The Port Authority of Jamaica

ANNUAL REPORT
2016-2017

Our **Vision**

The Western Hemisphere's Beacon of Maritime Excellence

Our **Mission**

Developers and Regulators of world class facilities and services that ensure sustainable growth of Jamaica's Maritime Industry and maximum satisfaction to all stakeholders.

Our **Values**

The Port Authority of Jamaica is committed to the pursuit of its Vision and Mission within a framework characterized by a motivated and competent workforce; excellence, fairness and equity; integrity and trust; open communication; commitment; accountability and a wholesome physical environment with which to endow future generations.

What's Inside

Corporate Profile

WHO WE ARE

The Port Authority of Jamaica (The Authority or PAJ) is a statutory corporation established by the Port Authority Act of 1972. It is Jamaica's principal maritime agency responsible for the development and regulation of Jamaica's seaports. The PAJ reports directly to the Ministry of Economic Growth & Job Creation (MEGJC). In its development role, the PAJ develops and facilitates investments in seaport and supporting infrastructure required for growth in Jamaica's International Trade, Cruise Tourism, Commerce and related Industries.

WHAT WE DO

As the regulatory Authority, PAJ monitors and regulates the navigation of all vessels entering and leaving Jamaica's ports and harbours, to ensure safety and order. The Authority also set tariffs on goods that passes through the public wharves. In executing these responsibilities, the PAJ:

- Administers and regulates Jamaica's pilotage service for all ships navigating Jamaica's seaports by offering assistance with navigation and berthing. This service is compulsory for all ships navigating Jamaica's seaports
- Offers commercial tug services in the Port of Kingston
- Provides and maintains navigational aids, such as buoys, beacons and lighthouses
- Charts safe access to Jamaica's ports and harbours by maintaining ship channels to ensure that the depths are sufficient for the vessels that use the ports
- Serves as a tribunal for establishing wharfage tariffs, through a process of public hearing

PRIVATISATION OF THE KINGSTON CONTAINER TERMINAL (KCT)

KCT was sucessfully divested.

On July 1, 2016 Kingston Free Port Terminal Limited (KFTL) assumed responsibility for the management and operation of the KCT under the terms of a 30-year concession agreement with the PAJ. KFTL has the responsibility to invest, maintain, operate and grow cargo volumes and maintain a highly competitive multi-user port, positioning Kingston as the major transhipment port for the Caribbean and Central America.

PM Andrew Holness, Minister of Economic Growth & Job Creation, greets French Ambassador to Jamaica, Jean-Michel Despax at a press conference July 1, 2016 at Jamaica House to announce the handover of KCT to French concessionaire KFTL.

PAJ's management and KFTL's interim management team, worked with the union and staff to successfully transition approximately 850 KCT employees to the new operator. All the staff were made redundant by PAJ and reemployed on new terms and conditions by KFTL.

OUR BUSINESS IN BRIEF

The Port Authority derives its revenues from several commercial activities and business segments. These include the operation of Cargo and Cruise Shipping terminals, which are supported by Harbours and Marine Services.

The PAJ also plays a key role in the Business Process Outsourcing (BPO) sector, in support of the government's job creation and growth agenda. PAJ owns and manages over 1.4M sq. ft. of BPO building spaces, through 3 free zone subsidiaries.

Port-centric logistics development is a strategic imperative for the PAJ and is an area of great opportunity to increase cargo through our ports, create jobs and drive economic activities for growth in Jamaica. The PAJ is actively pursuing initiatives to partner with private sector companies for the development of logistic activities on lands it owns, beside the Kingston Container Terminal (KCT).

The PAJ develops and maintains four cruise ports namely: Port of Montego Bay, Historic Falmouth Port, Port of Ocho Rios, Ken Wright Pier and the adjoining Errol Flynn Marina. The marketing initiatives for cruise shipping is undertaken by PAJ under the 'Cruise Jamaica' brand in collaboration with the Ministry of Tourism.

As the designated Authority for port security, the PAJ is mandated to ensure that security systems, standards and procedures at Jamaica's seaports comply with the International Maritime Organization/ International Ship and Port Facility Security (IMO/ ISPS) Code. The organization provides general support to security programmes that enhances the security of the ports.

Operational Framework

Infrastructure Development

Creates and delivers value to stakeholders through cost effective and efficient world-class, developed and maintained port facilities.

Productive & Efficient Operations

Ensures an efficient organizational structure powered by competent and highly skilled employees who create value and deliver operational excellence. Creates and sustains efficiency and productivity in all its operations. Leverages IT to improve and sustain high levels of productivity, efficiency, innovation, resilience and relevance.

Security & Safety

Regulates operations to ensure that internationally acceptable levels of safety and security are maintained at the public and private ports. Maintains flexible and relevant systems and procedures to meet the changing international and local environment. Facilitates continuous stakeholder engagement and support in the maritime industry.

Financial Viabilty

Maintains long-term financial viability which enables the Port Authority to achieve its objectives and fulfil its mandate and support the Government of Jamaica's (GOJ) Economic and Growth Agenda. Pursues strategic partnerships with other public and private entities to finance and operate facilities with the aim of sharing risks and rewards, and increasing value for the PAJ and GOJ.

Strategic Marketing

Implements a strategic marketing programme to position and promote all business segments. Retains existing clients and grows market share relative to competitors. Improves and strengthens market research, data analytics and intelligence capabilities to identify and capitalise on opportunities and manage risks.

Human Resource Development

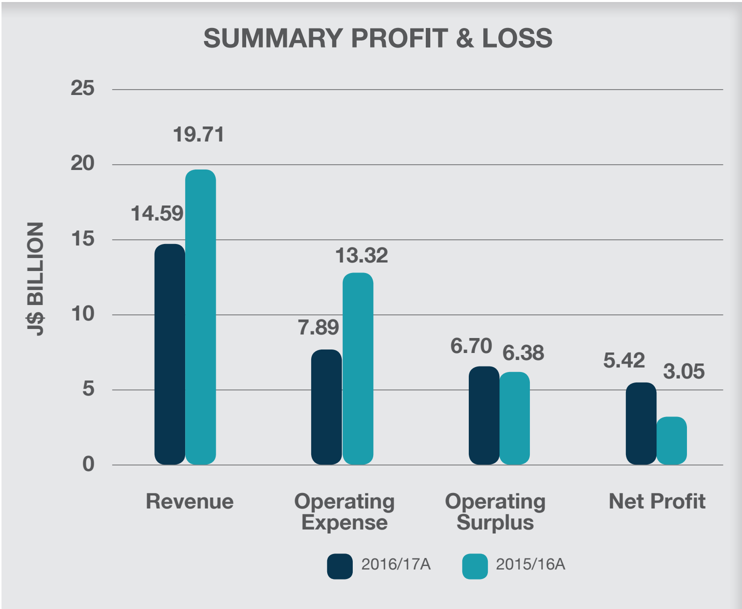
Trains and develops our employees to meet the needs of the evolving business environment. Ensures a culture of talent management and business continuity planning. Cultivates an environment where hidden talents are harvested, exposed and developed.

Performance at a Glance

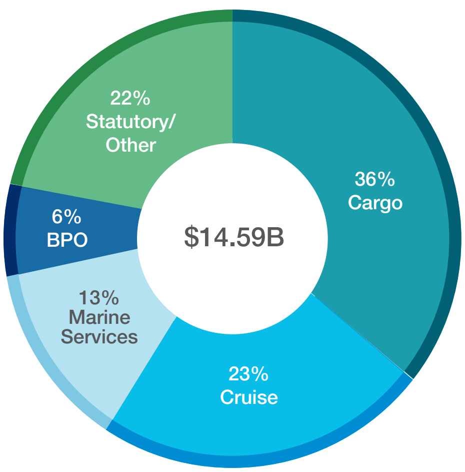
Subsidiaries & Associates

SUBSIDIARISES AND RELATED COMPANIES	ROLE/BUSINESS UNIT MANAGED
MONTEGO BAY FREE ZONE LTD. (MBFZ)	Established in 1985 to manage and operate the Montego Bay Free Zone. The shares are owned equally by the PAJ and the GOJ. MBFZ currently manages approximately $6B of real estate owned by PAJ. Space under management includes 602,000 sq. ft. of space targeting BPO companies and entities within the manufacturing, warehousing and retail apparel industries. MBFZ is a significant source of employment and currently accounts for 8,622 jobs in the space under management.
KINGSTON FREE ZONE CO. LTD. (KFZ)	Established in 1986 to operate and manage the KFZ. The shares are owned by PAJ (72%) and GOJ (28%). KFZ also provides management services to Portmore Informatics Park and the Jamaica International Free Zone (JIFZ). Real estate under management is 803,668 sq. ft., comprising of warehouses, BPO space and parking facilities. It currently accounts for 1,421 jobs in the space managed.
PORTS MANAGEMENT & SECURITY LTD. (PMSL)	Established in 2004 to implement the International Ship and Port Facility Security (ISPS) Code at the sea ports of Jamaica and Non-Intrusive Inspection Programme (NIIP) at the public ports. PMSL is owned by PAJ (51%), Kingston Wharves (25%) and Shipping Association of Jamaica (24%).
JAMAICA INTERNATIONAL FREE ZONE DEVELOPMENT LTD. (JIFZ)	Established in 2005 and is owned by the PAJ (75%) and ZIM Integrated Shipping Services (25%). Its main objective is to acquire, develop and lease properties for logistics and related activities.
PORT AUTHORITY MANAGEMENT SERVICES LTD.	A wholly-owned subsidiary of the Port Authority, established to offer management services for the Half Way Tree Transportation Center.
KCT SERVICES LTD.	A wholly-owned subsidiary of the PAJ, established to provide personnel services and management of the operations of the Kingston Container Terminal.
SECURITY ADMINISTRATORS LTD.	A 33% associate company whose primary activity is the provision of port and general security, and other related services.
MONTEGO COLD STORAGE LTD.	A 33% associate company whose primary activity is the rental of refrigerated warehouses and 2 apartments.

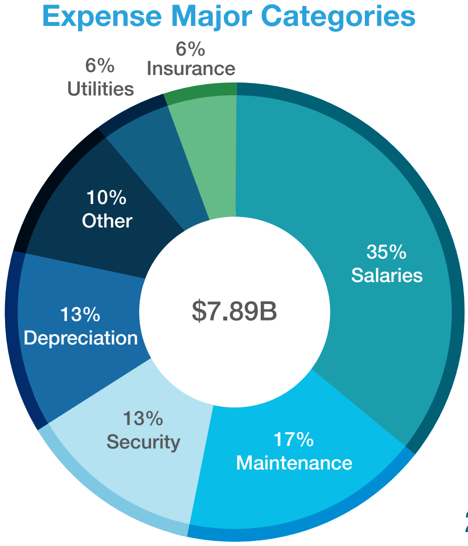
Financial Highlights



Revenue by Segments



Expense Major Categories



CORPORATE SOCIAL RESPONSIBILITY

As socially responsible corporate citizens, the PAJ continued to support initiatives particularly in communities in which it operates. During the period it partnered with a number of stakeholder groups and contributed to a number of areas including Education, Arts, Culture and Sports.


Finals of the KASAFA under 13 and 15 football competition

PAJ supports Kingston & St. Andrew Football Association by contributing to 34 community-based clubs in their summer programme to provide meaningful, healthy and recreational activities to at-risk youth during the summer holiday period.


Mico University College expands IT infrastructure to commemorate 180 years

PAJ's contribution to the Mico University assisted the school to create a technologically advanced learning environment, by improving its IT and communication infrastructure, digitizing their library and establishing 15 'smart classrooms.'

BUSINESS PROCESSING OUTSOURCING

The PAJ continues to be a strong support agency for the GOJ's economic programmes and this is demonstrated by the alignment of its key strategic initiatives with the GOJ's Growth Agenda, with primary focus on job creation.

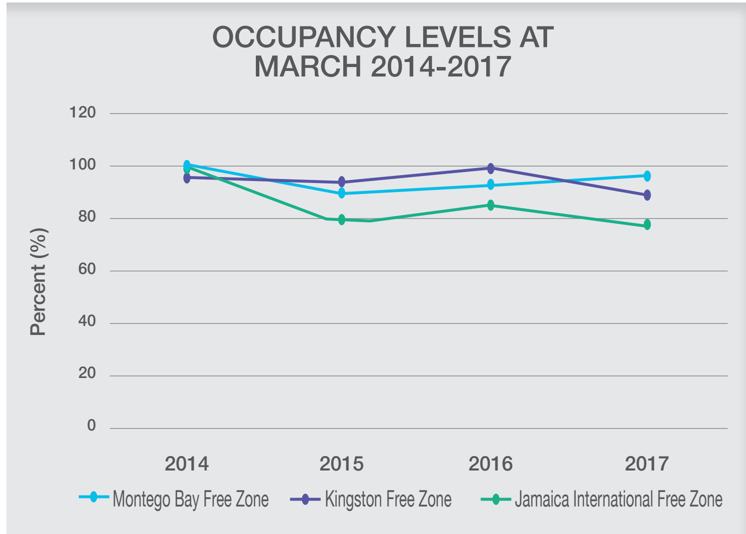

Artist impression of Portmore Informatic Park

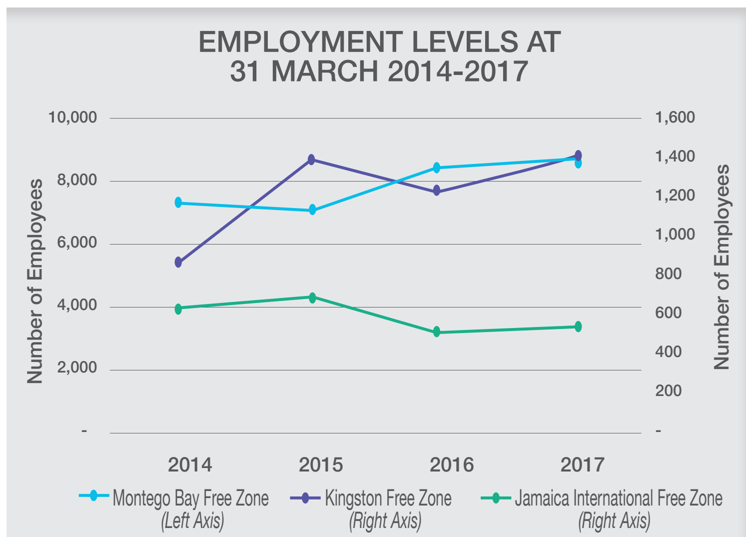
Construction began in February 2017 for a 150,000 sq. ft. building in Portmore. The facility is designed to be a mini campus providing all-inclusive service amenities and will create 4,000 new jobs.

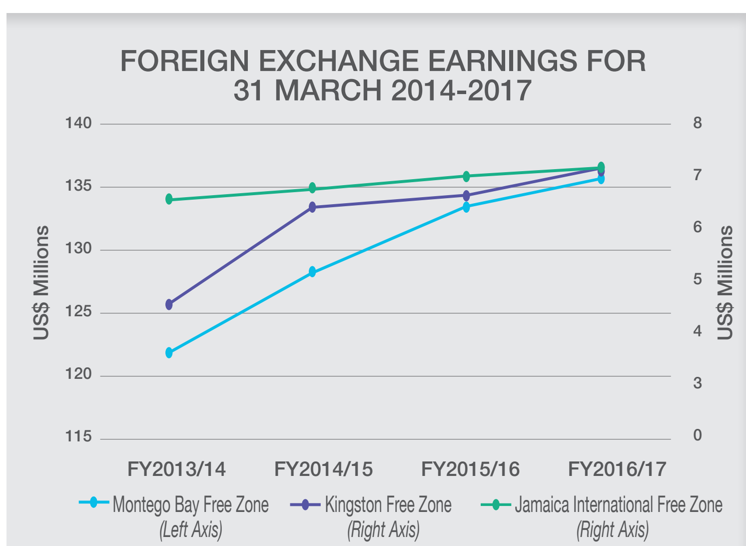

Groundbreaking Ceremony at MBFZ

Prof. Gordon Shirley, Attorney General and MP, Marlene Malahoo Forte, PM Andrew Holness, Minister without Portfolio in the Ministry of Economic Growth and Job Creation, Hon. Dr. Horace Chang, and Mayor of Montego Bay, Councillor Glendon Harris. In August 2016 the PAJ began construction of a 63,000 sq. ft. BPO facility in MBFZ which is expected to add 2,000 new jobs.

BUSINESS PROCESS OUTSOURCING ACTIVITIES

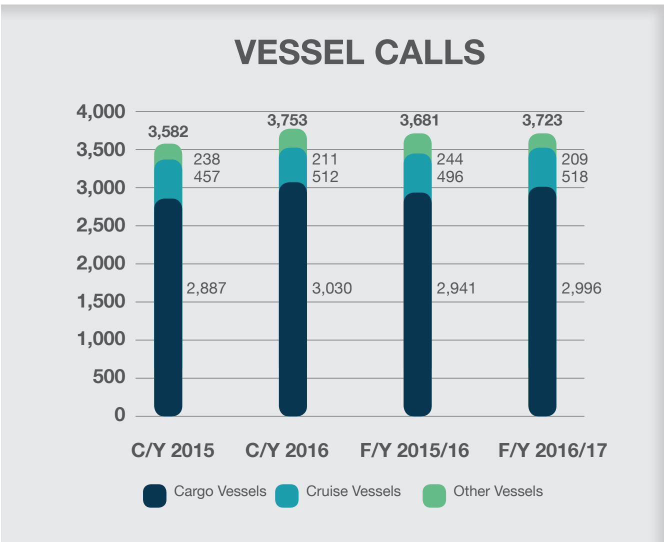


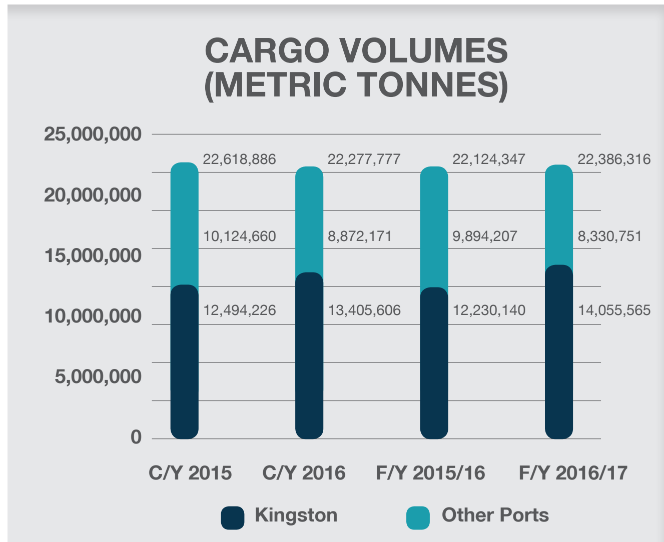


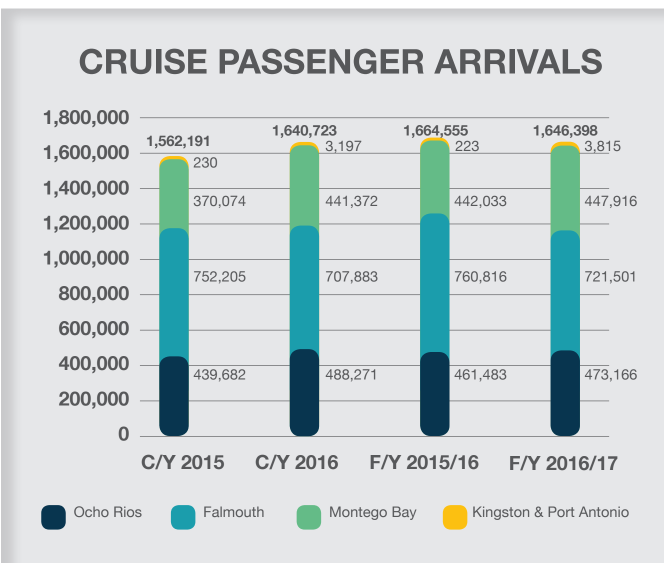


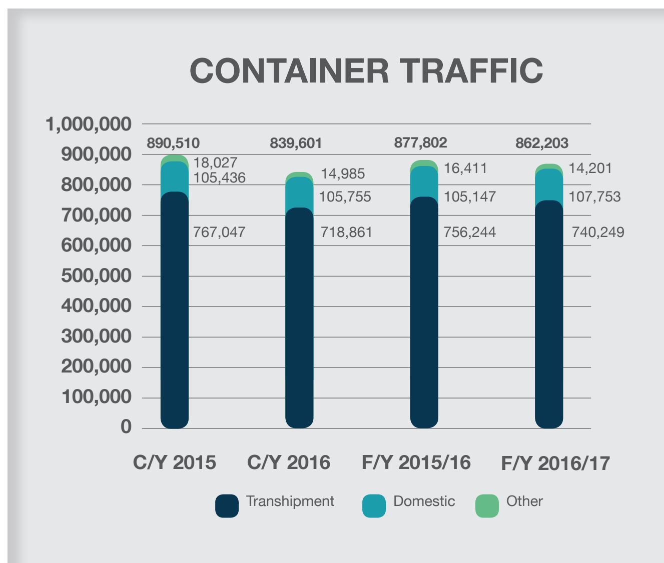
Port Statistics

The information below highlights activities for cruise and cargo ports in Jamaica. Currently 3 public cargo ports, 4 cruise ports and 16 private wharfs.









RECORD DAY 8 SHIPS

On March 1, 2017 history was created when a total of 8 ships docked at 3 cruise ship ports, Montego Bay (3), Falmouth (2), and Ocho Rios (3), carrying a total of 17,000 passengers and crew.

The PAJ will continue to expand the cruise facilities and improve operating capacity. It will also collaborate with key stakeholders on ways to improve the visitor experience and enhance the aesthetics of the facilities.

Construction of Ocho Rios FISHING VILLAGE

Professor Gordon Shirley
President & CEO

Dr. Horace Chang,
Minister without Portfolio, MEGJC

In September 2016, the PAJ commenced construction of Ocho Rios Fishing Village. Practical completion of phase 1 was achieved. This includes construction of 18 shops and supporting facilities, restaurants, gift shops, a bar and grill. Phase 2 will commence in the first quarter of 2017/18 and will include 2 large restaurants, an entertainment centre, beach reclamation and other infrastructure works.

BUSINESS **HIGHLIGHTS**


March 1 - Record Ship Day
8 Ships, 3 Ports of call

PAJ Employees

at Work


at Play


'Porting LNG'

KCT Privatization Wins IJ Global ‘Port Deal of The Year’ Award


Harbours Services upgrades lighthouse


‘Breaking Ground’ - Construction starts for new BPO Facilities at Portmore Informatics Park

Sharing the vision for the new Portmore Informatics Park


Cruise Ship Terminal in Montego Bay completes upgrades


Dredging Works in Progress at the Port of Kingston - Expansion Works in preparation for the Panamax Era

BOARD OF **DIRECTORS**

Front: Ambassador Dr. Nigel Clarke, Chairman
From L-R: Mr. Lyttleton Shirley, Mr. Alston Douglas, Major (Ret'd) Richard Reese, Mr. Jerome Smalling,
Professor Gordon Shirley, Dr. Janine Dawkins, Mr. Mark Hart, Mr. Edward Gabbidon, Mr. Adam Stewart

BOARD OF **DIRECTORS**

The Board of Directors is responsible for guiding the strategic and policy framework of the PAJ and its subsidiaries. It supports management in the effective execution of the objectives, by ensuring high governance standards are maintained, enhancing stakeholder value and developing human capital. Policy and strategy are executed in a manner consistent with GOJ guidelines and in a fiscally responsible manner, ensuring the long term financial viability of the PAJ.

Ambassador Dr. Nigel Clarke, Chairman

Chief Position: Deputy Chairman & COO, Musson Group. Appointed Chairman of the PAJ on June 2016. An Ambassador-at-Large for Economic Affairs, he has expert knowledge of finance and economics and has worked with bilateral, multilateral and international partners in the growth and development of Jamaica's investment and trade portfolios. He is also the Chairman of the National Housing Trust and the Deputy Chairman of the Economic Growth Council (GOJ). He is a Rhodes Scholar who holds a PhD in Mathematics and an MSc in Applied Statistics from Oxford University. He is Chairman and co founder of the National Youth Orchestra of Jamaica and co founder and host of Tedx Jamaica, both public education non profit organizations.

Professor Gordon Shirley, OJ

Chief Position: President & CEO, PAJ. Served as Chairman of the PAJ's Board of Directors from November 2013 to April 2016. Formerly Pro Vice Chancellor and Principal of the University of the West Indies (UWI) from August 2007 to August 2013 and previously served as Executive Chairman of the Jamaica Public Service Company Limited. In 2001, he was seconded to the Government of Jamaica as Jamaica's Ambassador to the USA and Permanent Representative to the OAS. A graduate of the UWI, St. Augustine with a BSc in Engineering, he also holds a MBA in Operations and Finance and Doctorate in Business Administration from Harvard University.

Dr. Janine Dawkins

Chief Position: Chief Technical Director, Ministry of Transport & Mining.

Dr. Dawkins has served on consecutive PAJ Boards with her most recent appointment in April 2016. She has been employed in the Jamaican Government service since 1990, holding key positions which span all modes of transport: land, air and sea as well as the mining portfolio. She provides technical and policy advice on various aspects of planning and operations. She is a transportation professional, who has wide ranging experience in transportation engineering, policy and legislation. She holds a PhD in Civil Engineering with a major in Traffic Operations, and a minor in City Planning; a BSc in Civil Engineering from the UWI St. Augustine, and an MSc in Civil Engineering from the Georgia Institute of Technology. She also holds a LLB from the University of London.

Mr. Alston Douglas

Appointed in June 2016. He brings to the job years of experience serving in various executive management positions. Although he is a retired industrial engineer he aslo serves as a director on other private and public companies' Boards in the transportation and construction sector as well as the Jamaica Bauxite Institute.

Mr. Edward Gabbidon

Chief Position: CEO, Syncon Technologies Limited. Appointed in June 2016. He has many years of corporate experience in the public and private sector working in the banking, energy and ICT (Information and Communications Technology) industries. He is passionate about capacity development and training and currently serves as the chairman of Heart Trust/ NTA. He spent a considerable amount of his professional career in the ICT sector serving in various executive positions including General Manager at Jamaica Digiport and Vice President, Corporate and SME Sales at LIME. He has a diploma in Project Management Practices and Principles from the University of New Orleans and a EMBA from the University of the West Indies, Mona. Mr Gabbidon is also a FAA certified commercial Pilot.

Mr. Mark Hart

Chief Position: Executive Chairman of Caribbean Producers Jamaica Limited. Appointed in June 2016. He brings to the position years of experience in the private and public sector. He is currently Chairman of Cargo Handlers Limited and Montego Bay Ice, both listed companies. He serves as Chairman and Board Member of many leading private and public entities including airports, financial institutions, insurance companies as well as many charitable organisations. Mr Hart is a graduate of the University of Miami where he gained a Bachelor's degree in History and Motion Picture Film, and pursued executive training in Accounting and Planning at the Columbia University of New York.

Major (Ret'd) Richard Reese

Chief Position: Commissioner of Customs. Appointed in June 2016. Major Richard Reese has extensive experience in diverse areas of emergency management, logistics, finance, intelligence and asset protection. He has devoted a lifetime to security management serving Jamaica in positions such as Permanent Secretary, Ministry of National Security; Secretary to the Defense Board and Commissioner of Customs. He holds an Executive Masters of Business Administration (EMBA) Degree from Andreas School of Business at Barry University, Florida. He is also a Certified Port Facility Security Officer (PFSO). He retired from the PAJ Board January, 2017.

Mr. Lyttleton Shirley

Appointed in June 2016. He has served in senior capacities in many private and public enterprises, spanning various industries including the auto industry, chemical manufacturing, international trade and tourism. With his background in Chemical Engineering and a fervent concern for public health, Lyttleton was the Chairman of the South East Regional Health Authority (SERHA) for over eight years. He also served on the Management Board for the University Hospital of the West Indies and on the Pest Control Authority Board. In 2016 he was appointed as the Chairman of the Factories Corporation of Jamaica Limited, and sits as a Government appointed Board Member on other vital management boards and committees.

Mr. Jerome Smalling

Chief Position: CEO, JMMB Merchant Bank. Appointed in June 2016. Boasting an esteemed 24-year career in banking, his experience includes tenures as Branch Manager at Scotiabank Jamaica, Vice President, Personal Banking at RBC Caribbean and Manager, Branch Sales Strategy Initiatives, Royal Bank's National Office, Toronto Canada. As a business and sales leadership coach, he uses his business development skills to grow assets and profitability, while driving customer value at the financial institutions at which he was based. He holds an MBA and a Bachelor's degree in Business and Professional Management from the H. Wayne Huizenga Business School, Nova South-Eastern University and completed executive training at The University of Pennsylvania's Wharton Business School.

Mr. Adam Stewart

Chief Position: CEO and Deputy Chairman, Sandals Resorts International, the ATL Group & Island Routes Caribbean Adventures. Appointed to the PAJ Board in June 2016. A graduate of Florida International University's acclaimed Hospitality Management Programme in Miami. He is Deputy Chairman and CEO of Sandals Resorts International, the world's leading resort company, and The ATL Group, Jamaica's distributors which recently expanded to region-wide operations. In 2009, Stewart founded the Sandals Foundation, with fulfilling the promise of the Caribbean community by improving lives and preserving the natural surroundings, through investments in sustainable regional projects in education, community, and the environment.

