESSMENT OF OVERALL PERFORMANCE	COMMENTS
To ensure prudent, efficient and profitable management of the financial affairs of the Authority	Increase revenues by 15%	Target surpassed	Revenues increased by 19.2%
To create a smoothly operating predictable, efficient and clean public passenger transportation system with a minimum level of interference from illegal operators	Reduce the number of illegal operators island wide by 50%	50% of target met	
To develop a motivated and dynamic workforce provided with the requisite resources to perform with a high degree of professionalism	Implement Performance Management Appraisal System (PMAS)	30%	
	Conduct Management Audit and implement revised organizational structure for improved efficiency and effectiveness	15%	Cabinet Office commenced an organizational review of the Authority
	Provide training support through in house training in select areas, coordination of training by external institutions and provision of education loans and grants to employees.	20%	
Continued improvement/upgrade in Information Technology Infrastructure	Employ innovative and cost effective Infrastructure Management and business continuity solutions that support the Authority's initiatives, goals, priorities, mission and strategic direction.	25%	Information Technology steering committee formed in order to resolve LMIS development issues and fast track implementation of IT solutions
	Implement Pound Management System- Licence Management Information System (LMIS) Phase 2	Not Achieved	
	Implement Automated (computerized) Ticket Management System- LMIS Phase 2	Not Achieved	
To provide of a responsive, accurate and reliable system of renewing and granting of PPV and commercial licences	Streamline the licence production process for seasonal application demands	30%	
Implementation of improvements in transportation infrastructure	Construct a model Transport Centre in Rural Jamaica by end of fiscal year 2007-8	Not Achieved	Review of implementation strategy underway
Increase awareness and visibility of the Authority in the public domain	Design and implement communication campaigns aimed at changing the knowledge attitudes and behaviors of taxi operators and other stakeholders, while educating on the Transport Authority's roles and responsibilities.	25% achieved	-
Expand, upgrade and modernize the office and pound facilities at all locations	Refurbish and re-organize the Head Office to accommodate the Corporate and Administrative Offices and meeting facilities.	Not achieved	Budgetary Constraints
	Secure additional pound locations on a lease basis island wide and in closer proximity to operational locations.	Not achieved	Budgetary constraints

Financial Year	2007/2008	2006/2007	2005/2006	2004/2005	2003/2004
Income & Expenditure					
Total Revenue	479.9	402.3	319.9	274.6	268.7
Expenses	458.7	398.9	298	301.5	252
Surplus/(Deficit) before tax	21.2	3.4	21.9	(26.9)	16.7
Balance Sheet					
Current Assets	250.3	179.6	160.7	71.5	74.3
Current Liabilities	279.4	225.6	39.3	40.8	24.3
Fixed Assets	98.9	101	93	98.3	96.1
Reserves	76.4	63.7	63	49.8	72.6
Ratios					
Income Growth	19.29%	26%	16%	2%	15%
Expense /Growth	15.00%	34%	(1%)	19%	8%
Expense/ Income	95.60%	99%	93%	109%	94%
Surplus/Income	4.40%	0.8%	7%	0%	6%
Number of Employees					
	288	283	236	252	256
Total Number of Licences Issued					
Public Passenger Vehicles (PPV)	19 190	19 486	16 073	17 761	20 938
Commercial Carriers (CC)	31 739	33 754	18 825	20 850	21 603

Keith Goodison	Managing Director
Zonia Foster-Maynard	General Manager, Human Resource & Administration
Charles O'Connor	General Manager, Finance & Planning
James Golding	General Manager, Operations *
Cecil Morgan	General Manager, Operations **
Jean Williams	General Manager, Legal & Corporate Services
Karen Goslin	Chief Internal Auditor
Maxine Belford	Manager, North East Region
Ralston Smith	Manager, Western Region
Denise Walcott Samuels	Manager, Training & Developments
Andrine Jackson Scott	Manager, Research & Statistics
Vernon Walters	Manager, Information Technology
Petra-kene Williams	Manager, Communication & Customer Services
Elaine Matthews	Manager, Finance & Planning
Dianna Patterson	Manager, Southern Region
Neville Francis	Manager, Operations
Paulette Hemmings	Manager, Procurement

Notes

*Tenure ended 31st May 2007

**Tenure started 13th February 2008





KPMG
Chartered Accountants
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Kingston
Jamaica, W.I

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Jamaica, W.I.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
TRANSPORT AUTHORITY

[Pursuant to Section 10(2) of The Transport Authority Act]

Report on the Financial Statements

We have audited the financial statements of Transport Authority ("Authority"), set out on pages 3 to 24, which comprise the balance sheet as at March 31, 2008, the statements of income, changes in reserves and cash flows for the year then ended, 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 Section 10(1) of the Transport Authority Act. This responsibility includes designing, implementing and maintaining internal controls 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 as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to 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 controls 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 controls. 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.



To the Board of Directors
TRANSPORT AUTHORITY
[Pursuant to Section 10(2) of The Transport Authority Act]

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at March 31, 2008, and of its financial performance, changes in reserves and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Transport Authority Act.

Additional reporting requirements of the Transport 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, which are in agreement therewith, give the information required by Section 10(1) of the Transport Authority Act.