CHAIRMAN'S REPORT

> " KFTL will Finance, Expand, Operate, Maintain and Transfer the terminal to PAJ at the end of the Concession period."

Dear Stakeholders,

The financial year ended March 31, 2017 reflected a strong financial performance and the accomplishment of important strategic milestones for the PAJ and its subsidiaries. The privatisation of the Kingston Container Terminal (KCT) and the transfer of operations on July 1, 2016 to the Concessionaire, Kingston Freeport Terminal Limited (KFTL) is particularly significant. Under a 30 year Concession Agreement (CA), KFTL will finance, expand, operate, maintain and transfer the terminal to PAJ at the end of the Concession period.

The achievement of this strategic goal is an important step in transforming our operations and is aligned to the GOJ's policy which promotes Public Private Partnership (PPP) for infrastructure development, economic growth, job creation and debt reduction. Consistent with the development schedule in the Concession Agreement, KFTL commenced phase one which is estimated to cost US$459M. This will include dredging of the main ship channel, procurement of container handling equipment, paving of the container yard and new ICT systems.

The privatisation of KCT enables the PAJ to focus more on its regulatory role, transform the services in the maritime industry to best-in-class, enhances its competitive advantage and position Jamaica's maritime sector for increased business. The PAJ will also implement its 5-year strategic plan, to transition the organisation to a more efficient and commercially oriented operation. Notwithstanding, the Authority's post-privatisation business model will continue to be mainly driven by cargo, cruise shipping, marine, port services, logistics and BPO. The model has a sharp focus on asset management and operational efficiency, to ensure sustainable business and profitability.

The group consolidated profit of $5.8 billion before taxation, increased by $2.4 billion (70%) on March 31, 2016 and $2.04 billion (53%) above the 2016/2017 budget. The increased performance was influenced by realised net gain on the sale of KCT operating equipment and spare parts to KFTL as agreed in the CA, and unrealised gains on the revaluation of investment properties.

In support of the GOJ's objective to develop Jamaica's BPO industry, with focus on job creation, the PAJ commenced the construction of 213,000 sq. ft. of new BPO spaces: 63,000 sq. ft. at MBFZ, and 150,000 sq. ft. at Portmore Informatics Parks (PIP). Work began at MBFZ in August 2016 and is expected to be completed in the second quarter of 2017/18. PIP commenced in February 2017 and is scheduled for completion in December 2018. It is anticipated that approximately 6,000 new jobs will be created.

The PAJ's businesses are susceptible to global economic and political risks. In this regard, the PAJ will strengthen its risk management and governance policies, while it seeks to capitalize on growth opportunities, through investments in infrastructure and equipment. Major investments will be undertaken in the next two years in all business segments to support market retention, growth, and new business.

Looking ahead, strong focus will be on the GOJ economic agenda of infrastructural development and job creation. In addition to improving operational and financial performance, a critical element will be investments in technology to foster a seamless digital transformation of business processes. The organization will continue to engage and develop staff to improve performance and create value for its stakeholders.

I take this opportunity to thank my fellow board members for their support, Professor Gordon Shirley, our President and CEO, his executive team and staff for their commitment in executing the PAJ's vision and objectives.

As a leader of Jamaica's maritime sector, we share in the collective responsibility to realize strategies that support its improvement and success. Many thanks to our industry players and partners for their continued support. The PAJ has demonstrated its commitment to value creation for our stakeholders.

We look forward to the new year to maximize opportunities and deliver growth.

Chairman
Amb. Dr. Nigel Clarke

PRESIDENT & CEO'S STATEMENT

" Privatisation facilitated the financing of capital works to expand and modernise the Port of Kingston"

This year etched a significant mark on the Port Authority's journey, as it achieved many milestones. Chiefly, the finalisation of the privatisation of the Kingston Container Terminal (KCT) to Concessionaire Kingston Freeport Terminal Limited (KFTL), a subsidiary of CMA CGM and Terminal Link. The privatisation arrangement will to a large degree, establish a new growth trajectory for the Authority's regulatory, commercial and developmental activities. This juncture signals a strategic turning point in the sustainability of our transhipment operations; one which supports the Government of Jamaica's growth agenda.

Privatisation facilitated the financing of capital works to expand and modernise the Port of Kingston, enabling it to accommodate the large new Post-Panamax vessels. It also fits aptly in the GOJ's comprehensive agenda which gives sharp focus to ensuring macroeconomic stability and debt reduction. The completion of the privatisation allowed the Authority to transition to more efficient and commercially oriented operations. The organization's transformation is focused on other key business segments and major capital investments to fulfil its mandate of job creation and economic growth. Accordingly, the organization sought to further align its operations with global standards and best practices. This includes strengthening its developmental and regulatory oversight functions. A conversion to digitized processes through technology enabled systems and analytics will improve efficiency and the security infrastructure which will mitigate risks and reduce breaches.

BPO is targeted for growth-oriented commercial developments and job creation. Current market conditions indicate untapped opportunities in the outsourcing market, particularly an accelerated growth in the knowledge processing segments. These conditions also show that companies continue to value nearshore locations. In response to this rising demand, the PAJ commenced construction on a new 63,000 sq. ft. BPO space at the MBFZ and a 150,000 sq. ft. expansion of the campus at the Portmore Informatics Park. In addition to the attraction of foreign direct investment, these developments are anticipated to provide new employment opportunities. Several business opportunities were explored to position near-port lands as suitable investment for logistics operations. The Port Community System continues to progress towards creating a new technology driven platform for improving the efficiency of trade and other related transactions at all ports. It is anticipated to be completed in 2018.

The implementation of the PAJ's master plan for the Port of Montego Bay corresponds with the GOJ's thrust to stimulate greater asset utilization which the organization will achieve through port expansion and modernization. These improvement works will ensure the port adequately meets the increasing needs of cargo operations and cruise shipping, including homeporting. Leasing lands at the port enabled the Authority to facilitate importation and processing of LNG, which allowed the Authority to support the national objective of energy diversification. The provision of additional berths in Montego Bay will support growth in liquid bulk fuel as well as in containerised cargo.

We have maintained our regional market share in cruise shipping and strengthened our cruise brand. In December 2016, Jamaica received the award for World's Leading Cruise Destination. Additionally, the MS Monarch berthed in Kingston with 2,433 passengers, on a historic visit as the largest cruise vessel to call at Kingston. This significantly raised the profile of our capital city as a strong potential cruise destination. The Authority initiated development works at the Historic Falmouth Port as well as the Reynolds Pier in Ocho Rios. The improvement and expansion in the infrastructure is expected to better meet the growing demands of the cruise sector by accommodating larger vessels and berthing multiple ships simultaneously. The new Fishing Village development in Ocho Rios, as well as the Streetscape Project and other rehabilitative works in the town of Falmouth are aimed at improving the cruise passenger experience.

We continue to adopt and pursue employee engagement strategies to attract and retain the best talent. Our human resources strategies are heavily hinged on development and training in targeted areas that support the organization's objectives as well as the personal needs of employees.

Given the strong indicators of change in the markets in which we operate, the need for organisational learning, to strengthen industry networks, remains a critical area of focus.

I wish to express my sincere thanks and gratitude for the continued support from our portfolio minister, PM Andrew Holness and Dr. Horace Chang, Minister without Portfolio, MEGJC and their teams and the Ministries and Agencies which continue to respond to the PAJ's needs. Many thanks to the Board of Directors for their unwavering support and thank you to the management and staff who have become keenly engaged in actualising their performance goals throughout the year.

Professor Gordon Shirley, OJ
President & Chief Executive Officer

WE ARE THE World's Best!

Caribbean's Leading Home Port – Port of Montego Bay

Caribbean's Leading Cruise Destination – Jamaica

Caribbean's Leading Cruise Port – Port of Ocho Rios

KCT PRIVATISATION RECOGNIZED AS **NORTH AMERICAN PORT DEAL OF THE YEAR**

Infrastructure Journal and Project Finance Global Awards 2016 trophy received by the Kingston Conternal Terminal.

‘PORT DEAL OF THE YEAR’

Representatives from CMA CGM and the Port Authority of Jamaica accepting the ‘Port Deal of the Year Award’ at IJ Global Awards 2017

Aerial view of the Kingston Container Terminal

The Privatisation of the Kingston Container Terminal (KCT) was recognized in 2017 by IJ Global at its Annual Awards function which rewards excellence in achievement, innovation in finance, energy and infrastructure finance. The KCT Privatisation Project was awarded the ‘**North American Port Deal of the Year’** and was also a finalist in the ‘Legal Advisor of the Year Award’ category. The Privatisation of KCT was effective July 1, 2016 which granted operational and management responsibility to Kingston Freeport Terminal Limited, a subsidiary of CMA CGM, under a 30-year concession agreement.

IJ Global is a Project Finance and Infrastructure Journal which boasts the largest data base of projects in the global infrastructure market. It tracks projects throughout their life cycle and provides detailed information on financial structure, policy, pricing and key players influencing transactions and trends.

SENIOR EXECUTIVE TEAM

Prof. Gordon Shirley
President & Chief Executive Officer

Prof. Shirley served as Chairman of the PAJ's Board of Directors from November 2013 to April 2016. Formerly he served as Pro Vice Chancellor and Principal of the University of the West Indies (UWI) from August 2007 to August 2013. In 2001, he was seconded to the Government of Jamaica as Jamaica's Ambassador to the USA and Permanent Representative to the OAS. Prior to that he served as Executive Chairman at the Jamaica Public Service Company Limited.

Ms. Rosalie Donaldson
SVP, International Marketing & Client Services

Ms. Donaldson has specific oversight of the effective positioning of containerized cargo operations and provides support and leadership to the cruise shipping business segment. She holds a Bachelor of Science in Management Studies from the University of the West Indies and a Diploma in Marketing from the Chartered Institute of Marketing in London.

Mr. Mervis Edghill
SVP, Engineering & Port Development

Mervis Edghill is responsible for the planning and development required to fulfill the organization's objective in the implementation of all maritime and engineering projects undertaken by the PAJ. He is a graduate of the University of Manchester Institute of Science & Technology in the United Kingdom and the University of the West Indies with a Masters and Bachelor of Science in Engineering respectively. He is also a member of the Jamaica Institute of Engineers.

Dr. Carrol Pickersgill
SVP, Legal, Regulatory & Corporate Affairs

Dr. Carrol Pickersgill is responsible for providing the Authority and its subsidiaries with general advice and direction on all legal, regulatory and corporate secretarial matters. Her role also encompasses participation in negotiations in relation to financing contracts with international shipping lines. She has a Bachelor of Laws Degree from the UWI and also holds a Master of Science Degree in Maritime Administration from the World Maritime University in Sweden. She is a graduate of Nova Southern University with a Doctor of Business Administration in International Management.

Mrs. Elva Williams-Richards
SVP, Finance, Corporate Planning, Information Services & Materials Management

She has a wealth of senior management experience which spans both the public and private sectors. Her areas of expertise include among others, management and financial accounting, audit, operations management, strategic and corporate planning. She holds a Master of Business Administration from the University of Liverpool as well as several accounting designations including ACCA, CPA and CGA.

Mrs. Beverley Williamson
SVP, Business Management & Special Projects

Mrs. Williamson was responsible for managing all the Authority's diverse commercial investments located throughout the island except for the KCT. The PAJ Free Zones were also under her purview. She has a Master of Science in Accounting and a Bachelor of Science in Management Studies from the UWI and Executive MBA from Florida International University. She is a member of the Institute of Chartered Accountants of Jamaica. (Mrs. Williamson retired in September 2016).

DIRECTORS & SENIOR MANAGEMENT CORPORATE DATA

DIRECTORS

Ambassador Dr. Nigel Clarke,
Chairman

Prof. the Hon. Gordon Shirley, OJ
Jerome Smalling
Mark Hart
Dr. Janine Dawkins
Lyttleton Shirley, CD
Alston Douglas, OD
Edward Gabbidon
Major (Ret'd) Richard Reese
Adam Stewart, CD

AUDITORS

Ernst & Young Chartered Accountants

CORPORATE SECRETARY

Dr. Carrol Pickersgill, OD, JP
15 -17 Duke Street, Kingston

REGISTERED OFFICE

15 -17 Duke Street, Kingston
Tel: 876-922-0290-8
Fax: 876-924-9437
Email: paj@portjam.com
Website: www.portjam.com

CORPORATE HEAD OFFICE SENIOR MANAGEMENT

Professor Gordon Shirley
President & Chief Executive Officer

Rosalie Donaldson
SVP, International Marketing & Client Services

Elva Williams-Richards
SVP, Finance, Corporate Planning, Information Services and Materials Management

Dr. Carrol Pickersgill
SVP, Legal, Regulatory & Corporate Affairs

Mervis Edghill
SVP, Engineering & Port Development

Beverley Williamson
SVP, Business Mgmt. & Special Projects (Retired September 2016)

Belinda Ward
VP, Human Resource & Administration

Capt. Hopeton DeLisser
VP, Harbours & Port Services

Gary Lawrence
VP, Engineering

Wilburn Pottinger
VP, Information Systems

Ishmael Leon
VP, Finance & Accounting

Edmond Marsh
VP, Business Development

William Tatham
VP, Cruise Shipping & Marina Operations

Capt. Sydney Innis
VP, Security

Flora Garth
VP, Materials Management

David Powell
Chief Group Internal Auditor

Dr. Paul Robertson
Director, Government Relations

Dwain Powell
VP Port Community Systems

Candice Banjoko
AVP, Management Accounting

Libya Andrade
AVP, Financial Accounting

Nadine Gordon
AVP, Subsidiaries

Sharnakae Stewart
AVP, Corporate Planning & Research
(Resigned December 2016)

Karla Huie
AVP, Business Operations

Ewart Henry
AVP, Business System & Support

Hortense Ross-Innerarity
Superintendent of Pilotage

Christopher Hamilton
Project Manager

Capt. Gimen Mendes
Port Captain

Errol Grant
AVP, Security

Keisha Holness-Feanny
AVP, Group Internal Audit

Kimberley Stiff
AVP, Marketing Communications

Francine Williams
AVP, Internal Audit - Risk & Compliance

Raquel Forbes
AVP, Legal Services

Merl Dundas
AVP, Compliance and Company Secretary, Subsidiaries

SUBSIDIARIES

KCT Services Limited

Kingston Free Zone Limited
Chairman: Mr. Lyttleton Shirley

Operations and Customer Relations Manager: Beverley Lee

Ports Management and Security Limited
Chairman: Alston Douglas

Chief Operating Officer:
Capt. Sydney Innis

Montego Bay Free Zone Limited
Chairman: Mark Hart

Manager: Gloria Henry, AVP Operations

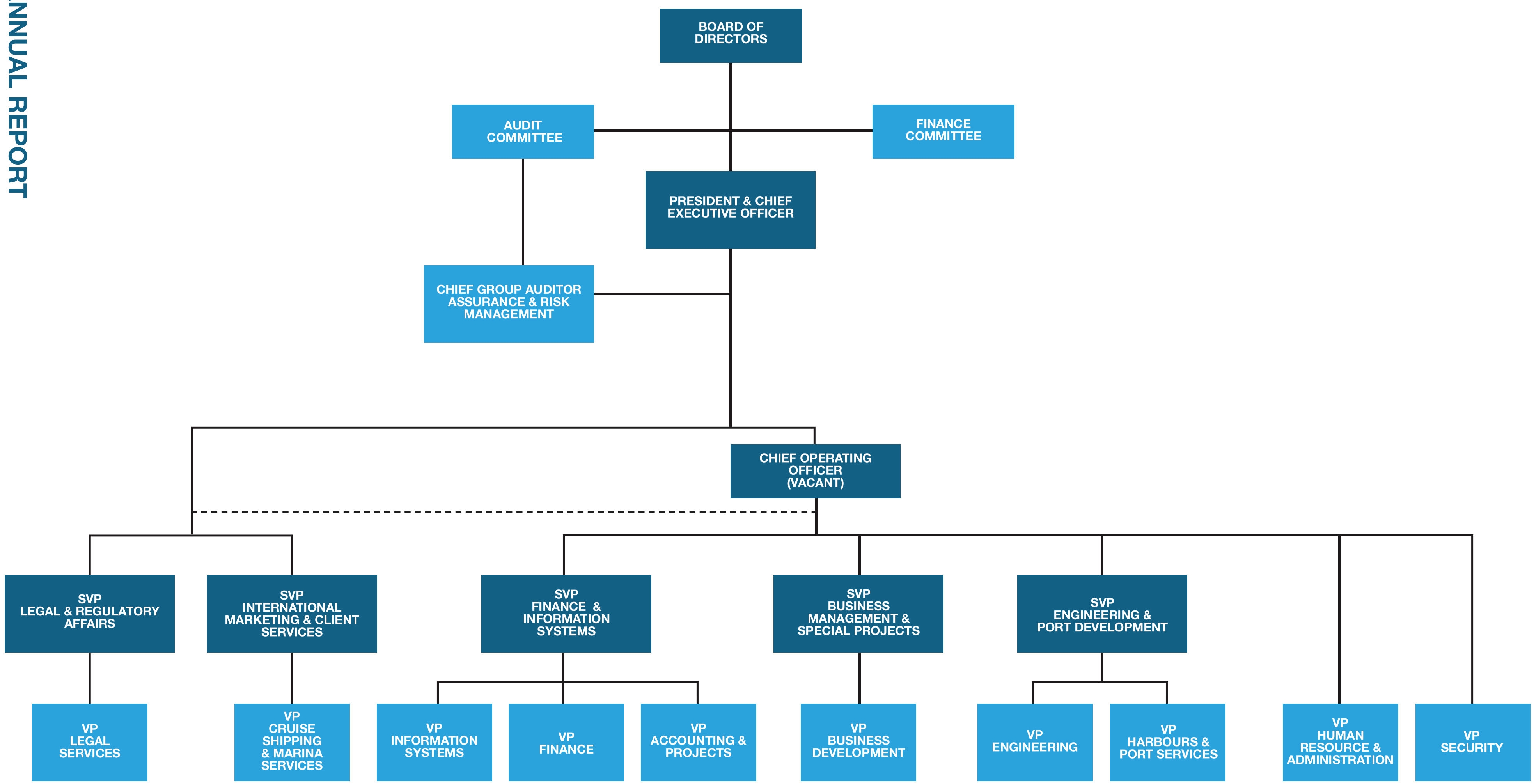
Jamaica International Free Zone Development Limited
Chairman: Mr. Lyttleton Shirley

Operations and Customer Relations Manager: Beverley Lee

Port Authority Management Services
Chairman: Mr. Edward Gabbidon

Administrative and Technical Services Manager: Laurel Robinson

THE PORT AUTHORITY OF JAMAICA
EXECUTIVE LEVEL ORGANISATIONAL STRUCTURE



CORPORATE GOVERNANCE

ROLE OF THE BOARD OF DIRECTORS

The Board provides guidance and oversight on policy and strategy direction in all business operations and safeguards the Authority's sustained growth and development. In addition, the Board ensures the highest standard of governance is maintained in the discharge of its responsibilities, whilst meeting the interests of its stakeholders in the Maritime sector. In its advisory role, the Board provides strategic guidance and oversight of management.

The Authority executes a range of functions that includes the regulation, development and marketing of seaports facilities and is also the designated authority for port security, ensuring the safety and security of vessels using the ports.

The Board of Directors:

- Administers Corporate Governance
- Executes policies consistent with GOJ framework and the PAJ Act
- Ensures the efficient and effective management of the Authority and its resources
- Advises the Ministry on matters of general policy relating to the management of the Authority and the development of the Jamaica's Maritime Sector

COMPOSITION OF THE BOARD

During the period under review, the Authority benefitted from the stewardship of a Board of directors comprised of 10 members, with competencies in finance, engineering and infrastructure as well as private and public sector experience in maritime transportation, cargo and cruise shipping and related industries.

BOARD COMMITTEES

The Board assigns responsibilities to Board Committees to provide direction on specific strategic initiatives and to effectively execute and strengthen its governance function. Each Committee is guided by a Terms of Reference which outlines its roles and duties. The foremost is to review and monitor policies, with the guidance and ratification of the Board of Directors. The Board acts on the recommendations of the Committees following their review and advice on proposals submitted by PAJ's Management. The Committees enhance the decision-making process of the Authority to facilitate the efficient flow of information to implement policies agreed upon by the Board and Management. The Committees are supported by Senior Management from cross functional areas.

PROJECTS COMMITTEE

Board Members currently on the Projects Committee are Mr. Lytleton Shirley (Chairman), Mr. Adam Stewart and Mr. Edward Gabiddon (Member). The Projects Committee monitors the execution of major development projects of the PAJ and its subsidiaries. Its specific roles are outlined below:

- Monitors the implementation of projects
- Reviews project proposals and makes recommendations to the Board on their implementation
- Monitors the in-house procedural framework related to the implementation of contracts and makes recommendations to facilitate speedier and more efficient implementation
- Reviews development projects which are of a commercial nature, as part of the Authority's efforts to diversify its revenue base
- Makes recommendations with a view to enhance the operations and performance of the Engineering & Port development department and the Port Authority in general

FINANCE COMMITTEE

The Members on the Finance Committee are Mr. Jerome Smalling (Chairman), Mr. Mark Hart (Member) and Roxann Linton (External Member). The Finance Committee performs an advisory role in the Authority's financial operations including:

- Making recommendations to the Board on matters of finance and accounting in general
- Highlighting any perceived weaknesses in the accounting and financial system, with suitable recommendations to strengthen the system
- Reviewing management proposals and making recommendations to the Board on financial management policies and strategies

PILOTAGE COMMITTEE

The Pilotage Committee is chaired by Dr. Janine Dawkins and supported by key members of the PAJ staff and Pilots Association.

The functions of the Pilotage Committee are to:

- Review any other areas relating to the provision of Pilotage services which are considered critical to the provision of an efficient marine service
- Evaluate the administration of the Pilotage service in relation to recruitment, training certification, system of remuneration and dispatching procedures with a view to making recommendations on improvements to enhance operations
- Examine the disciplinary procedures as established in the Pilotage Act and makes recommendations on changes, if any, that are required to harmonize with conventional industrial relations practices
- Examine reports of incidents/accidents involving vessels under the Pilotage charge and advises if an enquiry should be scheduled in accordance with the Pilotage Act

AUDIT COMMITTEE

The Audit Committee is chaired by Donald Patterson.

The role of the Audit Committee includes advising the Board on:

- Practices and procedures which will improve operating processes, internal control and the extent to which the objectives of the Authority are being achieved
- The adequacy, efficiency and effectiveness of the accounting and internal controls and reviews internal audit reports
- Reviews the audited financial statements and recommends to the Board for approval

BOARD AND COMMITTEE MEETINGS:

During the period under review the Board of the Port Authority had five (5) regular monthly meetings. The Committees met monthly, responded to matters within their remit and advised the Board accordingly. Attendance frequency by Board Members to their respective committees are outlined below:

The new board was appointed in June 2016 and commenced meeting in November 2016. There were no special meetings or retreats. The Audit Committee meeting was held in February 2017, which was also attended by external members. **Major (Ret'd) Richard Reese retired on January 31, 2017.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS
April 2016 – March 2017

MEMBERS	BOARD MEETING	PILOTAGE COMMITTEE	PROJECTS COMMITTEE	AUDIT COMMITTEE	FINANCE COMMITTEE
Ambassador Nigel Clarke	5				
Gordon Shirley	5				
Jerome Smalling	4				4
Lyttleton Shirley	5		3		
Edward Gabbidon	5		4		
Mark Hart	5				4
Alston Douglas	5				
Adam Stewart	2				
Janine Dawkins	5	3			
Major (Ret'd) Richard Reese**	3				

THE PAJ'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) at the Port Authority of Jamaica (PAJ) is driven by the organization's strategic focus on making a meaningful impact on the communities in which we live, operate and engage stakeholders. The multi-faceted nature of our business provides a unique opportunity for the PAJ to make a positive social, environmental and economic impact. As the chief maritime agency of the Government of Jamaica (GOJ), charged with promoting economic growth and job creation, our CSR initiatives are inspired by the organization's desire to deliver value to our internal and external stakeholders, rather than merely contributing to a cause. Our CSR value delivery strategy is inextricably linked to our strategic business imperatives which prioritizes: Economic Growth & Development; Employee Benefits & Talent Development; Customer Focus & Satisfaction; Environmental Awareness, Community Investment and Stakeholder Engagement.

MANAGEMENT
DISCUSSION & ANALYSIS

The Management Discussion and Analysis highlights important developments and achievements of key objectives which underlines the operational and financial performance of the Authority for the year. In addition, it provides an outlook on the strategic direction and alignment with the GOJ's mandate.

REGULATORY SERVICES & PORT DEVELOPMENT

Looking beyond the privatisation of the Kingston Container Terminal (KCT), the Authority extended its strategic focus by seeking to increase operational capacity and efficiency to meet growing demand in other segments, such as Cruise, BPO and Marine Services. Accordingly, it commenced the implementation of the Master Plan for the Port of Montego Bay and a series of key infrastructural investments targeting the cruise and cargo segments.

A forecast of modest growth in global containerized cargo and the completion of works to expand the Panama Canal increased the demand for more efficient tug and pilotage services. This catalyzed the urgency for new long-term solutions for the provision of these services and in this regard a retooling effort commenced. The Authority continued to develop its port security architecture to strengthen compliance with the International Ship and Port Facility Security (ISPS)/ International Maritime Organization (IMO) regulations.

CARGO OPERATIONS

KINGSTON CONTAINER TERMINAL (KCT)

The privatisation of KCT supports the GOJ's fiscal and Public Private Partnership (PPP) policy to achieve debt reduction. The privatisation will develop the port in line with global standards and will create a more efficient and competitive maritime sector. This aligns with the GOJ's growth agenda for infrastructural development in the maritime and transport sector, with private investment. The hand-over of the KCT to Kingston Freeport Terminal Limited (KFTL) on July 1, 2016, signalled a strategic turning point in the PAJ efforts to utilize PPPs, as a way to mobilize investments in key infrastructure and to diversify risks. The hand-over included the sale of all port equipment and inventory, as well as the lease of the facilities and related infrastructure. The approximately 850 employees who were made redundant by PAJ, were re-employed by the new operator KFTL.

The first phase of the capital works to develop the terminal commenced in January 2017 and is estimated to cost US$456M. This will include dredging the navigational channel, extending the berth, acquisition of new equipment and paving of the container yard. The dredging is on course for completion in 2017, and will be able to accommodate vessels requiring up to 15.5 metres draft.

THE PORT OF MONTEGO BAY

The Port of Montego Bay is a multi-purpose port utilised for cargo operations and cruise shipping. Cargo operations comprise liquified natural gas (LNG), other fuels, bulk commodities and containerized cargo. The port also facilitates the provision of homeporting activities by several smaller cruise lines. The increased demand for berthing facilities fast tracked the implementation of the PAJ's master plan for the port, which is aligned to the GOJ's thrust for greater asset utilization. Total capital costs for development is estimated at US$25M. This investment has enabled the upgrade of Berth 2 as a dedicated cruise berth and the development of two new berths dedicated to bulk fuel and other types of cargo. The former includes Liquified Natural Gas (LNG) offloaded by New Fortress Energy Company Limited (NFE) for storage and processing in its newly constructed LNG plant. This facility, located on portside lands is leased to NFE for an initial term of 22 years. NFE is contracted to supply LNG to the Jamaica Public Service Company Limited.

CRUISE PORT DEVELOPMENT

The global cruise market is projected to increase from 25.3M passengers in 2016 to 29M in 2019 according to cruisemarketwatch.com (2017). During the year, the PAJ continued to invest in cruise infrastructure, improve operational efficiency and aesthetic enhancements at the port facilities. These initiatives are geared towards market share retention and growth as well as improvement in service to passengers.

While the Caribbean remains the most important cruise region, Jamaica has consistently ranked as a high-volume destination in terms of passenger arrivals. Against this background, the Authority's programme of capital investment totalling US$25M will enable the organization to improve the infrastructure and better position the port to meet the demands of cruise passengers.

The following are the key development projects to be undertaken in the next 12-18 months:

OCHO RIOS	
Reynolds Pier	This pier is being redeveloped to accommodate two Freedom Class vessels simultaneously.
Fishing Village	Designed as a port-side attraction and for cruise visitors. This project includes the construction of shops and restaurants as well as beach reclamation and nourishment.
FALMOUTH	
Hampden Wharf	A designated area for on-port attractions which comprises commercial and entertainment facilities, including an artisan craft village and the restoration of Tharpe House.
Dredging East Berth	A statutory obligation of the PAJ is to accommodate the larger Genesis Class vessels which will be an upgrade from our current capacity that accommodates Freedom Class vessels.
MONTEGO BAY	
Expansion of home-porting facilities	Rehabilitate and expand homeporting facilities, Berth 6, and the cruise passenger terminal building.

PORT SERVICES CAPITAL INVESTMENT

The expectation of larger cargo vessels and increased vessel traffic through Jamaica's waters as well as contractual obligations under the concession agreement, inspired a search for larger and more efficient tug and pilot boat services. Several options were explored including lease, direct purchase and outsourcing. However, in the interim, an 18 month lease has been negotiated for the tug service, while full outsourcing options are being examined as a medium to long-term solution. In this regard, a request for proposal (RFP) is being developed to engage an experienced and financially able entity to provide the services for tug and pilot boats. The approach being persued is by financing an operating arrangement, anchored by a service level agreement.

NEAR-PORT LOGISTICS DEVELOPMENT

In Kingston, West Terminal lands (198 acres) and in Montego Bay (12 acres) of near-port real estate, were earmarked for the construction of logistics parks. These are ideal opportunities to undertake transhipment operations and other commercial activities. This will provide a framework for the Authority's efforts to promote the investment potential of near-port logistics in several international and local investor forums.

The organisation continued to explore the logistics concept with several potential global players. In line with the GOJ strategic thrust towards Jamaica becoming a major logistics hub in the Caribbean, it is expected that sustained efforts will be made to make this initiative a reality in the near future. The idea is to attract private investors to participate in the development, management and operation of the facility.

PORT COMMUNITY SYSTEM

To facilitate international trade, the Port Authority embarked on the implementation of a Port Community System (PCS) - an electronic platform which automates, manages and optimizes the port and logistics business processes of public & private organisations within the island's seaport and airport communities. The PCS will be integrated with the Jamaica Customs Automated System for Customs Data (ASYCUDA) to enable a single submission of data for trade related transactions, import, export and transhipment. The PCS project was officially launched in January 2016 and later in June. The PAJ finalised an MOU with the Jamaica Customs Agency (JCA), designating the PCS an Authorized Customs System.

Implementation activities during the year were primarily focused on transhipment, which is one of three core modules to be realized during the two-year implementation programme, (the others being import and export). As part of the re-engineering of the logistics processes, a series of business activity reviews and training sessions were conducted with various stakeholders in Kingston, Montego Bay, Ocho Rios and Port Antonio. The transhipment model was implemented in the third quarter of 2016/17, and is being used by the shipping lines and agents to process transactions. Work has commenced on the import module and it is anticipated that the system will be fully implemented by the end of 2017/18.

PORT SECURITY & SAFETY

During the 2016/17 fiscal year, the organisation strengthened its regulatory role in port security, with continued enforcement and management of the International Ship and Port Security Code (ISPS). This role as the designated Authority, is set out under the Safety of Life at Sea (SOLAS) convention to which Jamaica is a signatory. A key objective was to redesign the current Integrated Port Security System (IPSS) to better enable technology-based monitoring of all seaports as well as all PAJ facilities as part of a new security architecture.

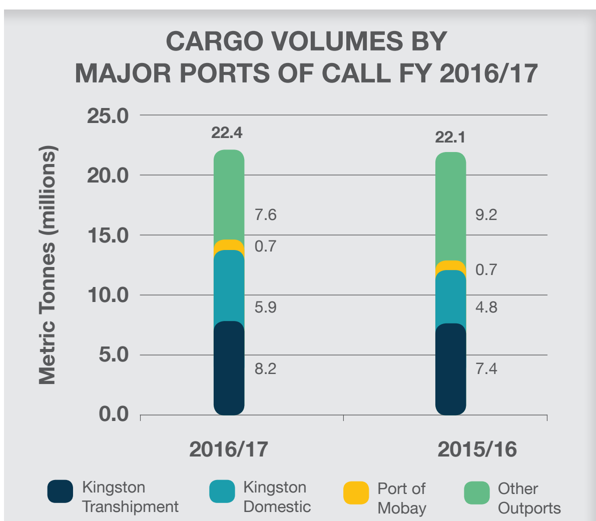
Accordingly, an international security consultant was engaged to review and make recommendations on the redesign of the IPSS. Engagement and collaboration with key stakeholders in the maritime industry is critical to the PAJ's effort to improve the effectiveness and efficiency of security and safety across the island port facilities.

BUSINESS SEGMENTS PERFORMANCE

Cargo

Although global economic growth was estimated to increase by 3.1% (World Economic Outlook, April 2017), it remained stable relative to the previous year. On the other hand, global trade declined sharply to 1.9% from 2.7% in 2015. This downturn was reflected in regional seaborne trade. Drewry, United Kingdom reported that annual westbound transatlantic volume grew by 2.5% during the 11 months ended November 2016 in comparison to growth of 8.4% and 6.4% respectively in 2014 and 2015. The throughput for containerised cargo for the ports in the Caribbean and Latin America fell by 0.9% according to data released by Economic Commission for Latin America and the Caribbean (ECLAC).

Transshipment volumes through KCT increased by 9.8% (0.7 million metric tonnes) compared to 8.2% in FY2015/16. Domestic cargo activity in Kingston and Montego Bay also grew by 22.9% and 5.4%, respectively. The modest recovery in transhipment volumes in part reflects a growth in CMA CGM's activity at the terminal, now managed by its subsidiary, KFTL. The 'hub effect' of the world's third largest shipping line became increasingly evident since the hand-over to KFTL on July 1, 2016.



Recovery in seaborne trade, ongoing adjustments in container shipping and financial risk, will likely continue to impact the performance of the terminals. Notwithstanding, the medium-term outlook remains positive. Transhipment and domestic throughput are expected to increase moderately in line with the forecast for improvement in global economic activity and trade. It is anticipated that volumes to Kingston will increase on completion of development works at the KCT and Kingston Wharves terminals.

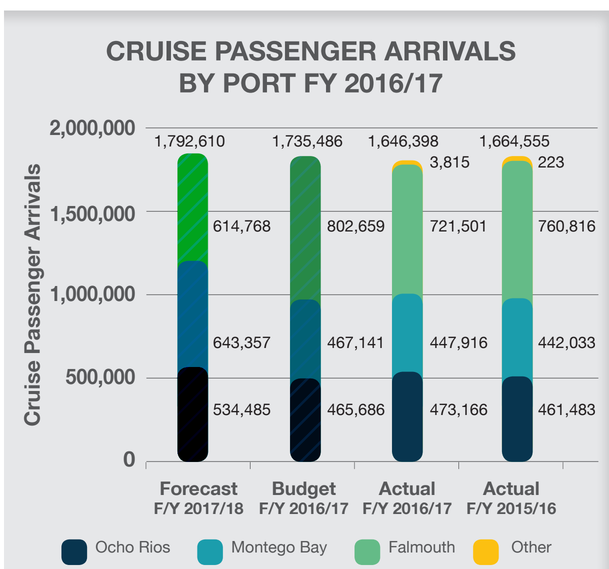
CRUISE & MARINA

Cruise passenger arrivals during FY2016/17 increased marginally by 0.9% (15,041), and represented the third consecutive year of growth since FY2013/14. This has been impacted by continued positive consumer response to on-going investments to enhance visitor experience as well as the dominance of the Caribbean as a region in the global cruise market. The Historic Port of Falmouth continued to be the island's most popular cruise port, with 721,501 visitors despite a decline in passenger arrivals of 5.2% (39,315) relative to the FY2015/16. This compares with the ports of Ocho Rios and Montego Bay which yielded increases of 3.3% (15,318) and 8.8% (39,038), respectively. In addition, one cruise ship – the MS Monarch, was received in Kingston in December, with passenger arrivals of 2,433.

The country experienced growth in arrivals of larger cruise vessels, including Royal Caribbean's Freedom of the Seas and Oasis of the Seas with capacities of approximtely 5,000 and 7,500 passengers and crew respectively. In addition, arrivals via smaller cruise lines grew by 22% or 78,600 passengers. On March 1, 2017, history was created when Jamaica's cruise ports and Marina accommodated eight cruise ships concurrently; contributing to record number of vessels visiting the island. The Ports of Montego Bay and Ocho Rios each hosted three ships, while the Historic Port of Falmouth accommodated two vessels. During the month, the Errol Flynn Marina, Port Antonio, also received four (4) boutique ships. Arrivals for the month of March was 233,801 which represented the highest ever monthly passenger output for the island.

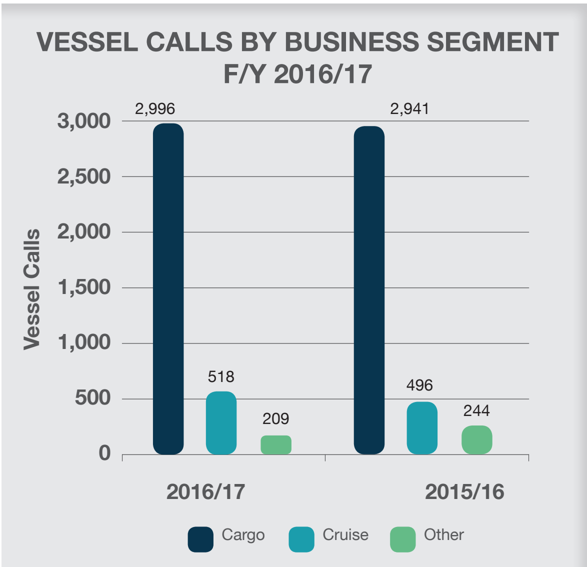
The MS Monarch, the largest cruise vessel to call at Kingston, raised the profile of the capital as a potential cruise destination. The vessel was hosted at Kingston Wharves Limited (KWL) carrying 2,700 passengers.

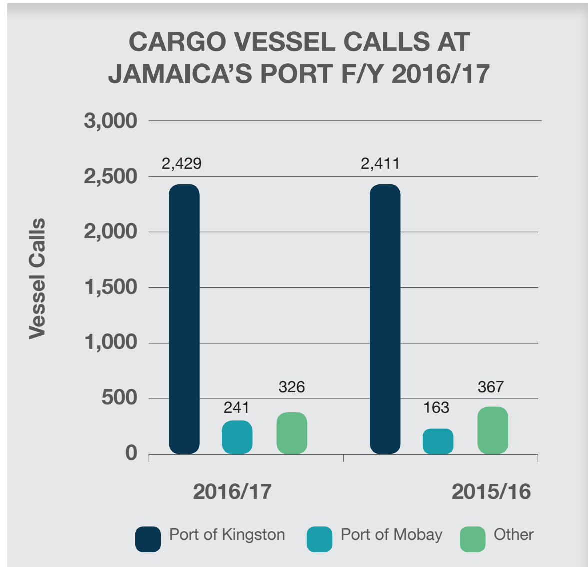
The itineraries of Carnival and Royal Caribbean, the world's largest cruise companies, continue to reflect the importance of Jamaica as a cruise destination. In December 2016, Jamaica was designated as the 'World's Leading Cruise Destination' at the World Travel Awards in 2017.

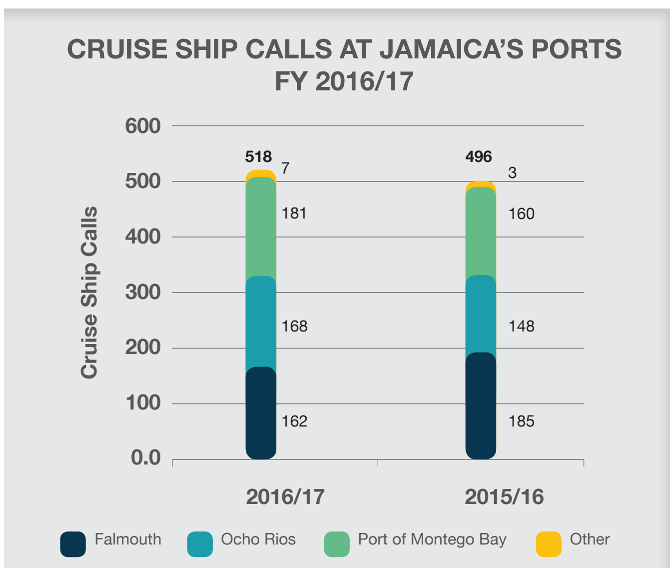


HARBOURS & PORT SERVICES

Vessel calls at Jamaica's ports increased by 1.4% during the year, reflecting an increase of 0.7% in cargo activity in Kingston. Cargo and cruise activity at the Port of Montego Bay increased by 48% and 21%, respectively. The growth in cruise vessel calls to the Port of Montego Bay also reflects the success of the Authority's homeporting strategy.







The Harbours and Port Services division executed a comprehensive programme of maintenance of berths as well as navigational aids, which included:

- Ensuring the availability of navigational aids in line with the standards set by the International Association of Lighthouse Authorities (IALA)
- LED upgrades of lighthouses and the installation of an automatic identification system (AIS) on selected navigational aids

The expectation of increased vessel traffic, and the transit of larger vessels also implied the need to undertake further dredging. An increase in the operating capacity of pilotage, tug boat and related services were also anticipated. In January 2017, the PAJ issued a tender for dredging services for all ports. Given the high capital costs, an outsourcing strategy was pursued that would allow greater flexibility in meeting the demand for pilotage and tug boat services.

Human capital development and technology are also critical to service responsiveness. During the year, training for pilots was undertaken at the Caribbean Maritime Institute in the Electronic Chart Display Information System (ECDIS) used in Maritime Pilotage, as well as in the Azipod Steering and Propulsion Systems. The Pilot Dispatch System (PDS) was upgraded to a web-based system which included additional features to improve the efficiency of the dispatching exercise and access by other stakeholders.

The buoy tender vessel MV Jamaica II assisting with the repair of the No. 7 navigational beacon at Falmouth

Falmouth Cruise Ship Terminal Project

BUSINESS PROCESS OUTSOURCING

The Authority's free zones continued to achieve increased foreign exchange earnings and employment. Strategic efforts at both the industry and national levels are being explored to capitalize new market opportunities.

The MBFZ, KFZ and the JIFZ provided facilities on demand to 74 clients throughout the year. Internal surveys provided favourable customer reviews of lease rates, state of facilities, people skills and business environment, which were in line with Jamaica's improved ranking in the 2016 A.T. Kearney Global Services Location Index (GSLI).

With the potential for significant growth in employment, ground was broken for the addition of 213,000 sq. ft. of purpose-built BPO space to meet increased demands. At the MBFZ, construction of 63,000 sq. ft. began in August 2016 and is expected to be completed in July 2017. The Portmore Informatics Park began construction in February 2017 with the addition of 150,000 sq. ft. of new space and is scheduled to be completed in December 2018. The combined space is expected to create over 6,000 new jobs.

FREE ZONE SPACE & OCCUPANCY LEVELS AT 31 MARCH 2017							
	AVAILABLE SPACE (IN SQ. FT.)					OCCUPANCY (IN %)	
Freezone companies	BPO	Other Office	Factory, Warehousing & Distribution	Paved Area	Total	31-Mar-17	31-Mar-16
Montego Bay Free Zone	352,966		249,000		601,966	97.5	94.9
Kingston Free Zone	50,000	9,000	295,000		354,000	90.2	100.0
Jamaica International Free Zone	48,340	20,451	34,801	346,352	449,944	77.8	86.7
Total	451,306	29,451	578,801	346,352	1,405,910	89.3	93.6

FREE ZONE EMPLOYMENT & FOREIGN EXCHANGE EARNINGS AT 31 MARCH 2017							
	LESSEES			EMPLOYMENT		FE EARNINGS (US$M)	
Freezone companies	ICT	Other	Total	31-Mar-17	31-Mar-16	FY2016-17	FY 2015-16
Montego Bay Free Zone	17	25	42	8,621	8,171	128.2	130.1
Kingston Free Zone	13	16	29	1,412	1,223	5.8	6.0
Jamaica International Free Zone	3	0	3	539	511	6.9	6.8
Total	33	41	74	10,572	9,905	140.9	142.9

ENTERPRISE STRATEGIES: INFORMATION TECHNOLOGY

Mobility, collaboration and visibility (utilizing world class systems and best practices) are the core themes which underpin the Authority's four-pillar strategic approach to information technology. During the year, several enterprise-wide initiatives were undertaken geared towards user empowerment and improved productivity.

The first strategic pillar involves upgrading the Authority's ICT infrastructure, central to which are network improvements. Contractual arrangements were completed to increase internet bandwidth and to develop a modern network design for hosting business applications. Cloud based solutions, outsourcing and partnership arrangements are being pursed in fulfilment of this objective.

The second strategic pillar involves the acquisition and implementation of business applications for human resource management and financial management. The asset and maintenance management systems are being upgraded to facilitate improvement in the management of the PAJ's assets. The focus of the third strategic pillar is the reorganisation of IT teams to support improvements in business systems. Project management methodologies were also strengthened to improve the management and implementation of the PAJ projects.

The fourth strategic pillar which is improving information visibility and sharing through collaborative tools, benefitted from the timely implementation of Office 365. Later phases entail the implementation of Business Intelligence and Analytics.

ORGANISATIONAL RESTRUCTURING AND STAFF ENGAGEMENT

The Authority commenced the reorganisation and restructuring of its corporate functions, to improve effeciency and productivity. Critical to the restructuring are the improved ICT enabled environments and the process of staff engagement and communication.

Consultant PriceWaterhouse Coopers was engaged to assist management in the process of the restructuring, supported by representatives of the Ministry of Finance & Public Service and MEGJC. The operating processes and policies are being reviewed and a new performance management system will be an outcome of the process.

The PAJ is committed to the continued improvement and development of its human capital. As such, training, through mentorship and exposure to international best practices via participation in various programs locally and overseas continued during the year. The PAJ has a diverse pool of talented and committed staff and strongly believes that with continued growth and development, they will be able to provide the support required for the PAJ to achieve its strategic goals.

PERFORMANCE TARGETS FOR F/Y 2016/2017 - CARGO & PORT DEVELOPMENT	
OBJECTIVES	**ACHIEVEMENTS**
Privatisation of KCT	
i. Complete the Privatisation of KCT ii. Implement Contract Management Structure iii. Monitor implementation and environment plan as per Concession Agreement (CA).	• Privatisation completed and hand over operations to Concessionaire on July 1, 2016. • Commercial obligations to PAJ settled on time • PAJ Contract Management Team Established. • Phase 1 development commenced –60% advanced is expected to be completed on schedule. • Environmental monitoring unit established to work with the stakeholders.
Improved Port Services	
Acquire/lease tug and pilot boats to meet contractual obligations under CA	• 2 large tugs leased to supplement fleet for 18 months. Procurement process advanced to engage a service provider on a 10-15-year arrangement.
Montego Bay Port Master Plan	
Phased implementation of the Master Plan for The Port of Montego Bay	• Nov 2016, completed conversion of warehouse to homeporting and upgrade cruise terminal building passenger. • Commenced procurement process for the Design of Berths 1 & 1A and extension of Berth 2 –Awaiting cabinet approval.
Development of Near-Port Logistics	
Secure investor interest and capital investments in logistics business model	• Engagement and ongoing discussions with potential investors. Regional and international logistics conferences and facilities visited during the year.
Implementation of Port Community System	
Enhance capabilities and operational efficiency within the Port Community through phased implementation of a PCS platform	• Complete the Transshipment Module for Kingston • Pilot deployment of Import Module at seaport.

PERFORMANCE TARGETS F/Y 2016/2017 - CRUISE PORT DEVELOPMENT	
OBJECTIVES	**ACHIEVEMENTS**
Ocho Rios Cruise Ship Port	
i. Rehabilitation of Reynolds Pier to facilitate improvement for Cruise Shipping – best in class multi-user port.	• Reynold Pier - Cabinet approved PAJ's recommendations for the Marine works. Contractor being mobilized. Work to commence in Q1 of 2017/18
ii. Development of Fishing Village	• Fisherman's Village a. Phase 1 – 95% complete - 18 Shops b. Phase 2 – Cabinet Approval obtained; contract awarded -2 main restaurants and entertainment c. Phase 3 – Design stage 95% completed- Reclamation and Beach Nourishment.
iii. Expand Home Porting Facilities in Montego Bay	• November 2016 - completed the upgrade of the Montego Bay Cruise Terminal Buildings to facilitate increased homeporting activities.
Falmouth Cruise Ship Port	
i. Hampden Wharf - Phase 1 & Phase 2	• Design works completed; further structural designs completed; tender process delayed
ii. Dredging of the East Berth	• Environmental due diligence on going.
Increase Passenger Numbers	
i. Negotiate/Renegotiate strategic medium term agreements with cruise lines	• 5 yr. preferential berthing agreement negotiated and signed with cruise line and covers home porting and ports of call in Jamaica with guaranteed minimum passenger volumes

BUSINESS PROCESS OUTSOURCING	
OBJECTIVES	**ACHIEVEMENTS**
Expand BPO Facilities for Growth and Job Creation	
i. Construct 63,000 sq. ft. building MBFZ ii. Construct 150,000 sq. ft. in Portmore Informatics Park	• August 2016 - Commenced construction on 63,000 sq. ft. BPO facility – Scheduled completion July 2017. • February 2017 - Sub-structure works commenced
ENTERPRISE MANAGEMENT & TECHNOLOGY	
OBJECTIVES	**ACHIEVEMENTS**
Port Security & Safety	
Develop and implement an improved security architecture for seaports and all other facilities	International Security Consultant, Trident was engaged to do security gap analysis. Recommendations are being implemented.
Implement Systems To Improve Efficiency and Productivity.	
i. Human Resource Management System (HRMS)	• HRMS – contract signed and system implementation is in progress - completion expected by November 2017
ii. Financial Management System (FMS)	• FMS– Procurement process initiated – contract to be awarded in Q3 2018
iii.New Payroll System	• Payroll system implementation began in March 2017
iv.Network upgrade – Improve reliability of remote access.	• Network Upgrade – Projects are being implemented. Due diligence being conducted. Project to be completed in Q3 2018
v. Training use of new systems/software	• Training for 400 staff is on going
Organizational Restructuring & Performance Management	
Develop and implement new organisational structure	• Consultant engaged and a draft interim report was submitted by the Consultants and is being reviewed by management

2016 OAS Maritime Award of the Americas: Outstanding Women in the Maritime and Port Sectors

The award recognizes outstanding achievement by women in the maritime and port sectors at various job levels for their contributions to the development of the sectors of the Western Hemisphere. It honours dedication, leadership, and innovation.

PAJ executives receiving their 2016 outstanding women in maritime and port sectors OAS Award: Dr. Carrol Pickersgill (left) winner in the Public Policy, Legislation and Regulation category and Mrs. Beverley Williamson (third left) winner in the Logistics Innovation and Competitiveness category.

2016 OAS Maritime Award of the Americas: Port Safety and Security Management

Audrey McNeil (second left) – ISPS Compliance Coordinator and Capt. Sydney Innis (fourth left) Vice President Security & Safety receiving the 2016 Maritime Award of the Americas in the category of Port Safety and Security Management.

The PAJ received the award in the category Port Safety and Security Management, for the best practice of Joint Port Security Committees, introduced by the Security Department. In 2010, the Port Authority of Jamaica (PAJ), the Designated Authority in Jamaica for the implementation of the provisions of the Maritime Security Measures as outlined in the International Ship and Port Facility Security (ISPS) Code, introduced the concept of Joint Port Security Committees(PSC). This occurs where ISPS certified ports located in proximity to each other, and sharing the same state resources, meet as one port security committee. The implementation of this model has created many advantages. In this regard, port facilities that are part of a joint committee have realized:

- The development of partnerships for the security management of neighbouring ports, as they work together to protect against security threats, even sharing resources where ports have deficiencies. e.g. ambulance services, oil spill containment.
- More efficient use of state resources.
- A stronger port security posture with respect to the wider area of the marine and port environment.

The PAJ is committed to ensuring that Jamaica maintains a secure Maritime Transportation System to the benefit of all its partners and to facilitate economic growth.

FINANCIAL REVIEW

FOR THE PORT AUTHORITY & ITS SUBSIDIARIES
YEAR ENDED MARCH 31, 2017 STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

REVENUE

The Port Authority and its subsidiaries (The Group) earned total revenue of $14.59 billion, a reduction of $5.12 billion (25.9%) compared to the $19.71 billion at March 31, 2016. The main sources of income and their contributions to total revenue were: cargo handling $5.02 billion (34%), facility fees $2.94 billion (20%), Security fees $2.28 billion (16%), Tug and Harbour fees $1.78 billion (12%) and Lease Income from Land & Building $0.73 billion (5%), these accounted for 87% of total revenue.

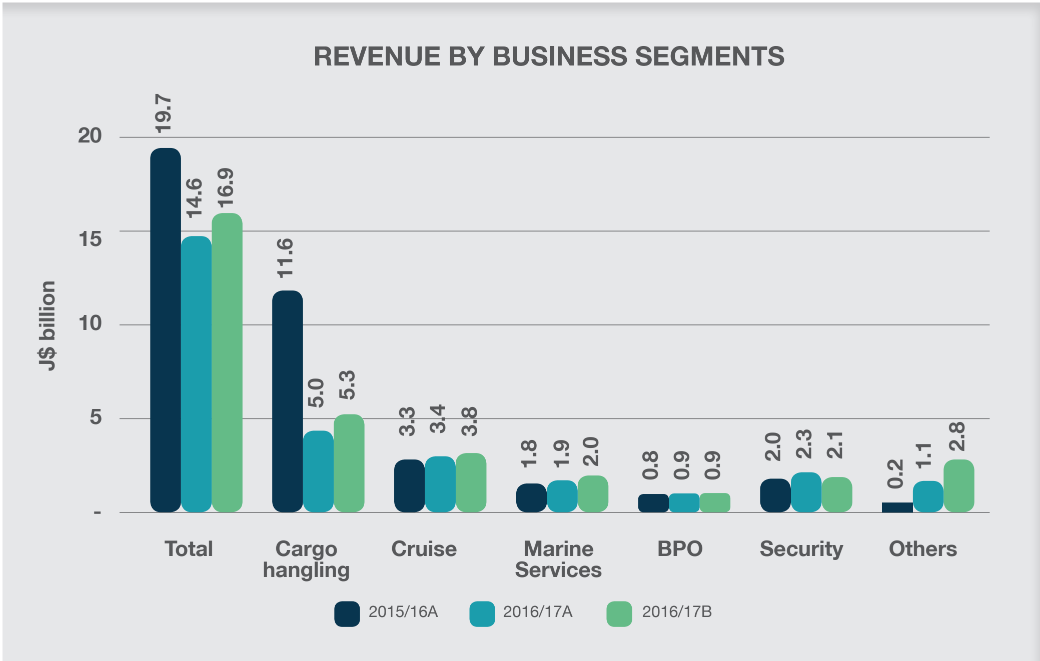
REVENUE	Mar. 2017	Mar. 2016	Budget March 2017	Increase (Decrease) over Mar. 2016	Increase (Decrease) over Budget 2017	% of Mar. 2017 Revenue
	$M	$M	$M	$M	$M	%
Cargo Handling	5,026	10,131	5,257	-5,105	-231	34%
Facility Fee	2,939	2,815	3,290	124	-351	20%
Wharfage	330	1,171	479	-841	-149	2%
Harbour Fees	944	924	954	20	-10	6%
Tug Fees	837	763	912	74	-75	6%
Equipment Lease	122	108	97	14	25	1%
Building Lease	739	657	817	82	-78	5%
Port Antonio Marina	92	98	89	-6	3	1%
Oil Royalty	157	135	101	22	56	1%
Pilotage	139	130	162	9	-23	1%
Ground lease Falmouth	90	80	80	10	10	1%
Security Fees	2,287	1,963	2,100	324	187	16%
Other	888	737	491	151	397	6%
Operating Revenue	**14,590**	**19,712**	**14,829**	**-5,122**	**-239**	**100%**

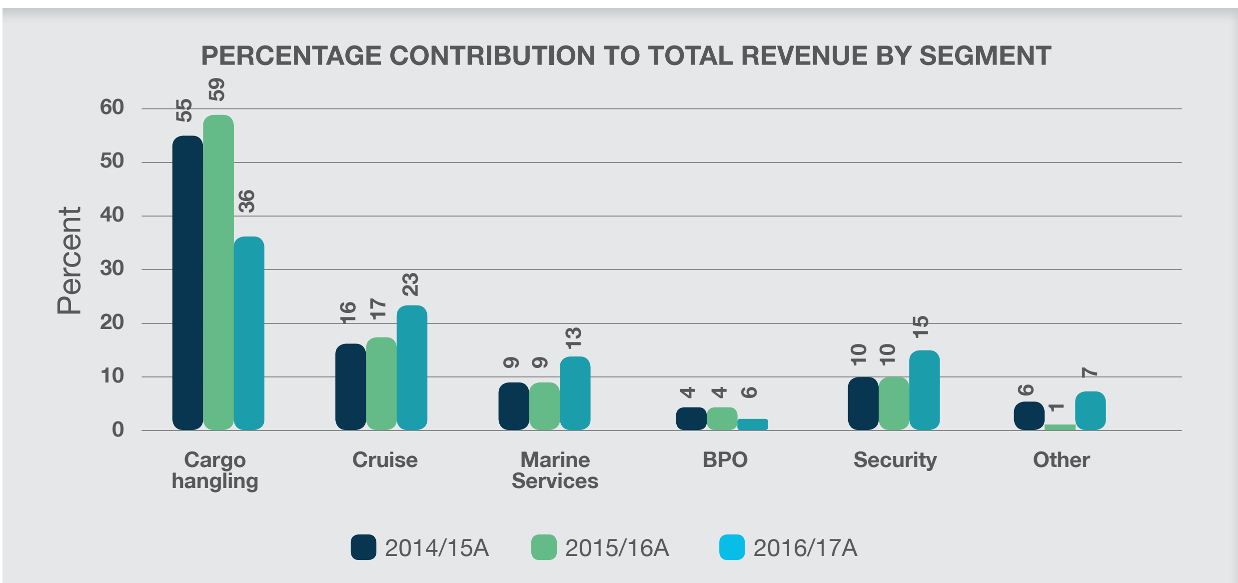
REVENUE ANALYSIS

The $5.122 billion reduction in revenue was due to:

a. The reduction in revenue of $5.1 billion from the KCT operations compared to March 31, 2016. The PAJ operated KCT for 3 months to June 30th 2016 accounting for only 3 months of KCT gross revenue compared with 12 months in March 2016. As per the Concession Agreement effective July 1, 2016, PAJ's earnings is limited to 8% of the annual gross revenue plus annual fee of US$15 million. It should be noted that KFTL has full responsibility for the operating expenses, resulting in operating expenses reflecting a compensating reduction.

b. Other areas of revenues which reflected increases were: security fees $324 million (17%), and facility fees by $124M (4%), due mainly to increased activity and gains from exchange rate movement.