WMA

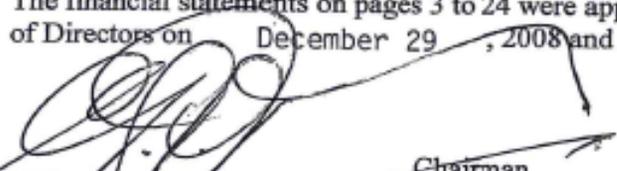
December 29, 2008

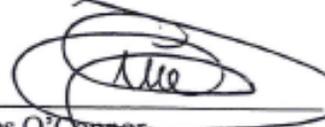
TRANSPORT AUTHORITY

Balance Sheet
March 31, 2008

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS			
Cash and cash-equivalents	3	35,742,519	13,290,021
Resale agreements	4	182,489,947	117,299,952
Trade and other receivables	5	24,826,974	40,143,312
Inventories		7,235,026	5,424,906
Taxation recoverable, net		<u>-</u>	<u>3,424,000</u>
		<u>250,294,466</u>	<u>179,582,191</u>
CURRENT LIABILITIES			
Bank overdraft (unsecured)		-	285,276
Accounts payable and accrued charges	6	38,186,603	33,524,758
Deferred income	7	239,734,931	191,838,947
Taxation payable		<u>1,450,478</u>	<u>-</u>
		<u>279,372,012</u>	<u>225,648,981</u>
NET CURRENT LIABILITIES		<u>(29,077,546)</u>	<u>(46,066,790)</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	96,862,983	101,443,775
Intangible assets	9	2,007,144	3,565,552
Deferred tax asset	10	<u>6,639,796</u>	<u>4,729,399</u>
		<u>105,509,923</u>	<u>109,738,726</u>
		<u>\$ 76,432,377</u>	<u>\$ 63,671,936</u>
Financed by:			
RESERVES		<u>\$ 76,432,377</u>	<u>\$ 63,671,936</u>

The financial statements on pages 3 to 24 were approved for issue by the Board of Directors on December 29, 2008 and signed on its behalf by:


 _____ Chairman
 George Johnson


 _____ Managing Director (Acting)
 Charles O'Connor

The accompanying notes form an integral part of the financial statements.

TRANSPORT AUTHORITYIncome Statement
Year ended March 31, 2008

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Gross operating revenue:			
Processing fees	11	371,588,067	310,171,813
Storage, administrative and wrecker fees		58,699,929	38,753,346
Franchise fees		30,749,951	37,368,067
Other		<u>1,504,449</u>	<u>267,326</u>
		<u>462,542,396</u>	<u>386,560,552</u>
Operating expenses:			
Employee expenses		(302,242,465)	(268,096,345)
Administrative expenses		<u>(156,219,421)</u>	<u>(130,546,397)</u>
		<u>(458,461,886)</u>	<u>(398,642,742)</u>
Operating surplus/(deficit) before other income and finance costs		4,080,510	(12,082,190)
Other income:			
Finance income - interest		16,936,840	14,354,805
Gain on disposal of property, plant and equipment		<u>455,453</u>	<u>1,377,709</u>
Operating surplus before finance costs		21,472,802	3,650,324
Finance costs	12	<u>(281,956)</u>	<u>(304,429)</u>
Surplus before taxation	13	21,190,847	3,345,895
Taxation	14	<u>(8,430,406)</u>	<u>(2,665,209)</u>
Surplus for the year		<u>\$ 12,760,441</u>	<u>680,686</u>

The accompanying notes form an integral part of the financial statement

TRANSPORT AUTHORITY

Statement of Changes in Reserves
Year ended March 31, 2008

	<u>Capital reserve</u> <u>(Note 15)</u>	<u>Accumulated</u> <u>surplus</u>	<u>Total</u>
Balances at March 31, 2006	9,455,246	53,536,004	62,991,250
Surplus, being total gains recognised, for the year	<u>-</u>	<u>680,686</u>	<u>680,686</u>
Balances at March 31, 2007	9,455,246	54,216,690	63,671,936
Surplus, being total gains recognised, for the year	<u>-</u>	<u>12,760,441</u>	<u>12,760,441</u>
Balances at March 31, 2008	<u>\$9,455,246</u>	<u>66,977,131</u>	<u>76,432,377</u>

The accompanying notes form an integral part of the financial statement

Statement of Cash Flows
Year ended March 31, 2008

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	12,760,441	680,686
Adjustments for:		
Depreciation and amortisation	19,272,940	17,537,853
Gain on disposal of property, plant & equipment	(455,453)	(1,377,709)
Taxation	8,430,406	2,665,209
Interest income	(16,936,840)	(14,354,805)
Interest expense	<u>281,956</u>	<u>304,429</u>
Operating profit before changes in working capital	23,353,550	5,455,663
Decrease/(increase) in trade and other receivables	15,722,210	(9,473,738)
(Increase)/decrease in inventories	(1,810,120)	17,886
Increase/(decrease) accounts payable and accrued charges	4,661,845	(4,986,796)
Increase in prepaid fees	<u>47,895,984</u>	<u>32,539,119</u>
Cash generated from operations	89,823,369	23,552,134
Interest paid	(281,956)	(304,429)
Tax paid/deducted at source	<u>(5,466,325)</u>	<u>(5,666,326)</u>
Net cash provided by operating activities	<u>84,075,088</u>	<u>17,581,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16,531,325	13,722,686
Additions to property, plant and equipment	(13,334,444)	(24,607,348)
Proceeds from disposal of property, plant and equipment	655,800	1,725,549
Resale agreements	<u>(65,189,995)</u>	<u>(13,139,558)</u>
Net cash used by investing activities	<u>(61,337,314)</u>	<u>(22,298,671)</u>
Net increase/(decrease) in cash and cash-equivalents	22,737,774	(4,717,292)
Cash and cash-equivalents at beginning of the year	<u>13,004,745</u>	<u>17,722,037</u>
Cash and cash-equivalents at end of the year	<u>\$35,742,519</u>	<u>13,004,745</u>
Comprised of:		
Cash and cash-equivalents	35,742,519	13,290,021
Bank overdraft	<u>-</u>	<u>(285,276)</u>
	<u>\$35,742,519</u>	<u>13,004,745</u>