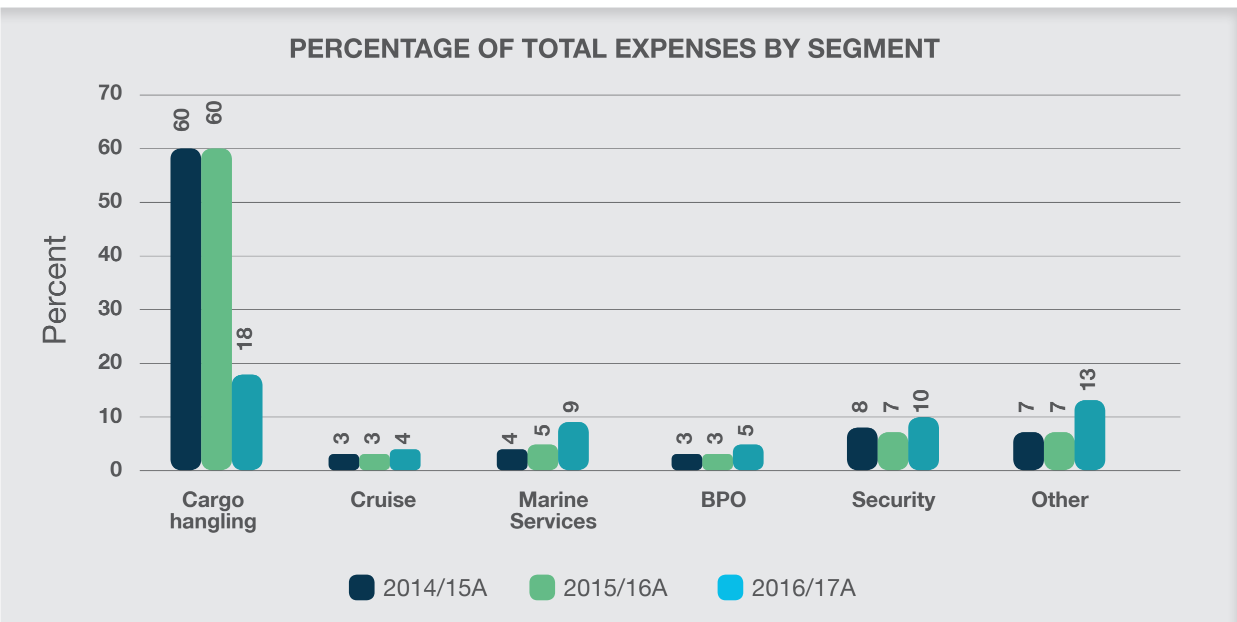
EXPENSES

Total expenses of $7.89 billion, inclusive of depreciation charges of $1 billion, reflected a reduction of $5.44 billion (40.8%) less than the $13.33 billion incurred for year ended March 31, 2016. Operating expenses accounted for $6.89 billion (87%) of the total expenses, which was $5.28 billion (43%) less than March 31, 2016. The main expense items were: staff emoluments $2.74 billion (35%), repairs and maintenance $1.38 billion (17%), security cost $1.01 billion (13%), utilities $0.505 billion (6%) and insurance $0.503 billion (6%).

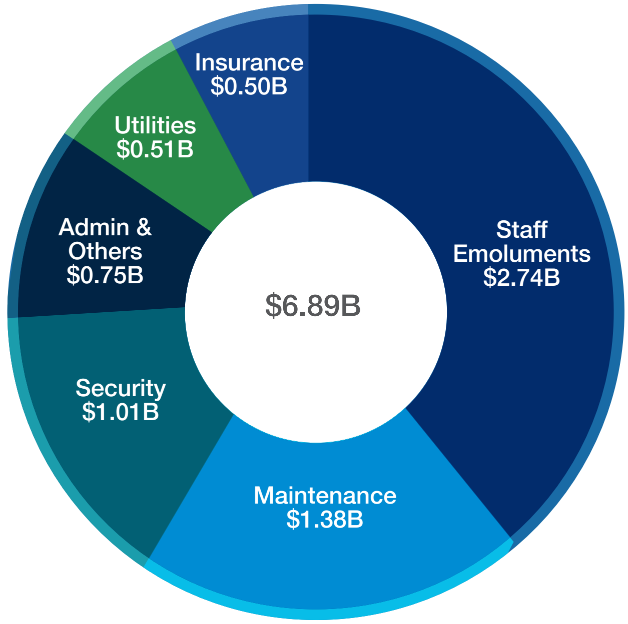
OPERATING EXPENSES	Mar. 2017	Mar. 2016	Budget March 2017	Increase (Decrease) over Mar. 2016	Increase (Decrease) over Budget 2017	% of Mar. 2017 Expense
	$M	$M	$M	$M	$M	%
Staff Emoluments & Contracted Services	2,744	5,824	5,257	-3,080	-2,513	35%
Repairs & Maintenace	1,380	1,955	3,290	-575	-1,910	17%
Security	1,007	843	479	164	528	13%
Utilities	505	1,077	954	-572	-449	6%
Insurance & Claims	503	1,164	912	-661	-409	6%
Other Expenses	748	1,302	1,157	-554	-409	9%
Total Operating Exps.	6,887	12,165	12,049	-5,278	-5,162	87%
Depreciation	1,001	1,164	1,005	-163	-4	13%
TOTAL EXPENSES	**7,888**	**13,329**	**13,054**	**-5,441**	**-5,166**	**100%**

EXPENSES ANALYSIS

Expense of $7.89 billion decreased by $5.44 billion (40.8%) compared to March 31, 2016, due mainly to reduction in cost relating to the Terminal operations. PAJ was responsible for the Terminal operating expenses for 3 months compared to 12 months for March 31, 2016. The main expense items that decreased were: salaries and wages $3.08 billion (53%), repairs and maintenance $575 million (29%), utilities $572 million (53%), insurance $661 million (57%).

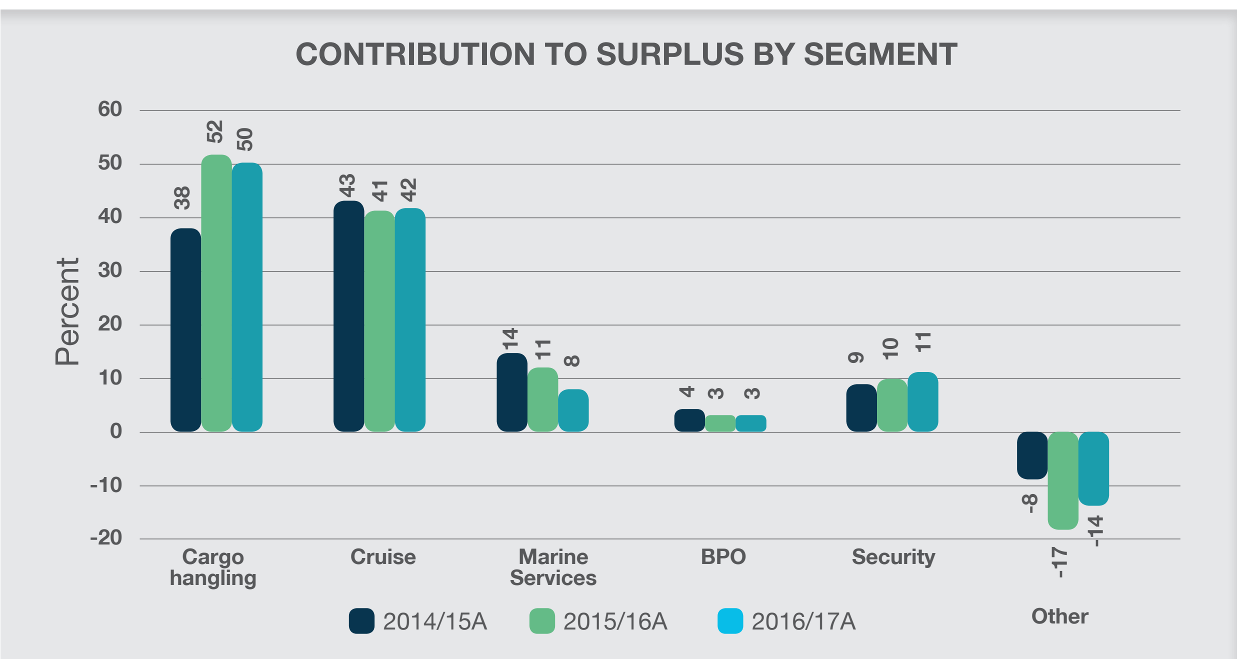


Operating Expense By Type



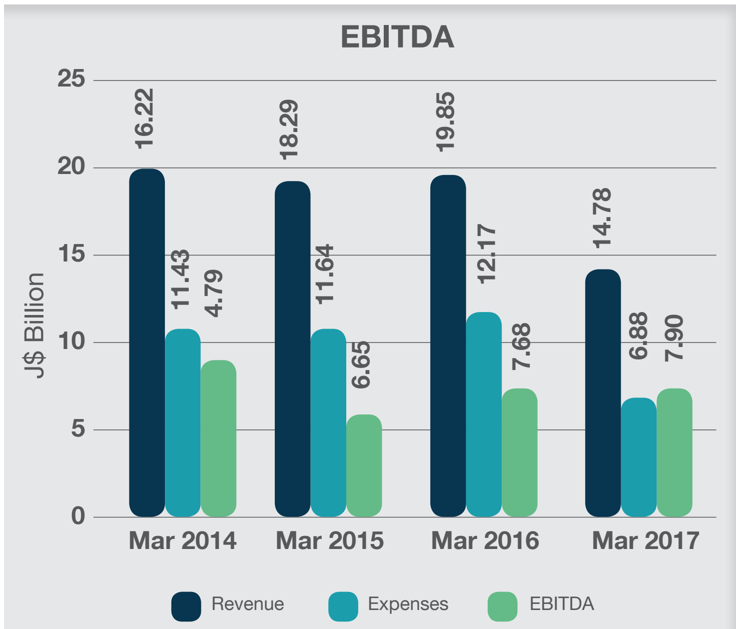
SURPLUS FROM OPERATIONS

The year to date (YTD) Operating Surplus of $6.7 billion represents an increase of $0.32 billion (5%) over the $6.38 billion as at March 31, 2016. Profit of $5.84 billion before taxation (March 2016: $3.44 billion) reflects an increase of $2.40 billion (70%) compared to March 2016. Operating surplus was adjusted by depreciation of $1 billion, net unrealised exchange losses of $1.58 billion (March 2016: $1.98 billion) arising from translation of foreign currency loans, interest and finance charge of $1.9 billion (March 2016: $2.12 billion), to arrive at the net profit of $5.84 billion. Adjustments also included net gains from KCT privatisation transaction relating to sale of equipment and inventory was $1.52 billion and other gains of $935 million (March 2016: $1.03 billion) which includes investment property valuation of $656 million (March 2016: $458 million).



OVERVIEW OF PERFORMANCE OPERATING INCOME, EXPENSES & EARNINGS BEFORE INTEREST TAX AND DEPRECIATION (EBITDA)

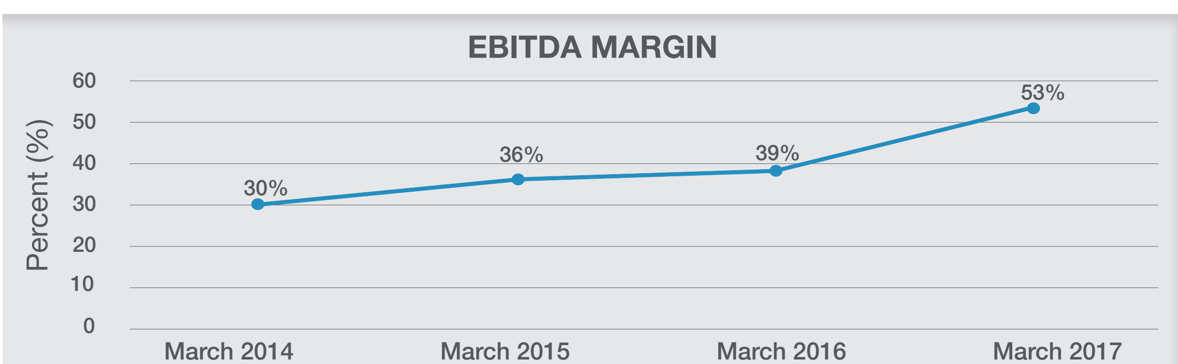
Comparative financial performance of the Authority for the last four (4) years ended March 31, 2017 are illustrated in the graph below. The Group's Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) was $7.90 billion at March 31, 2017 and has remained positive over the four (4) year period, with a marginal increase of $0.22 billion compared to March 31, 2016.



EBITDA MARGIN

As indicated in the graph below EBITDA margin is trending in the right direction, increasing steadily over a 4 year period. Importantly the privatisation of the KCT has influenced the marked improvement at March 2017, given the significant reduction in revenue and operating expenses from KCT operations. This trend is expected to continue with the privatisation of the KCT and as a result, PAJ will earn annual revenue of 8% of gross revenues and a fixed fee of $15M.

Expenses relating to KCT will be minimal, only relating to the cost of maintaining the ship channel and administrative cost associated with the management of the contract. In addition, management will continue to reduce reliance on debt to finance capital program and continue implementing measures to improve operating efficiency, through technology and improve work processes.



EXCHANGE LOSS ON FOREIGN CURRENCY LOANS

The Authority converts its foreign currency loans to Jamaican dollars (JMD) at the year-end exchange rate in compliance with applicable International Financial Reporting Standards (IFRS). Approximately 87% of the Authority's long-term loans are denominated in foreign currency. The 5.42% depreciation in the JMD dollar vs. the US dollar at March 31, 2017 (March 2017: $128.6672 vs March 2016: $122.0421) accounted for $1.58 billion (March 2016: $1.98 billions) of net unrealized exchange losses.

Approximately 80% of the Authority's annual income is denominated and collected in USD, while its operating expenses are mainly JMD. This provides a natural currency hedge in respect of earnings and cash flow. As part of the strategy to manage the exchange rate exposure, new loans are in JMD, and where feasible opportunities to convert current loans to JMD are explored.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

The asset base of the Group at March 2017 was $61.44 billion, an increase of $3.14 billion (5.38%) over March 31, 2016. Property, Plant and Equipment (PP&E) continues to be the most significant class of assets, representing 42% of the total assets, despite the sale of KCT terminal equipment to KFTL as part of the privatisation transaction. The following summarizes the main assets and changes for the year:

Property, Plant and Equipment (PP&E) $25.77 billion

The increase of net $226 million was due mainly to additions of $1.5 billion construction of buildings and infrastructure in the Cruise and BPO business segments and depreciation charge of $1 billion for the year.

Investment Properties - $17.86 billion

The increase of approximately $591 million is due mainly to $656 million fair value gain on valuation carried out as required by IFRS.

Trade and Other Receivables $1.76 billion

The decrease of approximately $1.14 billion (39%) was due primarily to significant improvement in collections, particularly the 95% collections of KCT receivables following the handover of operations to KFTL.

Cash and Short Term Deposits $14.3 billion

Cash and short-term deposits increased by $8.95 billion due mainly to the cash inflow from the KCT privatisation transaction. The cash includes amounts to meet loan payments due in next 3 months and obligations for approved $10B capital investment program being undertaken within the next 12 months. These include growth enhancement and job creation projects consistent with the GOJ agenda.

Total Liabilities $36.91 billion:

The decrease of $2.28 billion net reduction is due to repayment of $6.96 billion offset by new loan of $3.2 billion and $1.58 billion in unrealized exchange losses. The period ended at March 2017 with net current assets of $8.98 billion (March 2016: $4.21 billion)

With the privatisation of the KCT, one of the core strategies of the PAJ is continued reduction in its current debt, and to actively pursue other methods of raising capital to finance development other than loans. These include Public Private Partnership, outsourcing of services and as appropriate, leasing.

SUBSIDIARIES, JOINT VENTURE & ASSOCIATED COMPANIES

The performance of the subsidiaries and other related companies (with material non-controlling interest) as at March 31, 2017, reflected net assets of $4.04 billion and net profits of $549 million, inclusive of net loss of $35M on the revaluation of investment properties. There was an increase of $549 million in net assets and reduction of $16M in profits, compared to March 31, 2016. The Group's share of the Associates' profits for the financial year amounted to $21.4 million (March 2016: $14.2 million).

EQUITY

The Group's equity of $22.98 billion at March 2017 (excluding non-controlling interest of $1.55 billion) increased by $5.16 billion (29%) compared to $17.81 billion at March 2016. The increase is due mainly to increase in retained earnings of $5.09 billion for the year resulting primarily from the net gain of $1.52 billion from the sale of KCT equipment and spares in the privatisation transaction (See FS note 35) and the gain of $656 billion on the IFRS valuation of investment properties.

DIRECTORS COMPENSATION

Name & Position of Director	Fees	Motor Vehicle Upkeep/ Traveling or Value of Assignment of Motor Vehicle	Honoraria	All Other Compensation including Non-Cash Benefits	TOTAL
Ambassador Nigel Clarke Chairman	92,000	3,384	Nil	Nil	95,384
Dr. Janine Dawkins	79,000	6,260	Nil	Nil	85,260
Alston Douglas	56,000	3,215	Nil	Nil	59,215
Edward Gabbidon	99,700	12,967	Nil	Nil	112,667
Mark Hart	83,600	53,580	Nil	Nil	137,180
Major (Ret'd) Richard Reese**	42,000	1,654	Nil	Nil	43,654
Lyttleton Shirley	90,500	7,341	Nil	Nil	97,841
Jerome Smalling	102,000	4,869	Nil	Nil	106,869
Adam Stewart	34,900	34,028	Nil	Nil	68,928
TOTAL	**679,700**	**127,299**	**Nil**	**Nil**	**806,999**

Note:

1) The Committees are made up of Board Members (Directors) and Executive Management Staff.

EXECUTIVE EMOLUMENTS

Name & Position of Senior Executive	SALARY ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Seniority pmts. & Other Allowances ($)	Non-Cash Benefits ($)	TOTAL ($)
Prof. Gordon Shirley President & CEO	19,650,382	2,865,681	3,896,096	742,914 (Note 1)	3,788,553 (Note 2)	NIL	30,943,626
Elva Williams-Richards SVP Finance & Information Services	11,192,175	2,798,044	3,370,752	NIL	NIL	NIL	17,360,971
Rosalie Donaldson SVP Int'l Marketing & Client Services	11,192,175	NIL	3,370,752	1,435,923 (note 3)	401,551	NIL	16,400,401
Dr. Carrol Pickersgill SVP Legal, Regulatory & Corporate Affairs	11,192,175	2,798,044	3,370,752	NIL	NIL	NIL	17,360,971
Mervis Edghill SVP Engineering & Port Development	11,192,175	2,798,044	3,370,752	NIL	NIL	NIL	17,360,971
Beverley Williamson SVP Business Management & Special Projects (Note 4)	3,730,725	0	1,123,584	NIL	133,850	NIL	4,988,159
David Powell Chief Group Internal Auditor, Assurance & Risk Mgm't Services	9,184,418	2,296,104	3,370,752	NIL	1,814,729	NIL	16,666,003
Edmond Marsh VP Business Development	9,184,418	2,296,104	2,722,335	NIL	1,101,334	NIL	15,304,191
Capt. Hopeton DeLisser VP Harbours & Port Services	9,184,418	2,296,104	2,722,335	NIL	1,489,273	NIL	15,692,130
Capt. Sydney Innis VP Security	9,184,418	2,296,104	2,014,887	NIL	NIL	NIL	13,495,409
Belinda Ward VP HR & Administration	9,184,418	NIL	2,722,335	1,165,908 (note 3)	387,939	NIL	13,460,600
Wilburn Pottinger VP Information Systems	9,184,418	2,296,104	2,722,335	NIL	387,939	NIL	14,590,796
William Tatham VP Cruise Shipping & Marina Services	9,184,418	2,296,104	2,722,335	NIL	387,939	NIL	14,590,796
Ishmael Leon VP Finance	9,184,418	2,296,104	2,722,335	NIL	NIL	NIL	14,202,857
Gary Lawrence VP Engineering	9,184,418	2,296,104	2,722,335	NIL	775,878	NIL	14,978,735
Dr. Paul Robertson Senior Director, Government Relations	9,184,418	2,296,104	2,722,335	NIL	NIL	NIL	14,202,857
Flora Garth VP Materials Mgm't	8,020,600	NIL	2,722,335	1,036,077 (note 3)	NIL	NIL	11,779,012
Dwain Powell VP Port Community Systems	7,244,722	1,811,180	2,722,335	NIL	NIL	NIL	11,778,237
TOTAL	175,259,309	33,735,929	51,111,677	4,380,822	10,668,985	NIL	275,156,722

Note:

1) This is reimbursed as per an agreement for secondment between the PAJ and the University of the West Indies which ended August 31, 2016. Thereafter, these costs are in line with the provisions of the employment contract effective September 1, 2016.
2) Reimbursable
3) These executives are members of the PAJ's staff pension fund and are not paid gratuity.
4) SVP Business Development & Special Projects retired July 31, 2016.

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

The Port Authority of Jamaica

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of The Port Authority

Report on the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of The Port Authority and its subsidiaries (the Group), and the separate financial statements of The Port Authority (the Authority), which comprise the Group's and the Authority's statements of financial position as at March 31, 2017, the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Authority as at March 31, 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Port Authority Act and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Consolidated and Separate Financial Statements

Management is responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS, the Port Authority Act and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Authority or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and the Authority's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Directors of The Port Authority (Continued)

Report on the Consolidated and Separate Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Groups's and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and the Authority or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Directors of The Port Authority (Continued)

Report on the Consolidated and Separate Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Additional Requirements of the Port Authority Act and the Jamaican Companies 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, so far as appears from our examination of those records, and the consolidated and separate financial statements which are in agreement therewith, give the information required by the Port Authority Act and the Jamaican Companies Act, in the manner required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

May 29, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	25,771,209	25,545,365
Investment properties	6	17,867,405	17,276,311
Intangible assets	7	1,182	4,385
Investment in associates	8(a)	159,189	137,712
Other investments	9	1,359,012	1,296,735
Long-term receivables	10	15,849	14,573
Retirement benefit asset	11	59,485	38,331
Deferred tax assets	12	548	548
		45,233,879	44,313,960
Current assets			
Inventories	13	94,970	86,780
Trade and other receivables	14	1,765,069	2,909,738
Cash and short-term deposits	15	14,348,325	5,400,835
		16,208,364	8,397,353
Assets classified as held for sale	35	-	5,595,097
		16,208,364	13,992,450
Total assets		61,442,243	58,306,410
EQUITY AND LIABILITIES			
Equity			
Reserves	16	6,698,978	6,619,788
Retained earnings	17	16,279,108	11,190,747
		22,978,086	17,810,535
Non-controlling interests	18	1,554,841	1,307,113
		24,532,927	19,117,648
Non-current liabilities			
Retirement benefit liability	11	35,038	35,038
Long-term liabilities	19	29,089,935	28,754,473
Deferred income	20	543,076	598,194
Deferred tax liabilities	12	18,278	17,407
		29,686,327	29,405,112
Current liabilities			
Provisions	21	111,944	271,097
Current portion of long-term liabilities	19	4,474,048	6,865,610
Trade and other payables	22	2,598,924	2,616,098
Bank overdrafts (unsecured)		38,073	30,845
		7,222,989	9,783,650
Total equity and liabilities		61,442,243	58,306,410

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

The financial statements were approved and authorised for issue by the Board of Directors on May 29, 2017 and are signed on its behalf by:

N. Clarke ....

Ambassador Dr. Nigel Clarke - **Chairman**   Professor Gordon Shirley - **President**

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
Revenue	23	14,590,635	19,712,173
Expenses:			
Direct operating	24	(5,617,333)	(11,283,429)
Administrative	24	(2,271,146)	(2,045,646)
		(7,888,479)	(13,329,075)
		6,702,156	6,383,098
Share of associated companies' results	8(a)	21,477	14,205
Interest income	27	167,993	114,053
Gain on privatisation of container terminal operations (net)	35	1,525,993	-
Gains and losses:			
Foreign exchange losses on loans	25	(1,585,693)	(1,980,325)
Other gains	25	935,530	1,032,478
Finance charges and interest on loans	24	(1,923,284)	(2,124,987)
PROFIT BEFORE TAXATION		5,844,172	3,438,522
Taxation	26	(169,456)	(141,305)
PROFIT AFTER TAXATION	27	5,674,716	3,297,217
Profits attributable to non-controlling interests	18	(247,728)	(238,580)
NET PROFIT FOR THE YEAR		5,426,988	3,058,637
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on retirement benefit plans	11	(9,437)	(29,834)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(9,437)	(29,834)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28	5,417,551	3,028,803

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

		RESERVES												
	Notes	General 16(a) $'000	Capital 16(b) $'000	Development 16(c) $'000	Equalisation 16(d) $'000	Stabilisation 16(e) $'000	Fixed Assets Replacement 16(f) $'000	Insurance 16(g) $'000	Wharfage 16(h) $'000	Total Reserves $'000	Retained Earnings $'000	Total $'000	Non-Controlling Interests $'000	Total $'000
Balance at April 1, 2015		359,450	5,089,330	305,150	1,630	32	512,360	132,865	136,522	6,537,339	8,244,393	14,781,732	1,068,533	15,850,265
Net profit		-	-	-	-	-	-	-	-	-	3,058,637	3,058,637	238,580	3,297,217
Other comprehensive loss	11(d)	-	-	-	-	-	-	-	-	-	(29,834)	(29,834)	-	(29,834)
Total comprehensive income		-	-	-	-	-	-	-	-	-	3,028,803	3,028,803	238,580	3,267,383
Transfers to reserves of managed operations		-	-	-	-	-	42,431	9,692	30,326	82,449	(82,449)	-	-	-
Balance at March 31, 2016		359,450	5,089,330	305,150	1,630	32	554,791	142,557	166,848	6,619,788	11,190,747	17,810,535	1,307,113	19,117,648
Net profit		-	-	-	-	-	-	-	-	-	5,426,988	5,426,988	247,728	5,674,716
Other comprehensive loss	11(d)	-	-	-	-	-	-	-	-	-	(9,437)	(9,437)	-	(9,437)
Total comprehensive income		-	-	-	-	-	-	-	-	-	5,417,551	5,417,551	247,728	5,665,279
Transfer to the Government of Jamaica Consolidated Fund	36	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Transfers to reserves of managed operations		-	-	-	-	-	57,109	4,550	17,531	79,190	(79,190)	-	-	-
Balance at March 31, 2017		359,450	5,089,330	305,150	1,630	32	611,900	147,107	184,379	6,698,978	16,279,108	22,978,086	1,554,841	24,532,927

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		5,426,988	3,058,637
Adjustments for:			-
Depreciation and amortisation	5,7	1,004,955	1,164,103
Adjustment to property, plant and equipment	5	698	14
Write-off of property, plant and equipment	5	965	3,759
Loss (Gain) on disposal of property, plant and equipment	27	296,033	(1,421)
Adjustment to intangible assets	7	(3,445)	-
Gain on disposal of investment properties		-	(12,759)
Gain on privatisation of containers terminal operations (net)	35	(1,525,993)	-
Increase in fair value of investment properties	6	(656,094)	(458,318)
Interest income	27	(167,993)	(114,053)
Foreign exchange loss (net)		1,982,571	2,221,905
Retirement benefit expense	11	242	3,237
Retirement benefit adjustment	11	-	(32,239)
Provision charge	21	91,639	136,416
Profits attributable to non-controlling interests	18	247,728	238,580
Amortisation of deferred income	20	(55,118)	(67,450)
Impairment loss (reversed) recognised on trade receivables (net)	14	(5,635)	69,967
Reversal of impairment loss recognised on long-term receivables	27	-	(26,698)
Loan fees amortised		7,178	12,772
Taxation charge	26	169,456	141,305
Share of associates' results	8	(21,477)	(14,205)
Finance charges and interest on loans	24	1,923,284	2,124,987
		8,715,982	8,448,539
Decrease (Increase) in operating assets:			
Trade and other receivables		1,149,130	(745,119)
Inventories		(237,416)	(330,716)
(Decrease) Increase in operating liabilities:			
Trade and other payables		(43,805)	(114,096)
Retirement benefit contributions	11	(30,833)	(47,635)
Provisions utilised	21	(250,792)	(87,454)
Increase in deferred income	20	-	38,958
Cash generated by operations		9,302,266	7,162,477
Income taxes paid		(141,954)	(82,874)
Interest paid		(1,926,004)	(2,122,532)
Net cash provided by operating activities		7,234,308	4,957,071