The accompanying notes form an integral part of the financial statements.

TRANSPORT AUTHORITY

Notes to the Financial Statements
March 31, 2008

1. The Authority

The Transport Authority ("Authority") is a body incorporated and established in accordance with the Transport Authority Act 1987, and is domiciled in Jamaica. The Authority's registered office and principal place of business is located at 119 Maxfield Avenue, Kingston 10.

The objectives and principal activities of the Authority during the year are to regulate and monitor public passenger and commercial transport throughout the island. This includes the processing of applications for, and the granting of, road licences, the granting of franchises to transport operators and other regulatory activities.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Transport Authority Act.

New and revised standards and interpretations effective during the year

Certain new IFRS and interpretations of, and amendments to, existing standards, which were in issue, came into effective for the current financial year. The only standards relevant to and adopted by the Authority in preparing the financial statements are *IFRS 7 Financial Instruments: Disclosures* and the *Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures*. IFRS 7 requires disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks, while the amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it is managed. These standards have resulted in additional disclosures for financial instruments and capital (see note 19).

New and revised standards and interpretations not yet effective

At the date of approval of the financial statements, other new standards and interpretations, which were in issue, are not yet effective. Those standards and interpretations are effective for accounting periods beginning on, or after, the following dates and are as follows:

Revised IAS 1 – Presentation of Financial Statements (effective for accounting periods beginning on or after January 1, 2009) requires presentation of all non-owner changes in equity in one or two statements either in a single statement of comprehensive income, or in an income statement plus a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives and a disclosure for reclassification adjustments. Revised IAS 1 is not expected to have a significant impact on the Authority's financial statements.

IAS 23 (Revised) – Borrowing Costs (effective for annual reporting periods beginning on or after January 1, 2009) removes the option of either capitalizing borrowing costs relating to qualifying assets or expensing the borrowing costs, and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. IAS 23 is not expected to have any significant impact on the Authority's financial statements.

Notes to the Financial Statements (Cont'd)
March 31, 2008

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars (\$) which is the functional currency of the Authority.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

(c) Use of estimates and judgements:

The estimates and underlying assumptions in the financial statements 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.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables, as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) Residual value and expected useful life of property plant and equipment:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Authority.

(d) Cash and cash-equivalents:

Cash and cash equivalents comprise cash and bank balances. Bank overdrafts that are repayable on demand and form an integral part of the authority's cash management activities, are included as a component of cash and cash-equivalents for the purpose of the statement of cash flows.

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(e) Resale agreements:

Securities purchased under resale agreements ("Reverse repos" or "resale agreements") are short-term transactions, whereby, securities are purchased with simultaneous agreements for reselling the securities on a specified date and at a specified price. Reverse repos are accounted for as short-term collateralised lending, and are stated at amortised cost.

The difference between the sale and repurchase considerations is recognised on the accrual basis over the period of the transaction and is included in interest income.

(f) Trade and other receivables:

Trade and other receivables are stated at their amortised costs, less impairment losses [note 2(o)].

(g) Inventories:

Inventories are valued at the lower of cost, determined principally on the first-in, first-out basis, and net realisable value. Previously, items of \$5,000 and over were treated as significant for the purpose of inventory. Inventories are now recognised, if they satisfy any one or more of the following criteria:

- the item should be critical to the delivery of licences and other public interest deliverables (eg. tickets, stickers, seizure forms etc.);
- the item is not readily available locally;
- the unit value of such item is significant and has utility value to third parties; or
- the unit value of such item is significant and is easily concealed.

The impact of this change on the financial statements is not considered significant.

(h) Trade payables and accrued charges:

Trade payables and accrued charges, including provisions, are stated at their cost.

(i) Property, plant and equipment, intangible assets and depreciation/amortisation:

Items of property, plant and equipment, and intangible assets are stated at cost, less accumulated depreciation/amortisation [note 2(j)] and impairment losses.

(j) Depreciation/amortisation:

Property, plant and equipment, and intangible assets, with the exception of land on which no depreciation is provided, as well as leasehold improvements, which are amortised over the shorter of the lease term and the estimated useful life of the asset, are depreciated/amortised on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The depreciation/amortisation rates are as follows:

Buildings	2½%
Furniture, fixtures and equipment	10%
Motor vehicles and motor cycles	20%
Computer hardware	22½%
Computer software	20%
Signs	10%
Freehold and leasehold improvements	20%

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(j) Depreciation/amortisation (cont'd):

Residual value, useful lives and depreciation/amortisation rates are reassessed at each reporting date.

(k) Revenue recognition:

The Authority derives a significant portion of its revenue from the processing of road licences, which is accounted for on the accrual basis.

(l) Employee benefits:

Employee benefits are all forms of consideration given by the Authority in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual vacation leave and post-employment benefits, such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employment benefits are recognised as a liability, net of payments made, and charged as an expense.

The Authority operates a pension scheme (note 17) and the assets of the scheme are held separately from those of the Authority. Contributions to the scheme are charged to the income statement when due.

(m) Related parties:

A party is related to the Authority, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with, the Authority;
 - (b) has an interest in the Authority that gives it significant influence over the Authority; or
 - (c) has joint control over the Authority;
- (ii) the party is an associate of the Authority;
- (iii) the party is a joint venture in which the Authority is a venture;
- (iv) the party is a member of the key management personnel of the Authority;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The directors and senior officers are collectively referred to a "key management personnel".

Notes to the Financial Statements (Cont'd)
March 31, 2008

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(n) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling at that date.

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the income statement.

(o) Impairment:

The carrying amounts of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Authority's income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Authority's investments and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables and investments with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair values 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of an originated receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (Cont'd)
March 31, 2008

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(p) Taxation:

Income tax on the surplus or deficit for the year comprises current and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised directly to reserves, in which case it is recognised in reserves.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash-equivalents, resale agreements and trade receivables. Financial liabilities include trade payables and bank overdraft.

(r) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. Cash and cash equivalents

	<u>2008</u>	<u>2007</u>
Cash	413,000	455,002
Bank balances	<u>35,329,519</u>	<u>12,835,019</u>
	<u>\$35,742,519</u>	<u>13,290,021</u>

TRANSPORT AUTHORITYNotes to the Financial Statements (Cont'd)
March 31, 20084. Resale agreements

The fair value of securities obtained and held under resale agreements amounted to \$191,562,916 (2007: \$122,353,924).

5. Trade and other receivables

	<u>2008</u>	<u>2007</u>
Trade receivables	26,409,508	20,559,504
Staff loans	1,732,890	1,732,890
Other receivables	<u>23,341,139</u>	<u>20,942,720</u>
	51,483,537	43,235,114
Less: Allowance for doubtful debts	<u>(26,656,563)</u>	<u>(3,091,802)</u>
	<u>\$24,826,974</u>	<u>\$40,143,312</u>

- (i) Trade receivables includes an amount of \$24,598,909 (2007:\$17,628,905) due from Jamaica Urban Transit Company Limited (JUTC) and franchise fees due from Metropolitan Management Transport Holding Limited of \$1,120,000 (2007: \$1,120,000), companies owned by Government of Jamaica.
- (ii) Other receivables include deposits of \$16,472,693 (2007: \$20,121,353 in respect of capital expenditure [note 16(ii)]).
- (iii) Reconciliation of allowance for doubtful debts:

	<u>2008</u>	<u>2007</u>
Provision for doubtful debts:		
At beginning year	(3,091,802)	(2,106,339)
Provision for the year:		
Write off Insurance Premium	-	244,349
WRO discrepancies vouchers	-	(969,860)
Balance outstanding since 2003	-	(259,952)
Rent Deposit	(327,059)	-
JUTC	(23,398,905)	-
National Transport Cooperative Society (NTCS)	(1,068,609)	-
Recoveries -Discrepancies on vouchers	<u>1,229,812</u>	<u>-</u>
At end of the year	<u>\$(26,656,563)</u>	<u>(3,091,802)</u>

6. Accounts payable and accrued charges

Accounts payable and accrued charges include an amount of \$714,469 (2006: \$714,469) due to Metropolitan Management Transport Holding Limited.

7. Deferred income

Deferred income represents processing fees received in advance for licence applications relating to the following year and includes amounts received for road licences not yet collected by licences.

TRANSPORT AUTHORITY
Notes to the Financial Statements (Cont'd)
March 31, 2008

8. Property, plant and equipment

	Land and buildings	Freehold and leasehold improvements	Furniture, fixtures and equipment	Motor vehicles and motor cycles	Computer hardware	Bus stops and signs	Total
At cost:							
March 31, 2006	47,935,305	31,597,410	36,935,478	36,570,382	14,490,737	83,800	167,613,112
Additions	-	11,311,242	4,173,063	6,871,730	2,251,313	-	24,607,348
Disposals	-	-	-	(8,868,666)	-	-	(8,868,666)
March 31, 2007	47,935,305	42,908,652	41,108,541	34,573,446	16,742,050	83,800	183,351,794
Additions	-	1,159,875	4,511,729	3,655,272	4,002,478	5,090	13,334,444
Disposals	-	-	(434,225)	(4,304,000)	(105,000)	-	(4,843,225)
March 31, 2008	47,935,305	44,068,527	45,186,045	33,924,718	20,639,528	88,890	191,843,013
Depreciation:							
March 31, 2006	3,828,190	20,494,167	17,541,665	23,205,333	9,469,732	28,176	74,567,263
Charge for the year	515,969	3,923,475	3,484,073	5,669,421	2,260,264	8,380	15,861,582
Eliminated on disposals	-	-	-	(8,520,826)	-	-	(8,520,826)
March 31, 2007	4,344,159	24,417,642	21,025,738	20,353,928	11,729,996	36,556	81,908,019
Charge for the year	515,969	5,824,861	3,677,899	4,926,489	2,760,785	8,886	17,714,889
Eliminated on disposals	-	-	(338,174)	(4,214,460)	(90,244)	-	(4,642,878)
March 31, 2008	4,860,128	30,242,503	24,365,463	21,065,957	14,400,537	45,442	94,980,030
Net book values:							
March 31, 2008	\$43,075,177	13,826,024	20,820,582	12,858,761	6,238,991	43,448	96,862,983
March 31, 2007	\$43,591,146	18,491,010	20,082,803	14,219,518	5,012,054	47,244	101,443,775