The accompanying notes on form an integral part of these financial statements.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		168,063	114,291
Acquisition of property, plant and equipment	5	(1,505,950)	(758,699)
Proceeds on disposal of property, plant and equipment		-	1,444
Net cost on disposal of property, plant and equipment		(296,898)	-
Proceeds on privatisation of container terminal operations (net)		7,697,984	-
Proceeds on disposal of investment properties		-	206,759
Other investments (net)		(62,347)	(507,917)
Decrease in long-term receivables		(1,380)	720,141
Acquisition of intangible assets	7	(1,667)	(58)
Net cash provided by (used in) investing activities		5,997,805	(224,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		3,207,614	650,578
Repayment of long-term loans		(6,965,406)	(5,375,587)
Decrease in prepaid credit insurance		111,541	127,447
Transfer to the Government of Jamaica Consolidated Fund	36	(250,000)	-
Net cash used in financing activities		(3,896,251)	(4,597,562)
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,335,862	135,470
OPENING CASH AND CASH EQUIVALENTS		5,369,990	5,476,100
Effect of foreign exchange rate changes		(395,600)	(241,580)
CLOSING CASH AND CASH EQUIVALENTS		14,310,252	5,369,990
Cash and cash equivalents comprises:			
Cash and short-term deposits	15	14,348,325	5,400,835
Bank overdrafts		(38,073)	(30,845)
		14,310,252	5,369,990

The accompanying notes on form an integral part of these financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	25,692,137	25,482,547
Investment properties	6	15,369,975	14,743,686
Intangible assets	7	1,140	4,278
Investments in subsidiary, joint venture and associated companies	8(b)	30,508	30,508
Other investments	9	1,345,123	1,283,639
Long-term receivables	10	92,075	90,799
Retirement benefit asset	11	59,485	38,331
		42,590,443	41,673,788
Current assets			
Inventories	13	94,970	86,780
Trade and other receivables	14	1,221,521	2,811,748
Cash and short-term deposits	15	12,602,245	3,952,637
		13,918,736	6,851,165
Assets classified as held for sale	35	-	5,595,097
		13,918,736	12,446,262
Total assets		56,509,179	54,120,050
EQUITY AND LIABILITIES			
Equity			
Reserves	16	6,692,985	6,613,795
Retained earnings	17	13,558,387	8,838,648
		20,251,372	15,452,443
Non-current liabilities			
Retirement benefit liability	11	35,038	35,038
Long-term liabilities	19	28,950,701	28,590,739
Deferred income	20	543,076	598,194
		29,528,815	29,223,971
Current liabilities			
Provisions	21	92,465	56,219
Current portion of long-term liabilities	19	4,441,008	6,834,273
Trade payables and accruals	22	2,158,660	2,523,349
Bank overdrafts (unsecured)		36,859	29,795
		6,728,992	9,443,636
Total equity and liabilities		56,509,179	54,120,050

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

The financial statements were approved and authorised for issue by the Board of Directors on May 29, 2017 and are signed on its behalf by:

.... Ambassador Dr. Nigel Clarke - **Chairman**

.... Professor Gordon Shirley - **President**

SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
Revenue	23	12,360,521	17,864,493
Interest income	27	136,969	80,505
Expenses:			
Administration	24	(1,904,508)	(1,702,709)
Marine operations	24	(4,497,757)	(10,349,906)
Finance charges and interest on loans	24	(1,919,788)	(2,121,668)
		4,175,437	3,770,715
Gain on privatisation of container terminal operations (net)	35	1,525,993	-
Gains and losses:			
Foreign exchange losses on loans	25	(1,575,678)	(1,968,359)
Other gains	25	932,614	918,224
NET PROFIT FOR THE YEAR	27	5,058,366	2,720,580
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on retirement benefit plans	11	(9,437)	(29,834)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(9,437)	(29,834)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28	5,048,929	2,690,746

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	RESERVES										
		General 16(a) $'000	Capital 16(b) $'000	Development 16(c) $'000	Equalisation 16(d) $'000	Stabilisation Fund 16(e) $'000	Fixed Assets Replacement 16(f) $'000	Insurance 16(g) $'000	Wharfage 16(h) $'000	Total Reserves $'000	Accumulated Surplus $'000	Total $'000
Balance at April 1, 2015		359,450	5,083,337	305,150	1,630	32	512,360	132,865	136,522	6,531,346	6,230,351	12,761,697
Net profit		-	-	-	-	-	-	-	-	-	2,720,580	2,720,580
Other comprehensive loss	11(d)	-	-	-	-	-	-	-	-	-	(29,834)	(29,834)
Total comprehensive income		-	-	-	-	-	-	-	-	-	2,690,746	2,690,746
Transfers to reserves of managed operations		-	-	-	-	-	42,431	9,692	30,326	82,449	(82,449)	-
Balance at March 31, 2016		359,450	5,083,337	305,150	1,630	32	554,791	142,557	166,848	6,613,795	8,838,648	15,452,443
Net profit		-	-	-	-	-	-	-	-	-	5,058,366	5,058,366
Other comprehensive loss	11(d)	-	-	-	-	-	-	-	-	-	(9,437)	(9,437)
Total comprehensive income		-	-	-	-	-	-	-	-	-	5,048,929	5,048,929
Transfer to the Government of Jamaica Consolidated Fund	36	-	-	-	-	-	-	-	-	-	(250,000)	(250,000)
Transfers to reserves of managed operations		-	-	-	-	-	57,109	4,550	17,531	79,190	(79,190)	-
Balance at March 31, 2017		359,450	5,083,337	305,150	1,630	32	611,900	147,107	184,379	6,692,985	13,558,387	20,251,372

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		5,058,366	2,720,580
Adjustments for:			
Interest income	27	(136,969)	(80,505)
Foreign exchange loss adjustment (net)		1,191,017	1,738,447
Finance charges and interest on loans	24	1,919,788	2,121,668
Impairment loss (reversed) recognised on trade receivables (net)	14	(15,716)	54,834
Impairment loss recognised on related party receivables	14	30,329	-
Amortised cost adjustment on long-term receivables	27	-	(26,698)
Increase in fair value of investment properties	6	(691,289)	(375,693)
Depreciation and amortisation	5,7	993,325	1,155,165
Gain on disposal of investment properties		-	(12,759)
Loss (gain) on disposal of property, plant and equipment	27	296,033	(1,421)
Gain on privatisation of container terminal operations (net)	35	(1,525,993)	-
Adjustment to property, plant and equipment	5	14	14
Adjustment to intangible assets	7	(3,445)	-
Provision charge	21	73,794	71,604
Amortisation of deferred income	20	(55,118)	(67,450)
Retirement benefit expense	11	242	3,237
Retirment benefit adjustment	11	-	(32,239)
Loan fees amortised		7,111	12,681
		7,141,489	7,281,465
Decrease (Increase) in operating assets:			
Trade and other receivables		1,575,718	(767,684)
Inventories		(237,416)	(330,716)
(Decrease) Increase in operating liabilities:			
Trade payables and accruals		(364,689)	(19,423)
Provisions utilised	21	(37,548)	(68,886)
Deferred income	20	-	38,958
Retirement benefit contributions	11	(30,833)	(47,635)
Cash generated by operations		8,046,721	6,086,079
Interest paid		(1,922,508)	(2,119,235)
Net cash provided by operating activities		6,124,213	3,966,844

The accompanying notes on form an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

	Notes	2017 $'000	2016 $'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		137,023	80,462
Increase in long-term receivables		(1,380)	720,141
Other investments (net)		(61,538)	(536,839)
Acquisition of intangible assets	7	(1,667)	-
Acquisition of property, plant and equipment	5	(1,476,482)	(721,422)
Proceeds on privitisation of container terminal operations (net)		7,697,984	1,444
Net costs on disposal of property, plant and equipment		(296,898)	
Proceeds on disposal of investment properties		-	206,759
Net cash provided by (used in) investing activities		5,997,042	(249,455)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		3,207,614	650,578
Repayment of long-term loans		(6,932,527)	(5,344,836)
Decrease in prepaid credit insurance		111,541	127,447
Transfer to the Government of Jamaica Consolidated Fund	36	(250,000)	-
Net cash used in financing activities		(3,863,372)	(4,566,811)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,257,883	(849,422)
OPENING CASH AND CASH EQUIVALENTS		3,922,842	4,542,352
Effect of foreign exchange rate changes		384,661	229,912
CLOSING CASH AND CASH EQUIVALENTS		12,565,386	3,922,842
Cash and cash equivalents comprise:			
Cash and short-term deposits	15	12,602,245	3,952,637
Bank overdraft		(36,859)	(29,795)
		12,565,386	3,922,842

The accompanying notes on form an integral part of these financial statements.

(Expressed in Jamaican dollars)

1 GROUP IDENTIFICATION

(a) The Port Authority (the Authority) is a statutory body, incorporated and domiciled in Jamaica by the Port Authority Act. Its principal objectives are to provide and regulate all port facilities in Jamaica. The registered office of the Authority is 15-17 Duke Street, Kingston.

The Authority's subsidiary companies and their principal activities are as follows:

Subsidiaries	Place of incorporation and operation	Proportion of ownership interests	Proportion of voting rights	Principal activity
Kingston Free Zone Company Limited	Jamaica	72%	72%	Rental of warehouses and property management.
Montego Bay Free Zone Company Limited	Jamaica	50%	50%	Rental of offices and factory space located in the Montego Bay Export Free Zone area.
Ports Management and Security Limited	Jamaica	51%	51%	Provision of security services at ports.
Jamaica International Free Zone Development Limited	Jamaica	75%	75%	Acquiring, developing and leasing property for the purpose of logistics and distribution activities.
Port Authority Management Services Limited	Jamaica	100%	100%	Managing Half-Way-Tree Transportation Centre on behalf of the Ministry of Transport and Works
KCT Services Limited	Jamaica	100%	100%	Provision of personnel services as well as the management of Kingston Container Terminal.

The Authority is also a party in the following joint venture:

Joint venture	Place of incorporation and operation	Proportion of ownership interests	Proportion of voting rights	Principal activity
Boundbrook Wharves Development Company Limited	Jamaica	51%	51%	Undertaking the rehabilitation and refurbishing of Boundbrook Wharves, which was leased to the Banana Export Company Limited (see Note 8(b)).

(Expressed in Jamaican dollars)

1 GROUP IDENTIFICATION (CONTINUED)

(a) (Continued)

The Authority's associated companies and their principal activities are as follows:

Associates	Place of incorporation and operation	Proportion of ownership interests	Proportion of voting rights	Principal activity
Security Administrators Limited	Jamaica	33.33%	33.33%	Provision of security at Port Bustamante
Montego Cold Storage Limited	Jamaica	33.33%	33.33%	Rental of refrigerated warehouse

The Authority and its subsidiary companies, associated companies and joint venture are collectively referred to in the financial statements as "The Group".

(b) Accounting period

The Authority and all the companies in the Group have prepared financial statements for the year ended March 31, 2017 (2016: March 31, 2016).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 Current year changes

The Group applied for the first time certain standards and amendments, which are effective for its annual period beginning April 1, 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2016/2017, they did not have a material impact on the annual financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

- ***IFRS 14 Regulatory Deferral Accounts***
  IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.1 Current year changes (continued)

- ***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests***
  The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the financial statements of the Group as there has been no interest acquired in a joint operation during the period.

- ***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation***
  The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the financial statements of the Group.

- ***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the financial statements of the Group's as it does not have any bearer plants.

- ***Amendments to IAS 27: Equity Method in Separate Financial Statements***
  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

  These amendments do not have any impact on the Group's financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.1 Current year changes (continued)

- ***Annual Improvements 2012-2014 Cycle***
  These improvements include:

  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
    Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

  - IFRS 7 *Financial Instruments: Disclosures*

    (i) Servicing contracts
    The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be made retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

    (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
    The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

  - *IAS 19 Employee Benefits*
    The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

  - IAS 34 *Interim Financial Reporting*
    The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

  These amendments do not have any impact on the financial statements of the Group.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.1 Current year changes (continued)

- ***Amendments to IAS 1 Disclosure Initiative***
  The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the financial statements of the Group.

- ***Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception***
  The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

  Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

  These amendments are applied retrospectively and do not have any impact on the financial statements of the Group.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.2 Future changes

The standards and interpretations that are issued, but not yet effective are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- ***Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***
  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. In December 2015, the IASB decided to defer the effective date of these amendments until such time as it has finalised any amendments that result from its research project on the equity method. The Group will apply these amendments when they become effective.

- **IFRS 9 *Financial Instruments***
  In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The directors and management anticipate that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning April 1, 2018 and that the application of IFRS 9 may impact the amounts reported in respect of the Group's financial assets and liabilities. However, the directors have not yet completed their analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the likely impact.

  (a) Classification and measurement
  Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 9 *Financial Instruments (continued)***

(a) Classification and measurement (continued)

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 *Financial Instruments: Recognition and Measurement* classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

(b) Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 *Revenue from Contracts with Customers* and lease receivables under IAS 17 *Leases* or IFRS 16 *Leases*. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognised lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

(c) Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 15 *Revenue from Contracts with Customers***
  The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 will be applied using a five-step model:
  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognise revenue when (or as) the entity satisfies a performance obligation

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

  Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

  In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. The amendments:

  - Clarify when a promised good or service is distinct within the context of the contract
  - Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
  - Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
  - Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
  - Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition

  The amendments have an effective date of January 1, 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard. The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IAS 7 *Disclosure Initiative – Amendments to IAS 7***
  The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).These amendments are effective for annual periods beginning on or after January 1, 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

- **IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12***
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the financial statements of the Group.

- **IFRS 2 *Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2***
  The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Group does not have share-based transactions therefore the amendments are not expected to have an impact on its financial statements.

- **IFRS 16 *Leases***
  IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g.,personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 Future changes (continued)

- **IFRS 16 *Leases (continued)***
  Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted but not before the Group applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

- **IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4***
  The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

  Temporary exemption from IFRS 9
  The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS *39 Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until January 1, 2021 at the latest.

  Predominance must be initially assessed at the annual reporting date that immediately precedes April 1, 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases.

  Entities applying the temporary exemption will be required to make additional disclosures.

  The overlay approach
  The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets.

  An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.2 Future changes (continued)

- **IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (continued)***
  The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

  These amendments are effective for annual periods beginning on or after January 1, 2018. These amendments are not expected to have any impact on the financial statements of the Group.

- **IAS 40, *Investment Property – Transfers of Investment Property (Amendments to IAS 40)***
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

  These amendments are effective for annual periods on or after January 1, 2018. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. These amendments are not expected to have any impact on the financial statements of the Group.

- **IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration***
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognise the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

  This interpretation is effective for annual periods beginning on or after January 1, 2018. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

  (i) The beginning of the reporting period in which the entity first applies the interpretation
  Or
  (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.2 Future changes (continued)

- ***Annual Improvements 2012-2014 Cycle (issued December 2016)***
  These include:

  - IFRS 1 *First-time Adoption of International Financial Reporting Standards*
    Under this amendment the short-term exemptions for first time adopters in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are effective for annual periods beginning on or after January 1, 2018.

  - IAS 28 *Investments in Associates and Joint Ventures*
    The amendments clarify that:
    - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
    - If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments are effective for annual periods beginning on or after January 1, 2018.

  - IFRS 12 *Disclosure of Interests in Other Entities*
    The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from January 1, 2017 and must be applied retrospectively.

  These amendments are not expected to have any impact on the financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Port Authority Act and the Jamaican Companies Act.

3.2 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 that are measured at revalued amounts or fair value as explained in the accounting policies below. Historical cost is usually based on the fair value of the consideration given in exchange for assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Authority and entities controlled by the Authority. Control is achieved when the Authority:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Authority has less than a majority of the voting rights of an investee, the Authority considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- the size of the Authority's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Authority;
- contractual arrangements with other vote holders of the investee
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Authority has the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Authority reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Authority obtains control over the subsidiary and ceases when the Authority loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Authority gains control until the date when the Authority ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Authority and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Authority.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)
When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, as the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below. (See Note 3.12.1(c)).

3.6 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.6 **Current versus non-current classification (continued)**

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3.7 **Fair value measurement**

The Group measures financial instruments and non-financial assets such as investment properties, at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Board of Directors determines the policies and procedures for recurring fair value measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained and are executed by tender process every 3 years. At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.8 Property, plant and equipment

All property, plant and equipment held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes professional fees, cost of replacing part of the property, plant and equipment and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy (See Borrowing costs at Note 3.22) if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property, plant and equipment (continued)

Assets in the course of construction for operations or administrative purposes, are carried at cost less any recognised impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. 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 recognised so as to write off the cost of assets (other than freehold land and properties under construction), less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any change in estimate being accounted for on a prospective basis. No depreciation is provided on land.

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 Group will obtain ownership by the end of the lease term, over the shorter of the useful life of the asset and the lease term.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.9 Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

3.10 Intangible assets – purchased

These represent application software acquired and are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangible assets – purchased (continued)

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is de-recognised.

3.11 Impairment of tangible and intangible assets

At the end of each reporting period, the Group 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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 cost 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 its 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.

When 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 profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.12 Financial instruments

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

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities are fair value through profit or loss where such costs are expensed) are added to or deducted from the fair value of the financial assets or financial liabilities or are recognised immediately in profit or loss, as appropriate, on initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

The fair values of financial instruments are discussed in Note 32.

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

3.12.1 *Financial assets*

Financial assets are classified into the following specified categories: 'loans and receivables', 'held to maturity' (HTM) and 'available-for-sale' (AFS) financial assets. The classification depends on the nature and purpose of the financial sets and is determined at the time of initial recognition.

Purchases and sales of financial assets are recognised or derecognised on a trade date basis that require delivery of assets within the timeframe established by regulation or convention in the market place.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

(a) *Loans and receivables*

These are non-derivative financial assets with a fixed term or determinable payments that are not quoted in an active market. Loan and receivables (including other investments, long-term receivables, trade and other receivables and cash and short-term deposits) are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables when recognition of interest would be immaterial.

Related party identification
A party is related if:

(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Group;
- has an interest in the entity that gives it significant influence over the Group; or
- has joint control over the Group;

(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group is a venture;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close family member 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 Group, or of any entity that is a related party of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

3.12.1 *Financial assets (continued)*

(a) *Loans and receivables (continued)*

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

(b) *Held-to-maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity subsequent to initial recognition. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(c) *Available-for-sale (AFS) investments*

AFS financial investments include equity and debt securities. Equity investments classified as AFS are those neither classified as held for trading nor designated at fair value through profit or loss.

Debt securities in this category 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.

The Group has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of fair value and other reserves. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value and other reserves is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

The available for-sale securities held by the Group include investment in associates and investment in joint venture, unquoted shares, and unsecured debenture.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

3.12.1 *Financial assets (continued)*

(c) *Available-for-sale (AFS) investments (continued)*

Investments in associates and joint ventures
An associate is an entity over which the Group has significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Group's OCI. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

3.12.1 *Financial assets (continued)*

(c) *Available-for-sale (AFS) investments (continued)*

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(d) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

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;
- breach of contract, such as default or delinquency in the interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group'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 amount of impairment loss 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

3.12.1 *Financial assets (continued)*

(d) *Impairment of financial assets (continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of fair value and other reserves. In respect of AFS debt securities, impairment losses are consequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(e) *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire; or the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

3.12.1 *Financial assets (continued)*

(e) *Derecognition of financial assets (continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.12.2 *Financial liabilities and equity*

a) Financial liabilities

<u>Classification as debt</u>
Debt instruments issued by the Group are classified as financial liabilities in accordance with the substance of the contractual arrangements and the definition of a financial liability.

Financial liabilities (including borrowings) are initially measured at fair value net of transaction costs and are subsequently remeasured at amortised cost, using the effective interest rate method.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability or where appropriate, a shorter period, to the net carrying amount on initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

3.12.2 *Financial liabilities and equity (continued)*

a) Financial liabilities (continued)

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

3.13 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Taxation (continued)

Deferred tax (continued)
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors and management reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investments properties.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 Inventories

Inventories 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 less all estimated costs to completion and costs necessary to make the sale.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Assets classified as held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

3.16 Reserves

At the discretion of the Board of Directors, transfers are made from the retained earnings to reserves to provide for the expansion and/or improvement in port facilities and to provide future insurance coverage for the Group's assets as well as for future claims against employer's liability insurance.

3.17 Employee benefits

a) Pension plans

The Group operates two pension plans:

(i) Defined contribution plan

This plan provides post retirement benefits that are based on the value of accumulated contributions and interest earned. The plan is funded by contributions from employees and employer with employees contributing 5% of annual salary (with the option of increasing this up to 10%) and the Group contributing 10% of annual salary. These costs are charged as expenses as they fall due. The Group bears no obligation for the provision of benefits beyond the terms of the plan except as indicated under 3.17(a)(ii) below.

(ii) Defined benefit plan

The Group has established a defined benefit pension scheme for its employees (in its employ subsequent to July 31, 2007 but before August 16, 2012) that is administered by Trustees and managed by Guardian Life Limited. The Scheme's assets are separately held and the Scheme is funded by employee contributions of 5% of pensionable salaries (with the option of contributing an additional 5%) and the Group's contributions as recommended by external actuaries.

Under the rules of this plan, members of the defined contribution plan between the period April 1, 1968 and July 31, 2007, referred to above, are entitled to a supplemental pension under certain circumstances. Such supplementary pension (if any) shall top up the pension which can be provided from the member's Scheme account to an amount equivalent to 2% of the member's pensionable service up to the date of retirement times the final pensionable emoluments.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Employee benefits (continued)

a) Pension plans (continued)

(ii) Defined benefit plan (continued)

The cost of providing benefits is determined using the Projected Unit Credit Method with external actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Authority recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'administration expenses' in the statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

b) Other post-retirement obligations

The Group 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.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation.

c) 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 Group 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Employee benefits (continued)

d) Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave for services rendered by employees up to the end of the reporting period and is classified as current or non-current when the payment is expected to be made.

3.18 Deferred income – Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 (where the effect of the time value of money is material).

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.

3.20 Revenue

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 sale related taxes. Revenue in respect of the provision of services is recognised when the service is provided.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Revenue (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group 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 (See Leasing below).

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

3.21 Leasing

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.

The Group as lessor
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.

The Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rental arising under operating leases are recognised as an expense in the period in which they occurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of the incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.22 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 capitalisation.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Jamaican dollars, which is the functional currency and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency 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 rates prevailing at that date. Non-monetary item carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. The gain or loss arising on the translation of non-monetary items carried at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. Other 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.

3.24 Comparative balances

Certain balances have been reclassified in the prior year to conform with the current year's presentation. These related to the reclassification of certain balances from revenue to other income. The reclassification had no impact on the financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors and management are 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 directors and management believe there are no critical judgements, apart from those involving estimations (See below), made in the process of applying the entity's accounting policies and that have a significant impact on the amounts recognised in the financial statements.

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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Property, plant and equipment

a) In 2006, management estimated that with routine maintenance, dredging of the sea channel at Kingston Container Terminal capitalised had a remaining useful life of 20 years. The carrying value at March 31, 2017 is $162.508 million (2016: $189.593 million) with management estimating remaining useful life as approximately 9 years (2016: 10 years).

b) In 2011/2012, management estimated that with routine maintenance, the dredging of the channel at Falmouth had a useful life of 20 years. The carrying value at March 31, 2017 is $2.940 billion (2016: $3.153 billion) with management estimating remaining useful life as approximately 14 years (2016: 15 years).

c) The pier and building of the joint venture has not been in use since December 2009 due to the termination of the joint venture agreement between The Authority and Banana Export Company Limited. Based on the advice of in-house engineers, management has determined that the leasehold improvements at the pier (docks) are fully impaired based on its current condition and indeterminable future use. (See Note 5(f)).

Revaluation of investment properties

The Group and the Authority carries its investment properties at fair value totaling $17.867 billion (2016: $17.276 billion) and $15.370 billion (2016: $14.744 billion), respectively, with changes in fair value being recognised in the statement of profit or loss. The Authority engaged external valuation specialists to determine the appropriate valuation techniques and inputs for fair value measurement. In estimating the fair value of an asset or a liability, the Group uses market–observable data to the extent it is available.

In determining the fair values of the Group's investment properties totaling $4.042 billion (2016: $4.161 billion) factors considered include current prices of properties of similar nature, condition and location adjusted to reflect those recent prices of similar properties in less active markets, with adjustment to reflect any changes in economic condition since the date of the transactions. A change of +/- 1% in consideration of current prices would result in the carrying value of the properties and net surplus increasing/decreasing by $40.42 million (2016: $41.61 million).

In determining the fair values of the Group's investment properties totaling $4.144 billion (2016: $4.696 billion), certain assumptions have been made, including the current rental values, current rental values of similar properties in the market, capitalisation rates of between 8% and 9% taking into account the capitalisation of rental income potential, discount rates of between 7% and 8% as well as the nature of the property and prevailing market conditions. A change of +/- 1% in consideration of current prices would result in the carrying value of the properties and net surplus increasing/decreasing by $41.44 million (2016: $46.96 million).

In determining the fair values of the Group's investment properties totaling $9.681 billion (2016: $8.419 billion), values were determined using sale of properties within the same geographical region occurring within the last three years. A change of +/- 1% in consideration of current prices would result in the carrying value of the properties and net surplus increasing/decreasing by $96.81 million (2016: $84.19 million).

Information about the valuation techniques and inputs used in determining the fair value of investment properties is disclosed in Note 6.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Employee benefit – retiree medical and group life plan

As disclosed in Note 11, the Group 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 $59.485 million (2016: $38.331 million) in respect of the defined benefit plan and a liability of approximately $35.038 million (2016: $35.038 million) in respect of the retiree medical and group life plans are subject to estimates in respect of periodic costs which net costs would be dependent on future returns on assets, future discount rates, rates of salary increases and mortality rates in respect of the pension plan, and inflation rates and rates of increases in health cost for the retiree medical and group life plan. External actuaries are contracted by the Group in this regard. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date.

The discount rates which are used to determine the present value of estimated cash outflows expected to be required to settle any future pension, medical and health obligation is determined at the end of each reporting period by contracted external actuaries. The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds or in their absence certain Government of Jamaica bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of the bonds include the issue size of the bonds and the quality of the bonds.

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 benefit is derived using information supplied by the Group 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.

Details of sensitivity analyses in respect of the defined benefit plans are disclosed at Note 11(h).