Land and buildings include land at a cost of \$27,296,526 (2007: \$27,296,526).

TRANSPORT AUTHORITYNotes to the Financial Statements (Cont'd)
March 31, 20089. Intangible assets

	<u>Computer Software</u>
At cost:	
March 31, 2006, 2007 and 2008	<u>10,205,785</u>
Amortisation:	
March 31, 2006	4,964,320
Charge for the year	<u>1,676,270</u>
March 31, 2007	6,640,590
Charge for the year	<u>1,558,051</u>
March 31, 2008	<u>8,198,641</u>
Net book value:	
March 31, 2008	<u>\$ 2,007,144</u>
March 31, 2007	<u>\$ 3,565,552</u>

10. Deferred tax asset

The deferred tax asset is attributable to the following:

	<u>2007</u>	<u>Recognised in income</u> [Note 14(a)(ii)]	<u>2008</u>
Trade and other receivables	(210,706)	(135,171)	(345,877)
Trade payables and accrued charges	2,376,395	491,049	2,867,444
Property, plant and equipment	<u>2,563,710</u>	<u>1,554,519</u>	<u>4,118,229</u>
	<u>\$4,729,399</u>	<u>1,910,397</u>	<u>6,639,796</u>

Movement in temporary differences are recognised in the income statement.

11. Gross operating revenue

Gross operating revenue represents processing fees for road license applications, franchise fees received from franchise operators, and storage and administrative fees from the seizure of motor vehicles.

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

12. <u>Finance costs</u>		
	<u>2008</u>	<u>2007</u>
Finance charges	<u>\$281,956</u>	<u>304,429</u>
13. <u>Surplus before taxation</u>		
Surplus before taxation is stated after charging:		
	<u>2008</u>	<u>2007</u>
	\$	\$
Depreciation and amortisation	19,272,940	17,537,853
Auditors' remuneration	1,320,000	1,196,000
Key management personnel compensation:		
Directors' emoluments - fees	* 1,667,319	756,200
- remuneration	6,222,131	5,394,435
Other key management personnel - Short-term benefits (included in staff costs)	10,854,169	10,694,985
Staff costs - salaries, wages and related costs	290,875,961	257,835,659
- staff welfare	11,366,504	10,260,687
- redundancy	<u>-</u>	<u>1,323,663</u>
14. <u>Taxation</u>		
(a) Recognised in income statement:		
The taxation charge is based on the Authority's results for the year, as adjusted for tax purposes, and comprises:		
	<u>2008</u>	<u>2007</u>
(i) Current tax expense:		
Income tax @ 33 1/3%	11,094,615	4,791,227
Prior year over provision	(753,812)	-
	10,340,803	-
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 10)	(1,910,397)	(2,126,018)
Actual tax charge recognised in income statement	<u>\$ 8,430,406</u>	<u>2,665,209</u>
(b) Reconciliation of expected tax charge:	<u>2008</u>	<u>2007</u>
Surplus before taxation	<u>\$21,190,847</u>	<u>3,345,895</u>
Computed "expected" tax charge @ 33 1/3%	7,063,616	1,115,298
Taxation differences between surplus for financial statements and tax reporting purposes on:		
Depreciation charges and capital allowances	1,671,813	494,594
Gain on disposal of property, plant and equipment	(151,817)	(459,236)
Disallowed expenses	600,606	1,514,553
Prior year over provision	(753,812)	-
Actual tax charge recognised in income statement	<u>\$ 8,430,406</u>	<u>2,665,209</u>

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

15. Capital reserve

This represents realised surplus on disposal of property, plant and equipment.

16. Commitments

(i) Lease commitments:

Commitments under non-cancellable operating leases expiring in 2028 amounted to \$14,635,865 at March 31, 2008 (2007: \$10,368,315). The lease rental payable within the next year is \$4,763,316 (2007: \$4,921,746).

(ii) Capital commitments:

As at March 31, 2008, the Authority had entered into contracts for capital expenditure in the total amount of \$16,472,693 (2007: \$20,121,353), in respect of which deposits amounting to \$3,449,518 (2007: \$12,348,781) [note 5(ii)] have been made.

17. Pension scheme

A defined-contribution pension scheme is administered by a life assurance company for all employees of the Authority who have satisfied certain minimum service requirements. The scheme is funded by employer's contributions of 7½% and employees' contributions of 5% of pensionable salaries, plus an option for employees to contribute an additional 5%.

The Authority's contributions for the year amounted to \$10,511,304 (2007: \$8,735,226).

18. Contingent liabilities

There are a number of pending claims for damages against the Authority. The Authority's attorneys are of the opinion that the claims are unlikely to succeed but, were judgements to be favourable to the plaintiffs, damages and costs should not exceed \$12,010,527 (2007: \$12,149,000).

Provision in the amount of \$3,600,000 (2007: \$3,850,000) has been made in the financial statements in respect of these claims.

19. Financial instruments

Information relating to fair values and risks of financial instruments is summarised below:

(a) Fair value:

The estimated fair values of cash and cash-equivalents, resale agreements, trade receivables, and trade payables, are assumed to approximate their carrying values, due to their short-term nature.

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

19. Financial instruments (cont'd)

(a) Fair value (cont'd):

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Financial assets

Cash and cash-equivalents, resale agreements, trade and other receivables are assumed to approximate their carrying values due to their short term nature.

The fair values are as follows:

	<u>March 31, 2008</u>		<u>March 31, 2007</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash-equivalent	35,742,519	35,742,519	13,290,021	13,290,021
Resale agreement	182,489,947	191,562,916	117,299,952	122,353,924
Trade and other receivables	<u>24,826,974</u>	<u>24,826,974</u>	<u>40,143,312</u>	<u>40,143,312</u>
	<u>\$243,059,440</u>	<u>252,132,409</u>	<u>170,733,285</u>	<u>175,787,257</u>

(b) Financial instrument risks:

The Authority is not making use of derivative instruments as part of its overall risk management activities at this time. Therefore, exposure to interest rate, credit, foreign currency, market, liquidity and cash flow risks on financial instruments arise in the ordinary course of the Authority's operations, and not for risk management purposes.

(i) Interest rate risk:

Interest rate risk arises primarily from the Authority's investments. The Authority manages its interest rate risk by matching, where possible, the duration and profile of assets and liabilities to minimize the impact of mismatches between the value of assets and liabilities from interest rate movements.

Interests bearing financial assets are represented by both medium and short term investments, which have been contracted at fixed and floating interest rates for the duration of the term.

The nature of the Authority's exposure to interest rate risk and its objectives, policies and processes for managing interest rate risk have not changed significantly from the prior period.

Notes to the Financial Statements (Cont'd)
March 31, 2008

19. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(i) Interest rate risk (cont'd):

At balance sheet date, the interest profile of the Authority's interest bearing instruments was:

Interest rate profile of financial assets:

	<u>Carrying amount</u> <u>2008</u> \$	<u>Carrying amount</u> <u>2007</u> \$
Variable rate instruments		
Financial assets	<u>217,819,466</u>	<u>130,134,971</u>

At March 31, 2008, there was no financial liability (2007: \$285,276).

(ii) Credit risk:

Credit risk is the risk of financial loss to the Authority, if a counterparty fails to meet its contractual obligations. The Authority's key areas of exposure to credit risk include:

- Cash and cash-equivalents;
- Trade and other receivable, including balance due from JUTC; and
- Resale agreements.

Exposure to credit risk

At balance sheet date, except for investment in resale agreement, there were no significant concentrations of credit risk. There are no off-balance-sheet financial assets and, therefore, the maximum exposure to credit risk is represented by the total carrying amount of financial assets.

The following table sets out the financial assets that are exposed to credit risk and the maximum amount of the exposure.

	<u>Maximum exposure</u>	
	<u>2008</u>	<u>2007</u>
Cash and cash-equivalents	35,742,519	13,290,021
Resale agreement	182,489,947	117,299,952
Trade and other receivable	<u>24,826,974</u>	<u>40,143,312</u>
	<u>\$243,059,440</u>	<u>170,733,285</u>

Notes to the Financial Statements (Cont'd)
March 31, 2008

19. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(ii) Credit risk (cont'd):

Management of credit risk relating to different types of financial assets.

(a) Resale agreements and cash and cash equivalents:

The Authority:

- Limits its exposure to a single counterparty, by limiting the amount that may be placed with any one intermediary. The Authority invests only in high quality resale agreements.
- Sets minimum requirements that all intermediaries must meet. These are established and enforced by the Authority's Finance Committee. The credit ratings and payment histories of intermediaries are monitored and assessed on a regular basis.

(b) Other financial assets:

Other financial assets comprise, primarily, loans receivable from staff, of which there are three types: staff loan, education loan and housing loan, as well as trade and other receivables.

Staff loan is maximised at the equivalent of one month's salary at an annual interest rate of 8% and must be repaid within twelve months. This type of loan is not supported by collateral as the risk of default is considered low. To be eligible for this loan, the employee must have worked for the Authority for a minimum of two years.

Education loan is allocated to eligible employees who have worked for the Authority for a minimum of one year. It is dependent on budgetary allocation at an interest rate of 8% per annum.

Housing loan is allocated to eligible employees who have worked with the organisation for a minimum of three years at an annual interest rate of 8%. A maximum of \$150,000 is allocated for the purchase of a new home and \$100,000 to build on own land.