Income taxes
Estimates are required in determining the provision for income taxes and tax losses in respect of the Group's subsidiairies. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of ±10% in the final outcome of these estimates would have the effect of approximately $16.946 million (2016: $14.131 million) increase/decrease in tax charge for the year (See Notes 12 and 26).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

5 PROPERTY, PLANT AND EQUIPMENT

	The Group											
	Freehold Land $'000	Freehold Buildings $'000	Leasehold Improvements $'000	Tugs, Cranes, Trailers, Straddle Carriers, and Other Equipment $'000	Lighting Berths Berths 10 &11, Pavements $'000	Furniture and Office Equipment $'000	Motor Vehicles/ Motor Cycles $'000	Infrastructure $'000	Dredging $'000	Computers $'000	Capital Works-in Progress $'000	Total $'000
At cost or valuation												
April 1, 2015	6,314,631	1,947,782	76,826	2,081,847	11,677,378	182,602	161,304	6,601,118	5,147,621	220,636	611,592	35,023,337
Additions	-	-	12,123	11,367	-	27,721	8,749	1,257	-	22,844	674,638	758,699
Disposals	-	-	-	(1,558,147)	-	-	(6,915)	-	-	(61)	-	(1,565,123)
Write off (Note 5(e))	-	-	-	-	-	-	-	-	-	-	(3,759)	(3,759)
Transfer (to) from assets held for sale (Note 35)	-	-	-	4,603,488	-	44,291	(77,740)	-	-	161,425	6,175	4,737,639
Transfer to intangible assets (Note 7)	-	-	-	-	-	-	-	-	-	120	-	120
Transfer from works-in progress	-	14,005	972	48,735	-	-	-	-	-	3,873	(67,585)	-
Reclassification	-	-	258	(141)	-	(2,873)	-	1,352	-	1,404	-	-
Adjustments	-	-	-	-	-	(42)	-	-	-	-	18	(24)
March 31, 2016	6,314,631	1,961,787	90,179	5,187,149	11,677,378	251,699	85,398	6,603,727	5,147,621	410,241	1,221,079	38,950,889
Additions	-	-	1,706	7,518	-	48,353	14,464	332	-	43,892	1,389,685	1,505,950
Disposals	-	-	-	(1,074)	-	(352)	(1,502)	-	-	(825)	(2,674)	(6,427)
Write-off (Note 5(e))	-	-	-	-	-	(173)	-	-	-	-	(792)	(965)
Transfer (to) from assets held for sale (Note 35)	-	-	-	(990,282)	-	(388)	(2,125)	-	-	183	-	(992,612)
Transfer from investment properties (Note 6)	14,300	50,700	-	-	-	-	-	-	-	-	-	65,000
Transfer from works-in progress	-	-	-	-	-	16,730	-	3,840	-	5,665	(26,235)	-
Adjustments	-	-	-	-	-	(230)	(454)	-	-	-	(14)	(698)
March 31, 2017	6,328,931	2,012,487	91,885	4,203,311	11,677,378	315,639	95,781	6,607,899	5,147,621	459,156	2,581,049	39,521,137
Depreciation												
April 1, 2015	-	506,789	66,536	1,630,274	2,696,515	142,615	127,214	2,596,636	1,540,325	144,204	-	9,451,108
Charge for year	-	56,772	1,496	189,119	292,195	14,039	3,765	309,864	263,948	28,397	-	1,159,595
On disposals	-	-	-	(1,512,301)	-	-	(6,915)	-	-	(61)	-	(1,519,277)
Transfer from intangible assets (Note 7)	-	-	-	-	-	-	-	-	-	107	-	107
Transfer (to) from assets held for sale (Note 35)	-	-	-	4,172,736	-	35,851	(48,112)	-	-	153,526	-	4,314,001
Adjustment	-	-	-	-	-	(10)	-	-	-	-	-	(10)
Reclassification	-	-	26	-	-	(1,695)	-	406	-	1,263	-	-
March 31, 2016	-	563,561	68,058	4,479,828	2,988,710	190,800	75,952	2,906,906	1,804,273	327,436	-	13,405,524
Charge for year	-	55,674	2,442	60,051	292,195	16,375	5,446	303,031	237,335	30,994	-	1,003,543
On disposals	-	-	-	(1,074)	-	(331)	(1,519)	-	-	(799)	-	(3,723)
Transfer (to) from assets held for sale (Note 35)	-	-	-	(653,786)	-	-	(2,125)	-	-	495	-	(655,416)
March 31, 2017	-	619,235	70,500	3,885,019	3,280,905	206,844	77,754	3,209,937	2,041,608	358,126	-	13,749,928
Net book value												
March 31, 2017	6,328,931	1,393,252	21,385	318,292	8,396,473	108,795	18,027	3,397,962	3,106,013	101,030	2,581,049	25,771,209
March 31, 2016	6,314,631	1,398,226	22,121	707,321	8,688,668	60,899	9,446	3,696,821	3,343,348	82,805	1,221,079	25,545,365

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	The Authority										
	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, 2015	6,314,631	1,947,782	2,081,847	11,677,378	6,601,118	5,147,621	110,546	219,416	155,424	602,442	34,858,205
Additions	-	-	11,367	-	520	-	14,616	22,015	5,450	667,454	721,422
Disposals	-	-	(1,558,147)	-	-	-	-	(61)	(6,915)	-	(1,565,123)
Transfer (to) from assets held for sale (Note 35)	-	-	4,603,488	-	-	-	44,291	161,425	(77,740)	6,175	4,737,639
Reclassification	-	-	(141)	-	-	-	-	141	-	-	-
Transfer from works-in-progress	-	14,005	48,735	-	-	-	-	-	-	(62,740)	-
Transfer from intangible assets (Note 7)	-	-	-	-	-	-	-	120	-	-	120
Adjustment	-	-	-	-	-	-	(32)	-	-	18	(14)
March 31, 2016	6,314,631	1,961,787	5,187,149	11,677,378	6,601,638	5,147,621	169,421	403,056	76,219	1,213,349	38,752,249
Additions	-	-	7,518	-	332	-	31,978	43,724	8,900	1,384,030	1,476,482
Disposals	-	-	(1,074)	-	-	-	(352)	(825)	(1,502)	(2,674)	(6,427)
Transfer (to) from assets held for sale (Note 35)	-	-	(990,282	-	-	-	(388)	183	(2,125)	-	(992,612)
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Transfer from works-in-progress	-	-	-	-	3,840	-	10,097	-	-	(13,937)	-
Transfer from Investment Property (Note 6)	14,300	50,700	-	-	-	-	-	-	-	-	65,000
Adjustment	-	-	-	-	-	-	-	-	-	(14)	(14)
March 31, 2017	6,328,931	2,012,487	4,203,311	11,677,378	6,605,810	5,147,621	210,756	446,138	81,492	2,580,754	39,294,678
Depreciation											
April 1, 2015	-	506,789	1,630,274	2,696,515	2,596,636	1,540,325	86,281	143,335	123,994	-	9,324,149
Charge for year	-	56,772	189,119	292,195	309,434	263,948	11,138	25,037	3,079	-	1,150,722
On disposals	-	-	(1,512,301)	-	-	-	-	(61)	(6,915)	-	(1,519,277)
Transfer (to) from assets held for sale (Note 35)	-	-	4,172,736	-	-	-	35,851	153,526	(48,112)	-	4,314,001
Adjustment	-	-	-	-	-	-	-	107	-	-	107
March 31, 2016	-	563,561	4,479,828	2,988,710	2,906,070	1,804,273	133,270	321,944	72,046	-	13,269,702
Charge for year	-	55,674	60,051	292,195	302,822	237,335	11,669	28,041	4,191	-	991,978
On disposals	-	-	(1,074)	-	-	-	(331	(799)	(1,519)	-	(3,723)
Transfer (to) from assets held for sale (Note 35)	-	-	(653,786)	-	-	-	-	495	(2,125)	-	(655,416)
March 31, 2017	-	619,235	3,885,019	3,280,905	3,208,892	2,041,608	144,608	349,681	72,593	-	13,602,541
Net book value											
March 31, 2017	6,328,931	1,393,252	318,292	8,396,473	3,396,918	3,106,013	66,148	96,457	8,899	2,580,754	25,692,137
March 31, 2016	6,328,931	1,398,226	707,321	8,688,668	3,695,568	3,343,348	36,151	81,112	4,173	1,213,349	25,482,547

(Expressed in Jamaican dollars)

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The following rates are used for the depreciation of property, plant and equipment:

Buildings	-	20 – 40 years
Leasehold improvements	-	5 & 40 years
Tugs, cranes, trailers, straddle carriers and other equipment	-	10 – 25 years
Lighting, docks and berths	-	20 – 40 years
Furniture and office equipment	-	5 -10 years
Motor vehicles	-	5 & 10 years
Infrastructure and dredging	-	15 – 20 years
Computers	-	3 – 10 years
Equipment Spares	-	10 – 20 years

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

- Land

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

- Freehold buildings

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

- Port equipment, plant and machinery

  Port equipment, plant and machinery included at $1.02 billion were valued by Deryck A. Gibson, Licensed Real Estate Appraiser, 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 were recorded at the respective dates of valuation.

Subsequent additions are stated at cost.

(c) The Authority has pledged certain lands with a carrying value of $2.493 million (2016: $2.493 billion) as security for certain long-term liabilities. (Note 19(d)).

(d) Included in property, plant and equipment are lands vested by the Government of Jamaica with a carrying value of approximately $514.8 million (2016: $514.8 million) for which the Group does not hold a registered title as the legal formalities in this regard have not yet been completed.

(e) During the year and in 2015/2016, a subsidiary partially wrote off amounts carried in work-in-progress as the amounts were not deemed to fulfill the criteria for capitalisation under IAS 16 Property, Plant and Equipment.

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(f) The pier of a subsidiary has not been in use since December 2009 due to the termination of the joint venture agreement between The Port Authority of Jamaica and Banana Export Company Limited. In 2010/2011, management determined that the leasehold improvements at the pier (docks) were fully impaired based on its current condition and indeterminable future use.

(g) Quay wall financing arrangement with Kingston Freeport Terminal Limited (KFTL)

In keeping with the requirements of the Concession Agreement, the Authority is to contribute 50% of the cost, estimated at a maximum of US$30 million, associated with the financing of the Quay wall reinforcement project at the Kingston Container Terminal. As at March 31, 2017, an amount of US$1.5 million (J$186.5 million) has been advanced in respect of this project.

6 INVESTMENT PROPERTIES

	The Group		
	Land Note 6(a) $'000	**Buildings Note 6(b) $'000**	**Total $'000**
Fair value, April 1, 2015	12,107,697	4,904,296	17,011,993
Disposal	(194,000)	-	(194,000)
(Decrease) Increase in fair value (Note 25)	(996,287)	1,454,605	458,318
Fair value, March 31, 2016	10,917,410	6,358,901	17,276,311
Transfer to property, plant and equipment (Note 5)	(14,300)	(50,700)	(65,000)
Increase (Decrease) in fair value (Note 25)	1,261,753	(605,659)	656,094
Fair value, March 31, 2017	12,164,863	5,702,542	17,867,405

	The Authority		
	Land (Note 6(a)) $'000	**Buildings (Note 6(b)) $'000**	**Total $'000**
Fair value, April 1, 2015	11,112,697	3,449,296	14,561,993
Disposal	(194,000)	-	(194,000)
(Decrease) Increase in fair value (Note 25)	(1,036,512)	1,412,205	375,693
Fair value, March 31, 2016	9,882,185	4,861,501	14,743,686
Transfer to property, plant & equipment (Note 5)	(14,300)	(50,700)	(65,000)
Disposal			
Increase (Decrease) in fair value (Note 25)	1,184,978	(493,689)	691,289
Fair value, March 31, 2017	11,052,863	4,317,112	15,369,975

6 **INVESTMENT PROPERTIES (CONTINUED)**

(a) Investment Properties (Land)

Comprise mainly land retained for future development.

(b) Investment Properties (Buildings)

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

(c) Fair Value of Investment Properties

The fair value of the Group's investment properties at the end of the reporting period has been arrived at on the basis by of valuations carried out between January and March 2017 (2016: January and March 2016) by Allison Pitter & Company and C.D. Alexander Realty Company Limited, who possess the requisite qualifications and experience in the valuation of similar properties. In the opinion of the Board of Directors, the carrying values of the investment properties at March 31, 2017 (2016: March 31, 2016) would not differ significantly from market values of such properties at the date of the valuations.

Fair value hierarchy disclosures are provided in Note 32.

The fair values of the Group's commercial/industrial investment properties comprising land valued at $12.165 billion (2016: $10.917 billion) and buildings valued at $5.702 billion (2016: $6.359 billion) were determined based on the sale and market comparable approach that reflects recent transaction prices for similar properties and the capitalisation of the net income method (investment approach) by the application of between 8% and 9% income capitalisation rate and discount cash flow method.

The market rental of all lettable units of the properties, were assessed by reference to open market values and were increased annually by typical rental review patterns currently contracted. The net rents were further reduced by a provision of 3% where necessary for letting delays and voids throughout the life of the investment. The lands were valued using the sales and market comparable approach and buildings using the investment approach.

(d) The property rental income earned by the Group from its investment properties all of which are leased under operating leases amounted to $640.793 million (2016: $625.720 million). Direct operating expenses arising from the investment properties during the period amounted to $67.412 million (2016: $77.654 million).

(e) Certain charges in respect of a subsidiary long-term loan have been registered on land and building valued at $1.468 billion (2016: $1.393 billion) at the end of the reporting period (See Notes 19(d) and 19(g)).

7 INTANGIBLE ASSETS

	The Group $'000	The Authority $'000
Cost		
Balance, April 1, 2015	107,000	106,695
Additions	58	-
Transfers from property, plant and equipment (Note 5)	(120)	(120)
Balance, March 31, 2016	107,000	106,575
Additions	1,667	1,667
Disposal	(24,738)	(24,738)
Balance, March 31, 2017	83,929	83,504
Amortisation		
Balance, April 1, 2015	98,214	97,961
Charge for year	4,508	4,443
Transfers to property, plant and equipment (Note 5)	(107)	(107)
Balance, March 31, 2016	102,615	102,297
Charge for the year	1,412	1,347
Adjustment (Note 7(b))	(3,445)	(3,445)
Disposal	(17,835)	(17,835)
Balance, March 31, 2017	82,747	82,364
Carrying amount:		
March 31, 2017	1,182	1,140
March 31, 2016	4,385	4,278

(a) This consists primarily of software purchased and developed, the costs of which are being amortised over a period of three to seven years.

(b) This represents adjustments arising from management's extensive reconciliation exercise conducted during the year.

8 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

(a) Investments in associates

	The Group	
	2017	2016
	$'000	$'000
Shares at cost		
Security Administrators Limited	7,353	7,353
Montego Cold Storage Limited	20	20
Reserves		
Share of reserves at acquisition	12,331	12,331
Dividend received	(7,000)	(7,000)
Share of post acquisition profits	146,485	125,008
	159,189	137,712

Summarised financial information in respect of the Group's associates is as follows:

	The Group	
	(Unaudited)	(Unaudited)
	2017	2016
	$'000	$'000
Total assets	424,943	352,149
Total liabilities	(75,878)	(58,454)
Net assets	349,065	293,695
Group's share of associates' net assets	116,355	97,898
Revenue	594,459	512,622
Profit for the year	64,431	42,615
Group's share of associates' profit for the year	21,477	14,205

8 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (CONTINUED)

(b) Investments in subsidiaries and joint ventures

	The Authority		
	2017 $'000	2016 $'000	
Shares at cost			
Subsidiary companies			
Kingston Free Zone Co. Ltd. (KFZ)	12,410	12,410	
Montego Bay Free Zone Co. Ltd. (MBFZ)	-	-	*
Ports Management and Security Ltd. (PMS)	-	-	**
Jamaica International Free Zone Development Ltd. (JIFZ)	10,725	10,725	***
Port Authority Management Services Ltd. (PAMS)	-	-	****
KCT Services Limited	-	-	*****
	23,135	23,135	
Joint venture			
Boundbrook Wharves Development Company		-	******
Associated companies			
Security Administrators Ltd.	7,353	7,353	
Montego Cold Storage Limited	20	20	
	7,373	7,373	
Total investments in subsidiaries and joint venture	30,508	30,508	

* Denotes 1 ordinary share
** Denotes 51 ordinary shares
*** Denotes 10,725,075 ordinary shares
**** Denotes 500 ordinary shares
***** Denotes 200 ordinary shares
****** Denotes 102 ordinary shares

Financial information of subsidiaries for which the Authority has material non-controlling interests are provided below:

	KFZ $'000	MBFZ $'000	PMS $'000	JIFZ $'000	The Group 2017 $'000	The Group 2016 $'000
Total assets	1,441,911	746,274	1,280,241	1,557,083	5,025,509	4,391,422
Total liabilities	(89,132)	(260,017)	(186,938)	(336,478)	(872,565)	(787,577)
Net assets	1,352,779	486,257	1,093,303	1,220,605	4,152,944	3,603,845
Revenue	276,044	489,675	2,330,683	182,001	3,278,403	2,848,184
(Loss) Profit for the year	(32,671)	91,598	368,891	121,281	549,099	565,831
Attributable to non-controlling interest	(9,148)	45,799	180,757	30,320	247,728	238,560

8 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES (CONTINUED)

(b) Investments in subsidiaries and joint ventures (continued)

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

	The Authority	
	2017 $'000	2016 $'000
Total assets	5,486	5,486
Total liabilities	(35,968)	(35,968)
Net liabilities	(30,482)	(30,482)

The joint venture is currently not trading, accordingly there was no profit (loss) for the year. It is the intention of the Authority to wind up the joint venture. As at March 31, 2017, the process had commenced. As the joint venture is currently not operating, the Authority has committed to settle the joint venture's day to day expenses in the interim.

9 OTHER INVESTMENTS

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
<u>Loans and receivable</u>				
Deposits (See 9(a) below)	1,322,085	1,260,769	1,313,126	1,252,347
Staff mortgage deposits (See 9(b) below)	36,927	35,966	31,997	31,292
	1,359,012	1,296,735	1,345,123	1,283,639

9 OTHER INVESTMENTS (CONTINUED)

(a) This amount includes:

i) Approximately US$6,270,000 (2016: US$6,248,000) on 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 loans are to be repaid by March 2020 and July 2021, respectively (Note 19(e)). The Group maintains the deposit at an amount to meet the required ratio which was met at the end of the reporting period. At period end the rate of interest on this deposit ranged from 0.2343% to 0.4530% (2016: 0.0468% to 0.125%) per annum. At March 31, 2017, interest receivable amounted to $0.543 (2016: $0.497 million) for the Group and the Authority.

ii) US$4 million (J$509.73 million) (2015: US$4 million (J$483.70 million) hypothecated in respect of the First Caribbean International Bank US$15 million loan facility which was disbursed on September 1, 2011 and is repayable by 2021/2022 (Note 19(f)). At March 31, 2017 interest receivable amounted to $0.048 million (2016: $0.149) million for the Group and the Authority.

iii) A fixed deposit of US$69,839 (J$8.959 million) (2016: US$69,119 (J$8.422 million)) hypothecated to secure a long-term loan by a subsidiary company (See Note 19(g)) and held at an interest rate of 0.65% (2016: 1.391%). At March 31, 2017, interest receivable amounted to $0.36 million (2016: $0.34 million) for the Group.

(b) This represents savings account balances held at Victoria Mutual Building Society at a rate of approximately 0.20% - 8% (2016: 0.20% - 8%) per annum for the Group and approximately 0.20% – 3% (2016: 0.20 – 3.15%) per annum for the Authority. At March 31 2017, interest receivable amounted to $0.252 million (2016: $0.269 million) for the Group and $0.180 million (2016: $0.178 million) for the Authority.

10 LONG-TERM RECEIVABLES

	The Group		The Authority	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Staff housing assistance fund (Note 10(a))	13,912	14,532	13,912	14,532
Deposit – Jamaica Public Service Co. Ltd.	5,475	3,475	5,475	3,475
Advances to related companies (net) (Note 10(b))	-	-	76,226	76,226
Other	506	506	506	506
	19,893	18,513	96,119	94,739
Current portion included in trade and other receivables (Note 14) - other	(4,044)	(3,940)	(4,044)	(3,940)
	15,849	14,573	92,075	90,799

10 LONG-TERM RECEIVABLES (CONTINUED)

(a) Staff housing assistance fund

This represents the balance on a revolving fund used to provide housing benefits to staff members of the Authority. The loan amounts are between $550,000 and $960,000 with repayment terms ranging between 7 to 10 years. Loans are granted at an average interest rate of 3% per annum.

(b) Advances to related companies (net)

These comprise the following:

	The Authority	
	2017 $'000	2016 $'000
Montego Bay Free Zone Company Limited	(4,500)	(4,500)
Jamaica International Free Zone Development Limited	80,726	80,726
	76,226	76,226

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

11 POST EMPLOYMENT BENEFITS

Defined benefit pension plans
The Group has established a defined benefit plan for its employees (in its employ subsequent to July 31, 2007 but before August 16, 2012). The Plan is administered by Trustees and managed by Guardian Life Insurance Company Limited. The Board of Trustees includes representatives from the employer and members of the plan.

Each year, the Board of Trustees reviews the level of funding. Such review includes the asset liability matching strategy and investment risk management policy. The Board of Trustees decides its contribution based on the results of this annual review. Generally it aims to have a portfolio mix of 75% of the total asset portfolio in the Deposit Administration Fund and 25% in the Pooled Pension Fund of Guardian Life Insurance Company Limited.

The plan is exposed to inflation, interest rate risk and changes in the life expectancy for pensioners. As the plan assets include investments in quoted equities, the plan is exposed to market risk.

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 Group meets the balance of the cost of the Plan's benefits and administrative expense as determined by the external actuary. As at March 31, 2017, the Authority contributed at a rate of 10% (2016: 10%) of pensionable salaries.

The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligations were carried out on April 13, 2017 (2016: April 7, 2016) by Duggan Consulting Limited, Fellow of the Institute of Actuaries. This valuation was in respect of extrapolated balances at March 31, 2017 (2016: March 31, 2016). The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

11 POST EMPLOYMENT BENEFITS (CONTINUED)

Retiree medical and group life plan

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

The most recent actuarial valuation of the retiree medical plan assets and the present values of the obligations were carried out at January 29, 2016 by Eckler Partners Limited (Consulting Actuaries) in respect of extrapolated obligations as at March 31, 2016. 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:

	The Group and The Authority	
	2017	**2016**
	%	%
Discount rate	9.5	9.0
Future salary increases	6.5	5.5
Future pension increases	Nil	Nil
Health cost inflation	6.0	6.0
	Years	**Years**
Life expectation for pensioners retiring at the age of 65:		
- Defined Benefit Plan		
Male	21.83	21.83
Female	25.58	25.58
- Retiree Medical Plan		
Male	27.68	27.68
Female	19.17	19.17

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

	The Group and The Authority					
	Defined Benefit Plan		**Retiree Medical Plan**		**Total**	**Total**
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$000	**$000**	**$'000**	**$'000**	**$'000**	**$'000**
Present value of obligation	105,707	87,591	35,038	35,038	140,745	122,629
Fair value of plan assets	(165,192)	(125,922)	-	-	(165,192)	(125,922)
Net (asset) liability recognised in statement of financial position	(59,485)	(38,331)	35,038	35,038	(24,447)	(3,293)

11 POST EMPLOYMENT BENEFITS (CONTINUED)

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

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2017	2016	2017	2016	2017	2016
	$000	$000	$'000	$'000	$'000	$'000
Balance, beginning of the period	(38,331)	13,641	35,038	29,869	(3,293)	43,510
Net expense to profit and loss	242	617	-	2,620	242	3,237
Total re-measurement to other comprehensive income	9,437	22,695	-	7,139	9,437	29,834
Contributions by employer:						
- regular	(12,833)	(29,404)	-	(4,590)	(12,833)	(33,994)
- supplemental (*)	(18,000)	(13,641)	-	-	(18,000)	(13,641)
Adjustment for supplemental pension for members of the defined contribution plan	-	(32,239)	-	-	-	(32,239)
Balance, end of the period	(59,485)	(38,331)	35,038	35,038	(24,447)	(3,293)

(*) During the year, $18 million (2016: $13.641 million) was paid in respect of supplemental pension due for the defined contribution plan.

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

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2017	2016	2017	2016	2017	2016
	$000	$000	$'000	$'000	$'000	$'000
Current service cost	4,422	4,418	-	-	4,422	4,418
Interest obligation	8,566	6,308	-	2,620	8,566	8,928
Interest income on plan asset	(12,746)	(10,109)	-	-	(12,746)	(10,109)
Net costs for year included in profit and loss	242	617	-	2,620	242	3,237
Items in other comprehensive income:						
Remeasurement loss on obligation	4,563	18,148	-	7,139	4,563	25,287
Remeasurement loss on assets	4,874	4,547	-	-	4,874	4,547
Total remeasurement for other comprehensive income	9,437	22,695	-	7,139	9,437	29,834
Total	9,679	23,312	-	9,759	9,679	33,071

11 POST EMPLOYMENT BENEFITS (CONTINUED)

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

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2017	2016	2017	2016	2017	2016
	$000	$000	$'000	$'000	$'000	$'000
Opening defined benefit obligation	87,591	60,216	35,038	29,869	122,629	90,085
Current service cost	4,422	4,418	-	-	4,422	4,418
Interest cost	8,566	6,308	-	2,620	8,566	8,928
Contributions from plan participants						
- compulsory	5,759	5,035	-	-	5,759	5,035
- voluntary	3,182	2,225	-	-	3,182	2,225
Benefits paid	(8,376)	(8,759)	-	(4,590)	(8,376)	(13,349)
Remeasurement loss on obligation for Other Comprehensive Income	4,563	18,148	-	7,139	4,563	25,287
Closing defined benefit obligation	105,707	87,591	35,038	35,038	140,745	122,629

The remeasurement loss comprises:

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2017	2016	2017	2016	2017	2016
	$'000	$000	$'000	$000	$'000	$000
- changes in financial assumption	(3,154)	7,421	-	1,025	(3,154)	8,446
- experience adjustment	7,717	10,727	-	2,340	7,717	13,067
- change in demographic assumptions	-	-	-	3,774	-	3,774
	4,563	18,148	-	7,139	4,563	25,287

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

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2017	2016	2017	2016	2017	2016
	$000	$000	$'000	$'000	$'000	$'000
Opening fair value of plan assets	125,922	92,455	-	-	125,922	92,455
Adjutment to fund at start of year		-	-	-		-
Interest income on plan assets	12,746	10,109	-	-	12,746	10,109
Contributions (employer and employees)	39,774	36,664	-	-	39,774	36,664
Benefits paid	(8,376)	(8,759)	-	-	(8,376)	(8,759)
Remeasurement loss on obligation for Other Comprehensive Income	(4,874)	(4,547)	-	-	(4,874)	(4,547)
Closing fair value of the plan assets	165,192	125,922	-	-	165,192	125,922

11 POST EMPLOYMENT BENEFITS (CONTINUED)

(g) The major categories of plan assets at the end of the reporting period:

	The Group and The Authority	
	2017	**2016**
	$'000	**$'000**
Deposit Administrator Fund	145,827	110,264
Pooled Investment Fund	11,965	9,506
Pooled Money Market Fund	7,400	6,152
	165,192	125,922

(h) Quantitative sensitivity analyses for significant assumptions at the end of the reporting period are shown below:

	2017			
	The Group and The Authority			
Assumptions	**Sensitivity level**	**Impact on defined benefits obligation $'000**	**Sensitivity level**	**Impact on defined benefits obligations $'000**
Financial				
Discount rate	+1%	83,800	-1%	141,034
Future salary increase	+1%	117,185	-1%	95,989
Demographic				
Life expectancy of pensioners	+1 year	107,742	-1 year	103,590

	2016			
	The Group and The Authority			
Assumptions	**Sensitivity level**	**Impact on defined benefits obligation $'000**	**Sensitivity level**	**Impact on defined benefits obligations $'000**
Financial				
Estimated health care cost increase	+1%	37,240	-1%	33,029
Discount rate	+1%	67,408	-1%	121,210
Future salary increase	+1%	96,637	-1%	80,758
Demographic				
Life expectancy of pensioners	+1 year	89,860	-1 year	85,272

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

11 POST EMPLOYMENT BENEFITS (CONTINUED)

(i) The Authority expects to make a contribution of $12 million (2016: $12 million) to the health benefit scheme and $18 million (2016: $18 million) to the defined benefit plan during the next financial year.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years (2016: 19 years). The average liability duration of the retiree medical plan was 6.83 years (2016: 6.83 years).

Defined Contribution Plan
The Group participates in a defined contribution pension scheme administered by the Trustees and managed by Guardian Life Insurance Company Limited. The Scheme is funded by eligible employees' contribution of five percent (5%) plus an optional contribution of five percent (5%). The Authority contributes at a rate of ten percent (10%) of pensionable salaries. The contributions by the Group and the Authority for the year amounted to $85.843 and $66.637 million (2016: $111.912 million and $36.810 million) respectively.

12 DEFERRED TAX (LIABILITIES) ASSETS

This comprises:

	The Group	
	2017	**2016**
	$'000	**$'000**
By transaction type		
Deferred tax assets	4,946	54,527
Deferred tax liabilities	(22,676)	(71,386)
	(17,730)	(16,859)
By entities		
Deferred tax assets	548	548
Deferred tax liabilities	(18,278)	(17,407)
	(17,730)	(16,859)

The movement during the year in the Group's net deferred tax position was as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of the year	(16,859)	(4,824)
Charged to income for the year (Note 26(a))	(871)	(12,035)
Balance at end of the year	(17,730)	(16,859)

12 DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

The movement in deferred tax assets and liabilities recognised by the Group during the year is as follows:

By transaction type

	Deferred Tax Assets					Deferred Tax Liabilities				
	Interest Payable $'000	Depreciation Charges in Excess of Capital Allowances $'000	Accrued Vacation Leave $'000	Unrealised Foreign Exchange Loss $'000	Total $'000	Capital Allowances in Excess of Depreciation Charges $'000	Interest Receivable $'000	Unrealised Foreign Exchange Gain $'000	Reimbursable Expenses $'000	Total $'000
At April 1, 2015	-	1,083	41,795	2,402	45,280	(6,172)	(681)	(3,674)	(39,577)	(50,104)
Credited (charged) to income for the year	6	(177)	11,479	(2,061)	9,247	(1,069)	(3,175)	(6,081)	(10,957)	(21,282)
At March 31, 2016	6	906	53,274	341	54,527	(7,241)	(3,856)	(9,755)	(50,534)	(71,386)
(Charged) credited to income for the year	(1)	(287)	(49,120)	(173)	(49,581)	(819)	(770)	(235)	50,534	48,710
At March 31, 2017	5	619	4,154	168	4,946	(8,060)	(4,626)	(9,990)	-	(22,676)

12 DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

By Entities

	Deferred Tax Assets	Deferred Tax Liabilities				
	Boundbrook Wharves Ltd	Kingston Free Zone Company Limited	Montego Bay Free Zone Company Limited	Ports Management and Security Limited	Jamaica International Free Zone Development Limited	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At April 1, 2015	548	(740)	(1,964)	3,283	(5,951)	(5,372)
Charged to income for the year	-	(1,439)	(4,305)	(5,628)	(663)	(12,035)
At March 31, 2016	548	(2,179)	(6,269)	(2,345)	(6,614)	(17,407)
(Charged) credited to income for the year	-	(847)	(1,108)	1,996	(912)	(871)
At March 31, 2017	548	(3,026)	(7,377)	(349)	(7,526)	(18,278)

13 INVENTORIES

	The Group and The Authority	
	2017	2016
	$'000	$'000
Spares	53,553	50,071
Fuel	29,400	29,541
Other	8,189	7,168
Goods in transit	3,828	-
	94,970	86,780

The cost of inventories recognised as an expense during the year was $0.259 billion (2016: $1.073 billion).