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

19. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(ii) Credit risk (cont'd):

Management of credit risk relating to different types of financial assets (cont'd)

(b) Other financial assets (cont'd):

The management of the risks associated with trade and other receivables and the policies governing them are the responsibility of the Board of Directors. An assessment of the risks is done by the Finance Committee. Specific actions are taken according to significance and age of balances, and their associated risks. At balance sheet date, a total of \$26,656,563 (2007: \$3,091,802) was provided for this receivables [note 5 (iii)].

Credit quality of receivables

Trade receivables are the only financial assets with significant amounts which are past-due. Receivables are deemed past-due when the payments are not received on the contractual repayment dates. The majority of the past-due trade receivables are considered impaired.

The credit quality of trade receivables is summarised as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Past due and impaired:				
12 to 18 months	<u>\$24,467,514</u>	<u>24,467,514</u>	<u>17,628,905</u>	<u>-</u>

The impairment is in relation to receivables from JUTC and NTCS. Provision of \$247,055 (2007:\$ Nil) was made during the year in respect of other financial assets.

The nature of the Authority's exposure to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior period.

(iii) Foreign currency risk:

Currency risk is the risk that the market value of, or cash flows from, financial instruments that are denominated in a currency other than the Jamaica dollar will vary because of exchange rate fluctuations.

The Authority's foreign currency risk is immaterial on investments. The principal currency giving rise to this risk (which is immaterial) is the in United States Dollars (US\$).

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

19. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(iii) Foreign currency risk (cont'd):

At the balance sheet date, the Authority's exposure to foreign currency risk is as follows:

	<u>2008</u>	<u>2007</u>
Foreign currency assets:		
Cash and cash-equivalents	733	525
Foreign currency liabilities		
Accounts payable	-	-
Net Foreign Currency Assets	US\$ <u>733</u>	<u>525</u>

Exchange rates for the US dollar in terms of the Jamaica dollar were as follows:

	<u>2008</u>	<u>2007</u>
At March 31, US\$1=	J\$ <u>70.7938</u>	<u>67.5640</u>

In accordance with note 2(n), applied consistently, exchange gains/losses are recognised in the income statement when incurred.

(iv) Market risk:

The primary goal of the Authority's investment strategy is to minimise risk and to maximise investment returns.

Market risk, is the risk that changes in market prices, such as, interest rate and foreign exchange rates, will affect the value of the Authority's assets, the amount of its liabilities and/or its income. Market risk arises in the Authority due to fluctuations in the value of liabilities and the value of investments held. The Authority is exposed to market risk in all of its financial assets.

The Authority manages its market risks by adhering to the investment policies established by the Board of Directors. The Finance Committee monitors the investment portfolio against these policies and report on a regular basis to the Board of Directors.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The nature of the Authority's exposures to market risks and its objectives, policies and processes for managing market risk have not changed significantly from the prior period.

TRANSPORT AUTHORITY

Notes to the Financial Statements (Cont'd)
March 31, 2008

19. Financial instruments (cont'd)

(b) Financial instruments risk (cont'd):

(v) Liquidity risk:

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations from its financial assets or liabilities. The Authority is exposed to daily calls on its available cash resources mainly from administrative costs. Liquidity risk may arise from a number of potential areas, such as, employee remuneration agreed by the Government of Jamaica at 15% for the current period, while the Authority had budgeted for a 10% increase; an estimated additional annual cost of seventy three (73) new inspectors of \$62M; filling of existing vacancies for General Manager Operations and Licensing Manager, estimated to cost \$7.5M per annum; and failure to meet revenue budget targets.

The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Consequently, the Authority invests in marketable securities that can be readily realized as its obligations fall due, and in the event of reasonably foreseeable abnormal circumstances.

The Authority does not have any overdraft facilities or any committed lines of credit.

The maturity of all financial instruments is shown in the following tables.

	<u>2008</u>	<u>2007</u>
	\$	\$
<u>Financial assets maturing:</u>		
In one year or less or on demand		
Resale agreements	182,489,947	117,299,952
Cash and cash-equivalents	35,742,519	13,290,021
Staff loans	<u>715,787</u>	<u>-</u>
	<u>\$218,948,253</u>	<u>130,589,973</u>
In more than one year:		
Staff loans	<u>\$ 1,017,103</u>	<u>1,732,890</u>
<u>Financial liabilities maturing:</u>		
In one year or less or demand:		
Accounts payable	38,186,603	33,524,758
Bank overdraft	<u>-</u>	<u>285,276</u>
	<u>\$ 38,186,603</u>	<u>33,810,034</u>

Notes to the Financial Statements (Cont'd)
March 31, 2008

19. Financial instruments (cont'd)

(b) Financial instruments risk (cont'd):

(v) Liquidity risk (cont'd):

The nature of the Authority's exposure to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Authority manages this risk through budgetary measures by ensuring as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flow.

(c) Capital management:

Transport Authority's management of capital is to safeguard the entity's ability to continue as a going concern, by being a profitable organisation and provide benefits for all stakeholders. The Authority defines capital as total reserves.

Transport Authority sets the amount of capital in proportion to risk. Transport Authority manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Transport Authority may adjust the amount invested with financial institution in order to diversify its portfolio to reduce risk and also to increase returns.

The Transport Authority through the direction of the Board seeks to maintain a strong capital base so as to maintain stakeholders' confidence. There were no changes in the Authority's approach to capital management during the year.