Inventories amounting to $1.159 billion (2016: $926.069 million) was transferred to assets held for sale in accordance with the terms of the privitisation of Kingston Container Terminal concession agreement.

14 TRADE AND OTHER RECEIVABLES

	The Group		The Authority	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade	1,696,694	2,424,830	1,009,526	2,163,490
Provision for bad debts	(212,782)	(217,139)	(64,057)	(79,773)
	1,483,912	2,207,691	945,469	2,083,717
Deposits and prepayments	86,339	69,599	82,730	66,648
Staff receivables	37,530	36,553	36,747	35,731
GCT recoverable	8,285	10,161	-	-
Advances to subsidiaries and joint venture (Note 14(a))	-	-	14,988	46,007
Current portion of long-term receivables (Note 10)	4,044	3,940	4,044	3,940
Sale of assets not yet finalised	-	214,498	-	214,498
Sundry receivables	144,959	367,296	137,543	361,207
	1,765,069	2,909,738	1,221,521	2,811,748

The average credit period on services rendered is 30 days.

14 **TRADE AND OTHER RECEIVABLES (CONTINUED)**

It is the policy of the Group to minimise credit and the associated risks of non-collection. The management of credit risk is therefore given priority. Therefore, despite the majority of the Group's major debtors being entities within the maritime industry which have developed long-standing relationships with the Group, the Group 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 Group 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 Group, reviewing financial statements and obtaining bank references for the customer. In certain instances an irrevocable bank guarantee is required prior to granting credit. The credit policy also addresses specific actions that will be taken when receivables are outstanding for periods in excess of the credit periods granted.

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

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

As at March 31, 2017, trade and other receivables of $0.783 billion (2016: $1.019 billion) for the Group and $0.466 billion (2016: $0.944 billion) for the Authority was past due but not impaired. These relate to a number of independent customers for whom there is no history of default. The Group does not hold any collateral over these balances. The average age of these receivables is 49 days (2016: 39 days).

Ageing of past due but not impaired

	The Group		**The Authority**	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
31-60 days	464,118	767,310	261,605	740,795
61-90 days	154,711	127,644	49,876	121,925
Over 90 days	164,272	124,014	154,267	81,238
	783,101	1,018,968	465,748	943,958

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 are 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.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impaired receivables

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at beginning of the year	217,139	146,374	79,773	24,939
Impairment losses recognised	387,386	83,205	376,695	67,625
Impairment losses reversed	(393,021)	(13,238)	(392,411)	(12,791)
Amount written off	-	(18)	-	-
Foreign exchange adjustment	1,278	816	-	-
Balance at end of the year	212,782	217,139	64,057	79,773

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The directors believe 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

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Over 90 days	212,782	217,139	64,057	79,773

(a) Advances to subsidiaries and joint venture

These comprise the following:

	The Authority	
	2017 $'000	2016 $'000
Kingston Free Zone Company Limited	4,287	3,568
Montego Bay Free Zone Company Limited	3,696	4,342
Ports Management and Security Limited	3,481	9,118
Jamaica International Free Zone Company Limited	758	-
Port Authority Management Services Limited	127,038	116,943
Boundbrook Wharves Development Company Limited	12,334	18,313
	151,594	152,284
Provision for impairment losses (Note 30)	(136,606)	(106,277)
	14,988	46,007

These amounts are unsecured, non-interest bearing and have no stipulated repayment terms.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impairment

	The Authority 2017 $'000	The Authority 2016 $'000
Balance at the beginning of the year	106,277	106,277
Impairment losses recognised	30,329	-
Balance at the end of the year	136,606	106,277

15 CASH AND SHORT-TERM DEPOSITS

		The Group				The Authority			
		2017		2016		2017		2016	
		US$'000	J$'000	US$'000	J$'000	US$'000	J$'000	US$'000	J$'000
Cash -	J$	-	101,869	-	72,108	-	60,628	-	44,020
-	US$	7,693	982,894	14,683	1,781,939	6,341	810,214	12,617	1,531,325
Short-term deposits -	J$	-	616,570	-	660,060	-	398,390	-	181,582
-	US$	98,976	12,646,992	23,777	2,886,728	88,701	11,333,013	18,092	2,195,710
		106,669	14,348,325	38,460	5,400,835	95,042	12,602,245	30,709	3,952,637

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 this balance are amounts totaling $524.639 million (2016: $443.426 million) designated in respect of the partial funding of fixed assets replacement (Note 16(f), employer's liability insurance reserve (Note 16(g) and wharfage reserve (Note 16(h)). The Jamaican dollar deposits are at interest rates ranging from 0.20% - 7.05% (2016: 0.2% - 6.6%) per annum for the Group and 0.20% - 7.05% (2016: 0.2% - 6.4%) per annum for the Authority. The United States dollar deposits are at interest rates ranging from 0.23% - 3.% (2016: 0.25% - 3%) per annum for the Group and 0.23% - 3% (2016: 0.25% - 3%) per annum for the Authority.

16 RESERVES

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
General (Note 16(a))	359,450	359,450	359,450	359,450
Capital (Note 16b))	5,089,330	5,089,330	5,083,337	5,083,337
Development (Note 16(c))	305,150	305,150	305,150	305,150
Equalisation (Note 16(d))	1,630	1,630	1,630	1,630
Stabilisation (Note 16(e))	32	32	32	32
Fixed assets replacement (Note 16(f))	611,900	554,791	611,900	554,791
Insurance (Note 16(g))	147,107	142,557	147,107	142,557
Wharfage (Note 16(h))	184,379	166,848	184,379	166,848
	6,698,978	6,619,788	6,692,985	6,613,795

(a) General

This represents transfers 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 the 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 by the Pilotage Department transferred from retained earnings.

(e) Stabilisation

This represents profits from the operation of a tug service on behalf of the Authority transferred from retained earnings.

16 RESERVES (CONTINUED)

(f) Fixed assets replacement

This represents transfers from retained earnings to offset the cost of replacing fixed assets. It is partially funded by bank deposits totaling $232.553 million (2016: $174.880 million) (Note 15).

This comprises:

	The Group and The Authority	
	2017	2016
	$'000	$'000
Transfer from retained earnings	816,427	759,318
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 effect repairs to wharves	(31,330)	(31,330)
Amounts used to acquire property	(178,193)	(178,193)
	611,900	554,791

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 includes amounts transferred from retained earnings for a partially unfunded insurance reserve to provide for future insurance coverage of the Authority's assets. This also includes a reserve for $109.608 million (2016: $105.058 million) for future claims against employer's insurance liability for the Authority's Container Terminal Operations which is funded by bank deposits of $109.607 million (2016: $105.056 million). (Note 15).

(h) Wharfage fund 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% (2016: 16%) of total direct gross wharfage revenue. It is partially funded by bank deposits totaling $182.479 million (2016: $163.490 million (Note 15).

This comprises:

	The Group and The Authority	
	2017	2016
	$'000	$'000
Transfers from retained earnings	328,587	311,056
Amount drawn down for property purchase	(144,208)	(144,208)
	184,379	166,848

17 RETAINED EARNINGS

This comprises accumulated surplus as follows:

	The Group	
	2017 $'000	2016 $'000
The Authority	13,558,387	8,838,648
Its Subsidiaries	2,574,236	2,227,091
Its Associates	146,485	125,008
	16,279,108	11,190,747

18 NON-CONTROLLING INTEREST IN SUBSIDIARY COMPANIES

Non-controlling interests are in respect of shares in the following subsidiary companies:

	The Group	
	2017 $'000	2016 $'000
Ordinary shares in:		
Kingston Free Zone Company Limited	5,965	5,965
Montego Bay Free Zone Company Limited*	-	-
Boundbrook Wharves Development Company Limited**	-	-
Ports Management and Security Limited *** (Note 18(a))	128,600	128,600
Jamaica International Free Zone Limited	3,575	3,575
	138,140	138,140
Share of profits in subsidiary companies attributable to minority shareholders' interest:		
Opening balance	1,165,385	926,805
Movement for year	247,728	238,580
Closing balance	1,413,113	1,165,385
	1,551,253	1,303,525
Share of capital reserve	2,331	2,331
Share of pre-acquisition profits	1,257	1,257
	1,554,841	1,307,113

* Denotes 1 ordinary share totalling $1.00.

** Denotes 98 'B' ordinary shares totalling of $98.

*** Denotes 49 ordinary shares totalling $49 and 23 non-redeemable preference shares totalling $128.6 million.

18 NON-CONTROLLING INTEREST IN SUBSIDIARY COMPANIES (CONTINUED)

a) The 23 preference shares valued at $128.6 million issued to the Shipping Association of Jamaica (SAJ):

(i) do not confer any right to preferential dividend;
(ii) do not confer the right to any participation in the profits or assets of the company;
(iii) do not entitle SAJ to participate in annual audited profits/loss or interest or dividends;
(iv) do not entitle the holders to receive notice of or attend or vote at any general meeting; and
(v) will not be redeemed in any manner subject to the relevant provisions of the statutes.

The preference shares shall not on a winding up, entitle the holders of such preference shares to have any of the assets or liabilities of the subsidiary available for distribution.

19 LONG-TERM LIABILITIES

	The Group		The Authority	
These comprise:	**2017**	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
(a) Non-government loans				
Foreign currency loans (Note 19(d)(i))	11,345,571	15,626,208	11,180,142	15,437,915
Local currency loan (Note 19(d)(ii))	5,203,651	4,411,750	5,203,651	4,411,750
	16,549,222	20,037,958	16,383,793	19,849,665
(b) Government loans (Note 19(h))				
Foreign currency loans	16,273,735	15,437,025	16,273,735	15,437,025
Local currency loans	557,171	74,531	550,002	67,362
	16,830,906	15,511,556	16,823,737	15,504,387
(c) Lease liability				
Foreign currency (Note 19(i))	-	2,713	-	2,713
	33,380,128	35,552,227	33,207,530	35,356,765
Loan interest payable	342,110	344,830	342,088	344,808
Prepaid credit insurance (Note 19(m))	(83,533)	(195,074)	(83,533)	(195,074)
Loan fees	(74,722)	(81,900)	(74,376)	(81,487)
	33,563,983	35,620,083	33,391,709	35,425,012
Current portion:				
Long-term liabilities	(4,525,499)	(6,986,204)	(4,492,391)	(6,954,800)
Prepaid credit insurance	49,961	113,416	49,961	113,416
Amortised loan fees	1,490	7,178	1,422	7,111
Current portion of long-term liabilities	(4,474,048)	(6,865,610)	(4,441,008)	(6,834,273)
	29,089,935	28,754,473	28,950,701	28,590,739

19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans

Interest Rate %	Lender	Repayment Instalments		The Group 2017 Foreign Currency $'000	2017 JMD $'000	2016 Foreign Currency $'000	2016 JMD $'000
(i) Foreign currency loans							
LIBOR + 1.50	HSBC US$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US$	30,609	3,938,376	49,397	6,028,569
3.00	European Investment Bank Loan #20.729 (KCT 3 Western Expansion) (Note 19(e))	Annually until 2020/2021	EURO	3,736	514,902	4,603	637,521
3.56	European Investment Bank Loan #20.553 (KCT 3 Western Expansion) (Note 19(e))	Semi-annually until 2019/2020	US$	7,062	908,684	9,265	1,130,711
3.38	European Investment Bank Loan #1.8902	Semi-annually until 2016/2017	US$	-	-	906	110,604
	Gordon Cay		SF	-	-	72	9,078
			STRL	-	-	25	4,417
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche B	Semi-annually until 2016/2017	US$	-	-	284	34,622
	Carried forward				5,361,962		7,955,522

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

19 **LONG-TERM LIABILITIES (CONTINUED)**

(d) Non-government loans (continued)

Interest Rate %	Lender	Repayment Instalments		The Group 2017 Foreign Currency $'000	2017 JMD $'000	2016 Foreign Currency $'000	2016 JMD $'000
(i) Foreign currency loans (continued)							
	Brought forward				5,361,962		7,955,522
8.755	Bank of Nova Scotia (US$44M) refinanced (Note 19(j)(i))*	Quarterly until 2020/2021	US$	14,979	1,927,363	19,235	2,347,458
5.97	Bank of Nova Scotia – Europe (US$48.65M)	Quarterly until 2017/2018	US$	3,648	469,358	8,509	1,038,464
8.95	Bank of Nova Scotia – (US$39.4M) refinanced (Note 19(j)(ii))*	Quarterly until 2021/2022	US$	19,664	2,530,105	23,593	2,879,386
LIBOR+0.35	FirstCaribbean International Bank (Note 19(f))	Quarterly until 2021/2022	US$	6,928	891,354	8,954	1,092,767
LIBOR+2.62	FirstCaribbean International Bank (Note 19(g))	Quarterly until 2020/2021	US$	1,285	165,429	1,542	188,293
	Insurance Financing	Monthly until 2015/2016	US$	-	-	1,019	124,318
					11,345,571		15,626,208
(ii) Local currency loan							
8.44	Scotia Investments Jamaica Limited (Note 19(j)(iii))	Semi-annually until 2016/2017			-		1,912,176
7.9	FirstCaribbean International Securities Limited & NCB Capital Markets Limited (Note 19(j)(vii))	In full June 2018			2,703,879		-
14.50	NCB Insurance Company Limited ($2B) & Sagicor Life Jamaica Limited ($500M) (Note 19(j)(vi))	In full March 2054			2,499,772		2,499,574
					5,203,651		4,411,750
TOTAL					16,549,222		20,037,958
Secured							
Guaranteed by the Government of Jamaica					10,288,788		16,098,384
Charge on the assets (Note 5(c))					2,665,201		2,722,489
Unsecured - Evidenced by Promissory Notes					3,595,233		1,217,085
					16,549,222		20,037,958

Three months LIBOR at March 31, 2017 was 1.14956% (2016: 0.6286%)
Six months LIBOR at March 31, 2017 was 1.42322% (2016: 0.8997%)
Prime at March 31, 2017 was 4% (2016: 3.5%).

* These loans were restructured in 2008/2009 resulting in an extension of the repayment period (Note 19(j)).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (continued)

Interest Rate %	Lender	Repayment Instalments		The Authority 2017 Foreign Currency $'000	2017 JMD $'000	2016 Foreign Currency $'000	2016 JMD $'000
(i) Foreign currency loans							
LIBOR + 1.50	HSBC US$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US$	30,609	3,938,376	49,397	6,028,569
3.00	European Investment Bank Loan #20.729 (KCT 3 Western Expansion) (Note 19(e))	Annually until 2020/2021	EURO	3,736	514,902	4,603	637,521
3.56	European Investment Bank Loan #20.553 (KCT 3 Western Expansion) (Note 19(e))	Semi-annually until 2019/2020	US$	7,062	908,684	9,265	1,130,711
3.38	European Investment Bank Loan #1.8902	Semi-annually until 2016/2017	US$	-	-	906	110,604
	Gordon Cay		SF	-	-	72	9,078
			STRL	-	-	25	4,417
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche B	Semi-annually until 2016/2017	US$	-	-	284	34,622
	Carried forward				5,361,962		7,955,522

19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (continued)

Interest Rate %	Lender	Repayment Instalments		The Authority 2017 Foreign Currency $'000	2017 JMD $'000	2016 Foreign Currency $'000	2016 JMD $'000
(i) Foreign currency loans							
	Brought forward				5,361,962		7,955,522
8.755	Bank of Nova Scotia (US$44M) refinanced (Note 19(j)(i))*	Quarterly until 2020/2021	US$	14,979	1,927,363	19,235	2,347,458
5.97	Bank of Nova Scotia – Europe (US$48.65M)	Quarterly until 2017/2018	US$	3,648	469,358	8,509	1,038,464
8.95	Bank of Nova Scotia – (US$39.4M) refinanced (Note 19(j)(ii))*	Quarterly until 2021/2022	US$	19,664	2,530,105	23,593	2,879,386
LIBOR+0.35	FirstCaribbean International Bank (Note 19(f))	Quarterly until 2021/2022	US$	6,928	891,354	8,954	1,092,767
	Insurance Financing	Monthly until 2015/2016	US$	-	-	1,019	124,318
					11,180,142		15,437,915
(ii) Local currency loan							
8.44	Scotia Investments Jamaica Limited (Note 19(j)(iii))	Semi-annually until 2016/2017			-		1,912,176
7.9	FirstCaribbean International Securities Limited & NCB Capital Markets Limited (Note 19(j)(vii))	In full June 2018			2,703,879		-
14.5	NCB Insurance Company Limited ($2B) & Sagicor Life Jamaica Limited ($500M) (Note 19(j)(vi))	In full March 2054			2,499,772		2,499,574
					5,203,651		4,411,750
TOTAL					16,383,793		19,849,665
Secured							
Guaranteed by the Government of Jamaica					10,288,788		16,098,384
Charge on the assets (Note 5(c))					2,499,772		2,534,196
Unsecured - Evidenced by Promissory Notes					3,595,233		1,217,085
					16,383,793		19,849,665

Three months LIBOR at March 31, 2017 was 1.14956% (2016: 0.6286%)
Six months LIBOR at March 31, 2017 was 1.42322% (2016: 0.8997%)
Prime at March 31, 2017 was 4% (2016: 3.5%).

* These loans were restructured in 2008/2009 resulting in an extension of the repayment period (Note 19(j)).

19 LONG-TERM LIABILITIES (CONTINUED)

(e) In accordance with the loan agreements, a deposit is maintained in an offshore bank trust account to cover a specific ratio in respect of the aggregate principal on loans outstanding (Note 9(a)(i)).

(f) The loan from FirstCaribbean International Bank Limited was disbursed on September 1, 2011. The loan is for a period of 10 years and principal is repayable in 39 equal quarterly installments which commenced December 2011. Interest is charged at a rate of LIBOR plus 3.5% per annum (Note 9(a)(ii)).

(g) On March 22, 2007, a subsidiary entered into a 15 year loan facility with FirstCaribbean International Bank (the Bank), inclusive of 12 months moratorium on principal payable, by way of a promissory note for US$3,600,000 for contribution towards the purchase price of commercial real estate. Up to December 31, 2011, interest was charged based on the US dollar six months LIBOR plus a spread of 2.62% or such other rate as declared by the Bank every five years. Effective January 1, 2012, the rate was changed by the Bank to a set percentage for a period of six months, after which it would be subject to change by the Bank periodically. At March 2017 the rate was 4.79% (2016:4.23%) per annum.

During the 12-month moratorium on principal, interest was paid quarterly, commencing 90 days from initial disbursement date. After the moratorium period the loan is being amortised over 14 years by fifty-six (56) quarterly payments of US$64,286 towards principal plus interest payable separately on the reducing balance each quarter in arrears.

The loan is secured as follows:

a) Promissory note for US$3,600,000.

b) US$3,600,000 first mortgage charge over commercial real estate being 15.944 acre commercial real estate, inclusive of buildings located at Newport West, registered at Vol. 1180 Folio 336 (Note 6(e)).

c) Fire & Peril Insurance over subject properties with Bank's interest noted.

d) Hypothecation of fixed deposits in the amount of US$68,405 (2016: US$68,405) (excluding interest receivable with the Bank (Note 9(a)(iii)) with 10-day top up (cure) feature, failing which unconditional guarantees, joint and several of partners are required (i.e. minority interest 100% and the Authority 100%). In the event that only one party provides its guarantee then that party must be the Authority with 100% cover.

At the end of the reporting period, the subsidiary complied with the covenants of the loan facility.

19 **LONG-TERM LIABILITIES (CONTINUED)**

(h) Government of Jamaica (GOJ) - Loans

(i) Lands at Gordon Cay

	The Group		The Authority	
Interest Rate %	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'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	-	16,938	-	16,938
	-	27,036	-	27,036
(iii) Development of Montego Bay Free Zone Company Limited	7,169	7,169	-	-
(iv) Payments to the Accountant General (Note 19(k))	-	(15,091)	-	(15,091)
(v) Payment of Caribbean Development Bank loan for GOJ re Ocho Rios cruise ship pier	-	(341)	-	(341)
(vi) Ministry of Finance Fixed Interest Rate at 7.5% repayable quarterly until 2036 (Note 19 (j)(v))	550,002	36,388	550,002	36,388
	557,171	74,531	550,002	67,362
(vii) Foreign currency loans: GOJ Petrocaribe 5% payable semi-annually in arrears 2012 - 2037 (US$126.513 million) (evidenced by promissory notes (Note 19(j)(iv))	16,273,735	15,437,025	16,273,735	15,437,025
	16,830,906	15,511,556	16,823,737	15,504,387

(i) Lease liability

	The Group		The Authority	
X-ray machine Kingston Logistic Centre (US$0.203 million) at 0% per annum repayable monthly until 2015/2016	-	2,713	-	2,713
	-	2,713	-	2,713

19 **LONG-TERM LIABILITIES (CONTINUED)**

(i) Lease liability (continued)

	Minimum Lease Payments	
	2017	**2016**
	US$	**US$**
No later than 1 year	-	22,608

The original lease principals of US$0.201 million and US$0.203 million were for a period of three years with monthly repayments on principal of US$5,585 and US$5,652, respectively. The leases were interest free and the lessee had an option to purchase the assets at the end of each lease term for US$1 provided that all payments due to the lessor have been made and there have been no breaches or default of covenants. The leases were repaid in full during the year.

(j) Loans with moratorium on repayment

i) Bank of Nova Scotia (US$44 million) – the principal amount is repayable in 34 equal quarterly instalments which commenced May 15, 2012.
ii) Bank of Nova Scotia (US$39.4 million) – the principal is repayable in 44 equal quarterly instalments which commenced May 15, 2012.
iii) Scotia Investments Jamaica Limited $1.9 billion loan was for a period of five years with principal being repaid in full on maturity of loan on June 30, 2016. The loan was disbursed in tranches. Interest was payable every six months and commenced June 30, 2013 and thereafter each six month period expiring on June 30 and December 31 each year, but in respect of the last interest period, commencing on the penultimate interest payment date continuing up to but excluding the maturing date.
iv) Effective June 30, 2012, the Petrocaribe Loans (See Note 19(h)(vii)) were merged to form a consolidated loan of US$126.513 million. The loan is for a period of 25 years inclusive of a five year moratorium on principal and is repayable semi-annually beginning December 31, 2017.
v) Ministry of Finance loan facility totalling US$30 million disbursed in Jamaican dollars, with an amount of $550 million was received during the year. The loan is for a period of 20 years at fixed interest rate of 7.5% inclusive of a two year moratorium on principal and is repayable quarterly commencing March 2019 per annum. The loan is being disbursed in tranches, with an amount of $513.614 million received during the year.
vi) National Commercial Bank Insurance Company and Sagicor Life Jamaica Limited loan of $2.5 billion is for a period of 40 years with full repayment on March 31, 2054. Interest is payable quarterly and commenced June 2014 at a fixed rate of 14.5% per annum.
vii) FirstCaribbean International Securities Limited and National Commercial Bank Capital Markets Limited loan is for a period of 24 months with principal being repaid in full on June 30, 2018. Interest is repayable semi-anually and commenced December 2016 at a fixed rate of 7.99% per annum.

(k) Payments to Accountant General
The payment of $15.091 million (Note 19(h)(iv)) has been applied in reduction of loans payable to the GOJ. These loans were written off during the year.

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

(m) 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.

19 LONG-TERM LIABILITIES (CONTINUED)

(n) Breach of loan agreements

As at March 31, 2017, the Authority did not meet the debt service covenant ratios for certain loans and a negative covenant in respect of a particular loan. Based on the loan agreements, these breaches did not result in the loans becoming callable by the lenders. As at March 31, 2017, the Authority has obtained waivers in respect of these breaches for the period up to March 31, 2018.

20 DEFERRED INCOME

	The Group and The Authority	
	2017	**2016**
	$'000	**$'000**
Balance at the beginning of the year	598,194	626,686
Additions during the year (Note 20(b))	-	38,958
Amortised during the year	(55,118)	(67,450)
Balance at the end of the year	543,076	598,194
Comprising:		
Government grants (Note 20(a))	38,958	45,941
Assets transferred (Note 20(b))	504,118	552,253
	543,076	598,194

(a) This represents:

Two grants that were received during 2010/2011 from the Netherlands Government in respect of:

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

The two grants are being amortised over 20 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 40 years, the estimated lives of the respective assets.
(ii) Transfer of land valued at $19.5 million in 2009/2010 to the Authority by the Government of Jamaica. The grant is being amortised over 40 years which is the period equivalent to the life of the building on the property.
(iii) Transfer of Boundbrook land and building valued at $198.5 million and Boundbrook land (Marina section) valued at $79.2 million to the Authority during 2010/2011 by the Government of Jamaica for development of the Port Antonio Marina. The grants are being amortised over the lives of the buildings of 20 years and 33 years, respectively.
(iv) Building valued at $25.796 million was received in December 2012 from Royal Caribbean Cruise Line. The grant is being amortised over 40 years.
(v) X-ray machine valued at $303.192 million was received in September 2012 from the Chinese Government. The grant is being amortised over 10 years.
(vi) A motor vehicle valued at $2.8 million was received in November 2012 but was not officially transferred to the PAJ until July 2013) from E. Phil & Sons. This grant is being amortised over 3 years.

20 **DEFERRED INCOME (CONTINUED)**

(b) This represents: (continued)

(vii) Additions during 2015/2016 of $35.958 million represent amounts received from the Shipping Association of Jamaica (SAJ) and the Jamaica Customs, for the establishment of the Port Community System (PCS), which have been recognised as a grant following termination of an arrangement between parties on March 31, 2015.

21 **PROVISIONS**

	The Group		The Authority	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
At April 1	271,097	222,135	56,219	53,501
Provision for the year	91,639	136,416	73,794	71,604
Utilised during the year	(250,792)	(87,454)	(37,548)	(68,886)
At March 31	111,944	271,097	92,465	56,219

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

22 **TRADE AND OTHER PAYABLES**

	The Group		The Authority	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Trade	883,273	561,887	805,622	491,841
Amounts to be disbursed in respect of specific projects	158,324	337,691	158,324	337,691
Accruals	425,378	709,265	352,672	636,934
Rental deposits	188,434	174,979	-	-
Related company (Note 22(a))	28,795	28,795	-	-
Advances from subsidiary companies (Note 22(b))	-	-	175,880	444,019
Income tax payable	111,554	84,923	-	-
Deposits on lands and projects	243,733	6,033	243,733	6,033
Others	559,433	712,525	422,429	606,831
	2,598,924	2,616,098	2,158,660	2,523,349

(a) This represents amounts owed by a subsidiary to its minority shareholder, ZIM International Shipping Services Limited. Amounts are unsecured and will be settled in cash.

22 TRADE AND OTHER PAYABLES (CONTINUED)

(b)

	The Authority	
	2017 $'000	2016 $'000
Montego Bay Free Zone Company Limited (Note 22(b)(i))	115,014	110,000
KCT Services Limited (Note 22(b)(ii))	36,907	245,002
Jamaica International Free Zone Company Limited (Note 22(b)(ii))	-	136
Ports Management & Security Limited (Note 22(b)(ii))	23,959	88,881
	175,880	444,019

(i) Effective April 1, 2014, interest was charged at a rate of 5% per annum. The amount is unsecured.

(ii) These amounts are unsecured, non-interest bearing and have no stipulated repayment terms.