The Authority is not subject to any externally imposed capital requirement.

Administration expenses
Year ended March 31, 2008

Audit	1,320,000
Bank charges	1,878,415
Depreciation	19,272,940
Directors' fees and expenses	2,739,628
Electricity, telephone and water	17,387,765
Insurance	2,669,914
Internet charge	1,791,919
Legal and other professional	2,282,733
Motor vehicle expenses	5,418,510
Miscellaneous	14,702,915
Repairs and maintenance:	
Buildings	4,309,126
Sign	34,359
Furniture and equipment & Signs	1,848,258
Computer Hardware & Software	468,739
Rental expenses	6,495,677
Postage	17,336
Printing, stationery and lamination	9,383,357
Public relations and advertising	3,286,228
Security	25,022,695
Travelling and subsistence	7,970,127
Surveys and investigations	4,354,019
Bad debts	<u>23,564,761</u>
	<u>156,219,421</u>

SENIOR EXECUTIVE COMPENSATION

Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Traveling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Managing Director	2007-08	4,724,786.89	0.00	761,282.70	0.00	736,061.41	0.00	6,222,131.00
GM – Legal & Corporation Services	2007-08	2,838,018.84	0.00	630,000.00	0.00	551,297.55	0.00	4,091,316.39
*GM-Operations	2007-08	1,155,808.02	0.00	176,644.27	0.00	124,645.04	0.00	1,457,097.53
GM-HRD & Administration	2007-08	3,096,020.64	774,005.16	462,300.00	0.00	712,968.15	0.00	5,045,293.95
GM-Finance & Planning	2007-08	3,096,020.64	0.00	630,000.00	0.00	570,954.75	0.00	4,296,975.39
Total (\$)		14,910,655.03	774,005.16	2,660,227.17	0.00	2,695,926.90	0.00	21,040,814.26

Notes:-
Other Allowances:

Based on the 2006 directive from the Ministry of Finance and the Public Services, duty and lunch were combined and classified as "Special Allowance" and Laundry and Uniform were combined and paid as a one-off payment each year.

* Tenure commenced February 18, 2008

BOARD FEES

	Fees	Motor Vehicle Upkeep/Traveling	Honoraria	All Other Compensation including Non-Cash Benefits as applicable	Total
Position of Director	(\$)		(\$)		
Chairman					
NORTON HINDS	\$47,000.00	\$0.00	\$0.00	\$0.00	\$47,000.00
Non-Executive		\$0.00	\$0.00	\$0.00	\$0.00
ANDRAY MCKENZIE *	\$10,500.00	\$0.00	\$0.00	\$0.00	\$10,500.00
ARTHUR MCKENLEY	\$166,000.00	\$0.00	\$0.00	\$0.00	\$166,000.00
CHERYL LEWIS	\$27,000.00	\$0.00	\$0.00	\$0.00	\$27,000.00
DENNIS WRIGHT	\$73,800.00	\$48,000.00	\$0.00	\$0.00	\$121,800.00
EALAN POWELL	\$50,000.00	\$0.00	\$0.00	\$0.00	\$50,000.00
ELSA-MAY BINNS	\$53,500.00	\$0.00	\$0.00	\$0.00	\$53,500.00
AUDLEY DEIDRICK	\$56,500.00	\$0.00	\$0.00	\$0.00	\$56,500.00
CARLENE OCONNOR	\$10,500.00	\$0.00	\$0.00	\$0.00	\$10,500.00
DIAN WATSON	\$14,500.00	\$0.00	\$0.00	\$0.00	\$14,500.00
GEORGE JOHNSON	\$57,000.00	\$86,400.00	\$0.00	\$0.00	\$143,400.00
HEATHER LITTLE WHITE WATSON	\$11,000.00	\$0.00	\$0.00	\$0.00	\$11,000.00
HUGH SALMON	\$18,000.00	\$0.00	\$0.00	\$0.00	\$18,000.00
KEITH GARDNER	\$18,000.00	\$0.00	\$0.00	\$0.00	\$18,000.00

LESLIE CAMPBELL	\$36,000.00	\$0.00	\$0.00	\$0.00	\$36,000.00
MILTON HODELIN	\$3,500.00	\$0.00	\$0.00	\$0.00	\$3,500.00
OSMOND BROMFIELD	\$144,000.00	\$0.00	\$0.00	\$0.00	\$144,000.00
SALEEM LAZARUS	\$54,000.00	\$0.00	\$0.00	\$0.00	\$54,000.00
STEPHEN STEELE	\$46,000.00	\$0.00	\$0.00	\$0.00	\$46,000.00
STERLING SOARES	\$49,500.00	\$0.00	\$0.00	\$0.00	\$49,500.00
VALERIE SIMPSON	\$21,500.00	\$0.00	\$0.00	\$0.00	\$21,500.00
WAINSWORTH ANDERSON	\$5,500.00	\$0.00	\$0.00	\$0.00	\$5,500.00
WINSTON MARAGH	\$22,000.00	\$12,800.00	\$0.00	\$0.00	\$34,800.00
TOTAL	\$995,300.00	\$147,200.00	\$0.00	\$0.00	\$1,142,500.00

Notes:

- * Member of the Board Sub-Committee
- Board fees are subsumed in Board Expenses.