23 REVENUE

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Container terminal	5,026,111	10,131,488	5,026,111	10,131,488
Facility fees – net	2,938,988	2,814,804	2,938,988	2,814,804
Wharfage	329,585	1,170,953	329,585	1,170,953
Harbour fees	944,460	924,082	944,460	924,082
Tug fees	836,883	763,350	836,883	763,350
Equipment lease	121,657	107,524	756,896	700,742
Land and building lease	738,638	657,327	247,043	229,153
Port Antonio Marina	92,394	97,958	92,394	97,958
Oil royalty	157,408	134,731	157,408	134,731
Pilotage	139,171	129,996	139,171	129,996
Ground lease – Falmouth	90,375	80,168	90,375	80,168
Security services	2,286,765	1,962,993	-	-
Other	888,200	736,799	801,207	687,068
	14,590,635	19,712,173	12,360,521	17,864,493

24 EXPENSES

a) Direct Operating

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Personnel emoluments and allowances	392,739	347,264	365,326	322,406
Contracted services	994,538	4,395,228	994,538	4,395,228
Training and staff welfare	13,245	9,236	13,245	9,236
Electricity, water and telephone	290,738	661,387	264,447	642,357
Repairs and maintenance	1,120,507	1,740,312	1,058,312	1,690,110
Janitorial expense	3,564	3,732	-	-
Garbage disposal	7,045	7,458	-	-
Security	993,813	832,282	86,450	111,277
Insurance	269,266	658,390	243,321	593,225
Fuel	151,263	358,434	151,263	358,434
Claims	96,833	316,119	96,833	316,119
Collection fees	38,990	23,263	-	-
Audit fees	705	586	-	-
Travelling	21,567	41,060	21,567	41,060
Bad debt	42,785	37,014	32,094	28,136
Depreciation	944,148	1,079,465	944,148	1,079,465
Miscellaneous	235,377	772,039	226,213	762,853
Asset tax	210	160	-	-
	5,617,333	11,283,429	4,497,757	10,349,906

24 **EXPENSES (CONTINUED)**

b) Administrative

	The Group		The Authority	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Personnel emoluments and allowances	1,087,879	901,061	845,833	683,091
Statutory deductions	99,104	79,744	71,912	57,224
Pension contributions employer	38,272	(8,463)	22,223	(23,662)
Health Scheme - Employer	47,269	39,527	31,667	25,616
Office and general	64,316	54,486	61,299	52,598
Local travel and motor vehicle expense	13,927	8,483	11,288	6,782
Foreign travel	19,607	9,498	15,053	7,782
Insurance	136,907	189,773	134,936	186,751
Electricity and telephone	48,825	45,681	43,560	41,647
Water charges	14,053	12,440	12,939	10,669
Public relations and promotions	33,352	16,655	26,690	11,752
Legal and professional fees	76,741	217,410	68,073	215,333
Miscellaneous	75,716	25,278	95,247	46,874
Security expenses	12,839	11,008	12,627	10,898
Printing and stationery	16,945	18,568	14,348	16,275
Repairs and maintenance	248,444	204,202	246,972	202,639
Computer expense	52,785	30,063	52,401	30,013
Training and staff welfare	70,900	59,813	17,643	20,360
Board fees and expenses	3,118	6,192	1,856	3,931
Bad debts (incuding direct write offs)	27,521	6,255	58,460	-
Audit fees	18,393	18,928	13,609	14,066
Depreciation	57,362	84,638	45,732	75,700
Project expenses- non-capital	140	6,370	140	6,370
Non-capitalised fixed assets	681	1,194	-	-
Annual report	1,083	2,232	-	-
ID Card	318	65	-	-
Asset and minimum business tax	800	1,039	-	-
Donation and subscriptions	740	359	-	-
Bank charges and amortisation	1,622	1,765	-	-
Sanitation	1,487	1,382	-	-
	2,271,146	2,045,646	1,904,508	1,702,709

24 EXPENSES (CONTINUED)

c) Finance charges and interest on loans

	The Group		The Authority	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Interest on long-term liabilities	1,946,282	2,155,800	1,942,853	2,152,572
Interest on overdrafts and other	73,620	57,620	73,620	57,620
Amortised cost on loans	(96,618)	(88,433)	(96,685)	(88,524)
	1,923,284	2,124,987	1,919,788	2,121,668

25 OTHER GAINS AND LOSSES

	The Group		The Authority	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Foreign exchange loss (net) (Note 25(a))	(1,010,224)	(1,420,345)	(1,038,320)	(1,440,008)
Investment property fair value adjustment (Note 6)	656,094	458,318	691,289	375,693
Gain on disposal of property, plant and equipment and investment properties	(296,033)	14,180	(296,033)	14,180
	(650,163)	(947,847)	(643,064)	(1,050,135)
Classified as:				
- Foreign exchange losses on loans	(1,585,693)	(1,980,325)	(1,575,678)	(1,968,359)
- Other	935,530	1,032,478	932,614	918,224
	(650,163)	(947,847)	(643,064)	(1,050,135)

(a) This includes a foreign exchange loss of $1.586 billion (2016: $1.980 billion) for the Group and $1.576 billion (2015: $1.698 billion) for the Authority arising on retranslation of foreign currency loans.

26 TAXATION

Current and deferred tax have been calculated using the tax rate of 25% (2016: 25%).

(a) The total charge for the year in respect of tax on profits of subsidiary companies is as follows:

	The Group	
	2017	2016
	$'000	$'000
Current taxation	169,835	129,330
Prior year taxation	(1,250)	(60)
Deferred tax adjustments (Note 12)	871	12,035
	169,456	141,305

26 TAXATION (CONTINUED)

(b) The tax charge for the year is reconciled to the profit as per the consolidated statement of profit and loss and other comprehensive income as follows:

	The Group	
	2017	2016
	$'000	$'000
Profit before taxation	5,844,172	3,438,522
Tax at the domestic income tax rate of 25%	1,461,043	859,631
Tax effect of expenses not deductible for tax purposes	3,122	4,894
Tax effect of income not subject to tax	(1,301,926)	(704,444)
Tax effect of expenses not subject to tax	27,675	-
Tax effect of unused tax losses	2,475	2,230
Tax effect of employment tax credit	(22,201)	(22,014)
Tax effect of expenses deductible for tax purposes	239	1,155
Tax effect of other adjustments	279	(87)
Prior year tax adjustments	(1,250)	-
Prior year tax charge	-	(60)
	169,456	141,305

(c) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses of subsidiary companies aggregating approximately $128.561 million (2016: $118.721 million) are available to be set off against future taxable profits of those companies. At March 31, 2017 and 2016, no deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future taxable profits.

27 PROFIT AFTER TAXATION

Profit after taxation is stated after taking into account the following items:

	The Group		The Authority	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
(a) Revenue (Expense) on:				
<u>Interest income on financial asset at amortised cost</u>				
Interest income on long-term receivables	753	1,380	753	1,380
Held to maturity investments	-	2,162	-	-
Income from short-term deposits	167,208	110,502	136,216	79,125
Other	32	9	-	-
	167,993	114,053	136,969	80,505

27 PROFIT AFTER TAXATION (CONTINUED)

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Impairment recoveries (losses) on financial assets at amortised costs				
- Trade receivables	5,635	(69,967)	15,716	(54,834)
- Advances to subsidiaries, associates and joint venture	-	-	(30,329)	-
Amortised costs adjustment on financial assets				
- Long-term receivables	-	26,698	-	26,698
Finance charges and interest on loans at amortised cost	(1,923,284)	(2,124,987)	(1,919,788)	(2,121,668)
b) Gains (Losses)				
Net foreign exchange (losses) gains on financial instruments at amortised costs				
- Foreign currency loans	(1,585,693)	(1,980,325)	(1,575,678)	(1,968,359)
- Short-term deposits and other investments	575,469	559,980	537,358	528,351
c) Other				
Audit fees - current year	16,125	15,960	11,125	11,025
prior year	2,973	3,554	2,484	3,041
Cost of inventories recognised in expenses	259,000	1,073,000	259,000	1,073,000
Gain on disposal of investment properties	-	(12,759)	-	(12,759)
Net loss (gain) on disposal of property, plant and equipment	296,033	(1,421)	296,033	(1,421)
Net gain on privatisation of container terminal opeartions (net)	1,525,993	-	1,525,993	-
Depreciation and amortisation	1,004,955	1,164,103	993,325	1,155,165
Adjustment to intangible assets	(3,445)	-	(3,445)	-
Fair value gain on investment properties	656,094	458,318	691,289	375,693

28 COMPREHENSIVE INCOME

The Group's comprehensive income attributable to the shareholders of the Authority is reflected in the financial statements of the Authority on the equity basis and comprises surplus of:

	The Group	
	2017 $'000	2016 $'000
The Authority	5,048,929	2,690,746
The subsidiary companies	347,145	323,852
The associated companies	21,477	14,205
	5,417,551	3,028,803

29 COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments
At the end of the reporting period, approximately $1.83 billion (2016: $8.99 billion) had been committed and contracted by the Group and relates to costs to be borne under the KCT Concession Agreement, infrastructure projects at Montego Bay Freeport and Ocho Rios, motor vehicle for harbours and other projects. In respect of the prior year, the costs applied to the foregoing except for those related to the KCT Concession Agreement.

Legal contingencies
In the normal course of business the Group and the Authority may be defendant in certain litigation matters, claims and other legal preceedings. In such instances, provisions will be established for such matters where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The Group and the Authority remain contingently liable in respect of other litigation matters which are considered to be possible but not probable and thus no provision has been made in these financial statements.

30 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:

	The Authority					
	Lease rental		Other		Balance due from (to)	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Subsidiaries						
Jamaica International Free Zone Development Limited	-	-	5,065	4,730	81,484	80,590
Kingston Free Zone Company Limited	43,412	40,535	3,500	3,500	4,288	3,568
Montego Bay Free Zone Company Limited	194,671	181,827	3,500	3,500	(115,818)	(110,158)
Ports Management and Security Limited	635,239	593,218	20,250	37,500	(20,479)	(79,763)
Port Authority Management Services Limited	-	-	6,722	8,963	127,038	116,943
KCT Services Limited	-	-	-	-	(36,907)	(245,002)
Ports Management & Secuity Ltd. - Collection fees	-	-	4,500	-	-	-
	873,322	815,580	43,537	58,193	39,606	(233,822)
Provision for impairment (Note 14(a))	-	-		-	(136,606)	(106,277)
Joint venture						
Boundbrook Wharves Development Limited	-	-	-	-	12,334	18,313
	873,322	815,580	43,537	58,193	(84,666)	(321,786)
Included in the following balances:						
Long-term receivables (Note 10(b))	-	-	-	-	76,226	76,226
Trade and other receivables (Note 14(a))	-	-	-	-	14,988	46,007
Trade and other payables (Note 22(b))	-	-	-	-	(175,880)	(444,019)
	-	815,580	-	58,193	(84,666)	(321,786)
Key management personnel	-	-	19,981	18,005	29,362	7,486

30 RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

Key Management Personnel

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Short-term benefits	305,203	332,027	270,776	252,719
Pension	6,586	9,621	4,381	5,821
Other	-	508	-	-
	311,789	342,156	275,157	258,540

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

Board of Directors and Committee Members

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Short-term benefits				
- (directors fees and expenses)	1,972	4,194	807	1,933

31 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.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	The Group		The Authority	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Available-for-sale (at cost)				
Investments in subsidiaries, joint venture and associates	159,189	137,712	30,508	30,508
Loans and receivables - (at amortised cost)				
Other investments	1,359,012	1,296,735	1,345,123	1,283,639
Long-term receivables	15,849	14,573	92,075	90,799
Trade and other receivables	1,670,445	2,829,978	1,138,791	2,745,100
Cash and short-term deposits	14,348,325	5,400,835	12,602,245	3,952,637
	17,393,631	9,542,121	15,178,234	8,072,175
Total financial assets	17,552,820	9,679,833	15,208,742	8,102,683
Financial liabilities				
- (at amortised cost)				
Long-term liabilities	33,563,983	35,620,083	33,391,709	35,425,012
Trade and other payables	2,061,992	1,821,910	1,805,988	1,886,415
Bank overdrafts	38,073	30,845	36,859	29,795
Total financial liabilities	35,664,048	37,472,838	35,234,556	37,341,222

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives

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

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

Financial risk management objectives

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

The Group's risk management policies are designed to identify and analyse 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 Group 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 Group'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 statement of financial position and overall financial structure which includes liquidity, interest rate and foreign currency risks management.

Audit Committee

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

The Internal Audit Department

The Internal Audit Department has responsibility for ensuring the effectiveness and adequacy of risk management, internal controls and procedures and conducts both ad hoc and regular reviews. The Internal Audit Department reports the result of all findings to the Audit Committee, which in turn 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 Group, including procurement of contracts, evaluation and monitoring of costs incurred.

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

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

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 Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates as disclosed in Note 31(b) below as well as interest rates as disclosed in Note 31(c) below.

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

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

(b) Foreign currency risk management

The Group 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 Group monitors its exposure in this regard by constant monitoring of international foreign exchange markets and factors influencing currency movements and positioning its foreign currency assets and liabilities and by ensuring that the net exposure of such assets and liabilities is kept to an acceptable level. The entity further manages the risk by maximizing foreign currency earnings and holdings in foreign currency balances.

At March 31, 2017, the Group had US$ denominated balances amounting to US$117.009 million (2016: US$48.777 million) of which US$10.340 million (2016: US$10.317 million) (Note 9(a)) is held in respect of funding certain loans amounting to US$15.275 million (2016: US$19.761 million) and €3.736 million (2016: €4.603 million) (Note 19(e) and 19(g)) at the end of the reporting period.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(b) Foreign currency risk management (continued)

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

	The Group					
	Liabilities		Assets		Net Liabilities	
	2017 J$'000	2016 J$'000	2017 J$'000	2016 J$'000	2017 J$'000	2016 J$'000
United States dollar	28,196,664	31,011,080	16,212,979	9,407,738	11,983,685	21,603,342
Swiss franc	-	9,078	-	-	-	9,078
Pound sterling	-	4,417	-	-	-	4,417
EURO	514,902	637,521	-	-	514,902	637,521

	The Authority					
	Liabilities		Assets		Net Liabilities	
	2017 J$'000	2016 J$'000	2017 J$'000	2016 J$'000	2017 J$'000	2016 J$'000
United States dollar	27,791,572	30,633,534	14,660,590	8,397,507	13,130,982	22,236,027
Japanese yen	-	-	-	-	-	-
Swiss franc	-	9,078	-	-	-	9,078
Pound sterling	-	4,417	-	-	-	4,417
EURO	514,902	637,521	-	-	514,902	637,521

Foreign currency sensitivity analysis

The Group's most significant currency exposure is to the United States dollar. The following table details the Group's sensitivity to a 1% revaluation and 6% devaluation (2016: 1% revaluation and 6% 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 year end for the percentage changes as in foreign currency rates as described above. The sensitivity analysis includes external loans where the loan is denominated in a currency other than the currency of the borrower.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(b) Foreign currency risk management (continued)

If the Jamaican dollar strengthens by 1% or weakens by 6% against the relevant currencies (2016: strengthens by 1% or weakens by 6%), the income will increase or (decrease) by:

	The Group							
	Revaluation		Devaluation		Revaluation		Devaluation	
	2017				2016			
	Change in Currency Rates %	$'000	Change in Currency Rates %	$'000	Change in Currency Rates %	$'000	Change in Currency Rates %	$'000
Currency								
United States dollar	+1	119,837	-6	(719,021)	+1	216,033	-6	(1,296,201)
Swiss franc	+1	-	-6	-	+1	90	-6	(545)
Pound sterling	+1	-	-6	-	+1	44	-6	(265)
EURO	+1	5,149	-6	(30,894)	+1	6,375	-6	(38,251)

	The Authority							
	Revaluation		Devaluation		Revaluation		Devaluation	
	2017				2016			
	Change in Currency Rates %	$'000	Change in Currency Rates %	$'000	Change in Currency Rates %	$'000	Change in Currency Rates %	$'000
Currency								
United States dollar	+1	131,310	-6	(787,859)	+1	222,360	-6	(1,334,162)
Swiss franc	+1	-	-6	-	+1	90	-6	(545)
Pound sterling	+1	-	-6	-	+1	44	-6	(265)
EURO	+1	5,149	-6	(30,894)	+1	6,375	-6	(38,251)

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

The Group's sensitivity to foreign currency has decreased during the period due to the decreased foreign currency loan balances offset by 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 rates. 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 Group 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 Group by maintaining an appropriate mix between fixed and floating rate borrowings by monitoring the movements in the market interest rates closely. The Group's exposure to interest rates on financial assets and financial liabilities is detailed below.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(c) Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risk at the end of the reporting period at the earlier of the repricing or maturity date.

	The Group				
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 2017					
Assets					
Investment in associates	-	-	-	159,189	159,189
Other investments	-	1,344,352	13,781	879	1,359,012
Long-term receivables	-	8,818	1,050	5,981	15,849
Trade and other receivables	-	-	-	1,670,445	1,670,445
Cash and short-term deposits	14,260,939	-	-	87,386	14,348,325
Total assets	14,260,939	1,353,170	14,831	1,923,880	17,552,820
Liabilities					
Long-term liabilities	4,131,787	13,611,096	15,471,820	349,280	33,563,983
Trade and other payables	-	-	-	2,061,992	2,061,992
Bank overdraft (unsecured)	36,859	-	-	1,214	38,073
Total liabilities	4,168,646	13,611,096	15,471,820	2,412,486	35,664,048
Total interest rate sensitivity gap	10,092,293	(12,257,926)	(15,456,989)	(488,606)	(18,111,228)
Cumulative gap	10,092,293	(2,165,633)	(17,622,622)	(18,111,228)	

31 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(c) Interest rate risk (continued)

	The Group				
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 2016					
Assets					
Investment in associates	-	-	-	137,712	137,712
Other investments	-	1,282,815	12,971	949	1,296,735
Long-term receivables	-	9,735	857	3,981	14,573
Trade and other receivables	-	-	-	2,829,978	2,829,978
Cash and short-term deposits	5,352,249	-	-	48,586	5,400,835
Total assets	5,352,249	1,292,550	13,828	3,021,206	9,679,833
Liabilities					
Long-term liabilities	6,534,211	13,003,167	15,730,706	351,999	35,620,083
Trade and other payables	-	-	-	1,821,910	1,821,910
Bank overdraft (unsecured)	29,795	-	-	1,050	30,845
Total liabilities	6,564,006	13,003,167	15,730,706	2,174,959	37,472,838
Total interest rate sensitivity gap	(1,211,757)	(11,710,617)	(15,716,878)	846,247	(27,793,005)
Cumulative gap	(1,211,757)	(12,922,374)	(28,639,252)	(27,793,005)	

31 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(c) Interest rate risk (continued)

The table below summarises the Authority's exposure to interest rate risk at the end of the reporting period at the earlier of the repricing or maturity date.

	The Authority					
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	No Specific Terms of Repayment $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 2017						
Assets						
Investment in associates	-	-	-	-	30,508	30,508
Other investments	-	1,344,352	-	-	771	1,345,123
Long-term receivables	-	8,818	1,050	-	82,207	92,075
Trade and other receivables	-	-	-	-	1,138,791	1,138,791
Cash and short-term deposits	12,584,634	-	-	-	17,611	12,602,245
Total assets	12,584,634	1,353,170	1,050	-	1,269,888	15,208,742
Liabilities						
Long-term liabilities	4,098,769	13,479,032	15,471,820	-	342,088	33,391,709
Trade and other payables	-	-	-	100,000	1,705,988	1,805,988
Bank overdraft (unsecured)	36,859	-	-	-	-	36,859
Total liabilities	4,135,628	13,479,032	15,471,820	100,000	2,048,076	35,234,556
Total interest rate sensitivity gap	8,449,006	(12,125,862)	(15,470,770)	(100,000)	(788,188)	(20,025,814)
Cumulative gap	8,449,006	(3,676,856)	(19,147,626)	(19,247,626)	(20,025,814)	

31 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(c) Interest rate risk (continued)

	The Authority					
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	No Specific Terms of Repayment $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 2016						
Assets						
Investment in associates	-	-	-	-	30,508	30,508
Other investments	-	1,282,815	-	-	824	1,283,639
Long-term receivables	-	9,735	857	-	80,207	90,799
Trade and other receivables	-	-	-	-	2,745,100	2,745,100
Cash and short-term deposits	3,949,664	-	-	-	2,973	3,952,637
Total assets	3,949,664	1,292,550	857	-	2,859,612	8,102,683
Liabilities						
Long-term liabilities	6,502,896	12,877,913	15,699,395	-	344,808	35,425,012
Trade and other payables	-	-	-	100,000	1,786,415	1,886,415
Bank overdraft (unsecured)	29,795	-	-	-	-	29,795
Total liabilities	6,532,691	12,877,913	15,699,395	100,000	2,131,223	37,341,222
Total interest rate sensitivity gap	(2,583,027)	(11,585,363)	(15,698,538)	(100,000)	728,389	(29,238,539)
Cumulative gap	(2,583,027)	(14,168,390)	(29,866,928)	(29,966,928)	(29,238,539)	

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(c) Interest rate risk (continued)

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 100 basis points increase/decrease (2016: 100 basis points increase/decrease) for local borrowing and a 100 basis points increase and 50 basis points decrease (2016: 100 basis points increase and a 50 basis points decrease) is used for foreign currency denominated balances 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 100 basis points higher or 50 basis points lower (2016: 100 basis points higher or 50 basis points lower) on its foreign currency borrowings and investments profit for the period would decrease by approximately $85.675 million or increase by $42.838 million (2016: profits for the period would decrease by $36.917 million or increase by $18.458 million). For the local borrowings and investments if interest rates were 100 basis points higher or lower (2016: 100 basis point higher or lower) and all other variables were held constant, the profit for the year would increase/decrease by approximately $5.701 million (2016: the profit for the year would increase/decrease by approximately $16.471 million).

The Group'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 31(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 Group. Financial assets that potentially subject the Group to credit risk primarily consists of trade receivables investment in associates, other investments, long-term receivables and cash and bank deposits. The maximum exposure to credit risk is the amount of $17.553 billion (2016: $9.680 billion) disclosed under 'categories of financial instruments' above and the Group holds no collateral in this regard. The Group manages the risk primarily by reviews of the financial status of each obligator and its investments which are monitored regularly and are held with reputable financial institutions. Management believes that the credit risk associated with these financial instruments is minimal.

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

The Group has a significant concentration of credit risk exposure to companies operating in the Marine Industry. Four debtors of the Group account for approximately 47% (2016: two debtors 45%) respectively, whilst two debtor of a subsidiary company accounts for 31% (2016: Nil) of the Group's trade receivables. Management however seeks to minimise this risk by ensuring that outstanding amounts are received within a reasonable time period.

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(d) Credit risk management (continued)

There is also credit risk with respect to loans to employees which account for approximately 70% (2016: 78%) of long-term receivables. The Authority has established policies and procedures which govern standards for granting loans and the process of continuous monitoring.

The Group 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 of Directors.
- 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 Group as they fall due.
- Management limits the amount of investments placed with any institution in accordance with the Board of Directors' guidelines.

(e) Liquidity risk management

Liquidity risk, also referred to as funding risk, is the risk that the Group 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 Group 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.

The Group 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.

Non-derivative financial liabilities

The following tables detail the Group's remaining contractual maturity for non-derivative financial liabilities with agreed repayment period.

The tables below have been drawn up based on the undiscounted cash flows of the financial liabilities based on contractual maturities on those liabilities except where the Group anticipates that the cash flow will occur in an earlier period.

31 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)**

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Non-derivative financial liabilities (continued)

	The Group			
	2017			
	Term To Maturity /Re-Pricing			
	Due Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Financial Liabilities				
Interest bearing				
Variable rate loans	1,974,895	3,178,502	-	5,153,397
Fixed rate loans	4,202,141	15,684,608	32,439,321	52,326,070
Bank overdrafts	38,073	-	-	38,073
Non-interest bearing				
Trade and other payables	2,061,992	-	-	2,061,992
Total	8,277,101	18,863,110	32,439,321	59,579,532

	The Group			
	2016			
	Term To Maturity /Re-Pricing			
	Due Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Financial Liabilities				
Interest bearing				
Variable rate loans	2,683,928	4,828,701	32,211	7,544,840
Fixed rate loans	5,898,354	13,567,521	33,200,367	52,666,242
Bank overdrafts	30,845	-	-	30,845
Non-interest bearing				
Trade and other payables	1,821,910	-	-	1,821,910
Total	10,435,037	18,396,222	33,232,578	62,063,837

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Non-derivative financial liabilities (continued)

	The Authority				
	2017				
	Term To Maturity /Re-Pricing				
	Due Within 1 Year $'000	**1-5 Years $'000**	**Over 5 Years $'000**	**No Specific Repayment Term $'000**	**Total $'000**
Financial Liabilities					
Interest bearing					
Variable rate loans	1,934,472	3,032,674	-	-	4,967,146
Fixed rate loans	4,202,141	15,684,608	32,432,152	-	52,318,901
Bank overdraft	36,859	-	-	-	36,859
Non-interest bearing					
Trade and other payables	1,630,108	-	-	175,880	1,805,988
Total	7,803,580	18,717,282	32,432,152	175,880	59,128,894

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Non-derivative financial liabilities (continued)

	The Authority				
	2016				
	Term To Maturity /Re-Pricing				
	Due Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	No Specific Repayment Term $'000	Total $'000
Financial Liabilities					
Interest bearing					
Variable rate loans	2,645,084	4,686,590	-	-	7,331,674
Fixed rate loans	5,898,354	13,567,521	33,193,198	-	52,659,073
Bank overdraft	29,795	-	-	-	29,795
Non-interest bearing					
Trade and other payables	1,442,396	-	-	444,019	1,886,415
Total	10,015,629	18,254,111	33,193,198	444,019	61,906,957

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Non-derivative financial assets

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

The tables below have been drawn up based on the undiscounted cash flows based on contractual maturities of financial assets except where the Group anticipates that the cash flow will occur in an earlier period.

	The Group 2017 Term To Maturity/Repricing				
	Due Within 1 Year $'000	**1 - 5 Years $'000**	**Over 5 Years $'000**	**No Specific Maturity $'000**	**Total $'000**
Financial Assets					
Investment in associates	-	-	-	159,189	159,189
Other investments	-	1,346,870	14,294		1,361,164
Long term receivables	-	10,156	1,186	5,981	17,323
Trade and other receivables	1,670,445	-	-	-	1,670,445
Cash and short-term deposits	14,367,527	-	-	-	14,367,527
Total Financial Assets	16,037,972	1,357,026	15,480	165,170	17,575,648

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Non-derivative financial assets

	The Group				
	2016				
	Term To Maturity/Repricing				
	Due Within 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
Financial Assets					
Investment in associates	-	-	-	137,712	137,712
Other investments	-	1,283,648	13,363	-	1,297,011
Long term receivables	-	11,474	857	3,981	16,312
Trade and other receivables	2,896,626	-	-	-	2,896,626
Cash and short-term deposits	5,408,119	-	-	-	5,408,119
Total Financial Assets	8,304,745	1,295,122	14,220	141,693	9,755,780

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Non-derivative financial assets (continued)

	The Authority 2017 Term To Maturity/Repricing				
	Due Within 1 Year $'000	**1 - 5 Years $'000**	**Over 5 Years $'000**	**No Specific Maturity $'000**	**Total $'000**
Financial Assets					
Investments in subsidiary, joint venture and associated companies	-	-	-	30,508	30,508
Other investments	-	1,346,870	-	-	1,346,870
Long term receivables	-	10,156	1,186	82,207	93,549
Trade and other receivables	1,123,803	-	-	14,988	1,138,791
Cash and short-term deposits	12,614,568	-	-	-	12,614,568
Total Financial Assets	13,738,371	1,357,026	1,186	127,703	15,224,286

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017
(Expressed in Jamaican dollars)

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(e) Liquidity risk management (continued)

Non-derivative financial assets (continued)

	The Authority				
	2016				
	Term To Maturity/Repricing				
	Due Within 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
Financial Assets					
Investments in subsidiary, joint venture and associated companies	-	-	-	30,508	30,508
Other investments	-	1,283,648	-	-	1,283,648
Long term receivables	-	11,474	857	80,207	92,538
Trade and other receivables	2,765,741	-	-	46,007	2,811,748
Cash and short-term deposits	3,956,208	-	-	-	3,956,208
Total Financial Assets	6,721,949	1,295,122	857	156,722	8,174,650

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONTINUED)

Financial risk management policies and objectives (continued)

(f) Capital risk management

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

The Group is subject to external capital requirements (as stipulated by lenders) and capital adequacy is monitored by the Group's management on a regular basis.

The gearing ratio at the end of the reporting period is as follows:

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Debt	33,602,056	35,650,928	33,428,568	35,454,807
Cash and short-term deposits	(14,348,325)	(5,400,835)	(12,602,245)	(3,952,637)
Net debt	19,253,731	30,250,093	20,826,323	31,502,170
Equity	24,586,066	19,117,648	20,286,410	15,452,443
Net debt to equity ratio	78%	158%	103%	204%

The Group's strategy remains unchanged from the year ended March 31, 2016.

The capital structure of the Group consists of reserves (Note 16) and accumulated surplus.

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair values

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 recognised 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 estimations 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 Group would realise in a current market exchange.

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair values (continued)

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 $4.995 billion (2016: $7.344 billion) are assumed to approximate the fair values.
(iv) The fair value of loan in the amount of $7.169 million (2016: $7.169 million) cannot be reasonably assessed, as there is no fixed term of repayment or rate of interest.
(v) The fair values of other fixed rate loans and concessionary rate loans have been estimated by applying market rates of similar loans at year end to the expected future cash flows.

	The Group and the Authority			
	2017		2016	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
Fixed rate loans	10,680,479	13,958,179	10,868,738	12,354,917
Concessionary rate loans	17,697,321	14,382,207	17,332,068	12,014,671

Fair value measurement

The following table provides the fair value measurement hierarchy of the Authority's assets and liabilities:

Quantitative disclosures fair value measurement hierarchy

	The Group			
	Quoted Prices in Active Market Level 1 $'000	Significant Observable Inputs Level 2 $'000	Significant Unobservable Inputs Level 3 $'000	Total $'000
At March 31, 2017				
Assets measured at fair value:				
- Investment properties	-	-	17,867,405	17,867,405
- Investment in associates			159,189	159,189
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	13,958,179	-	13,958,179
Concessionary loans	-	14,382,207	-	14,382,207
At March 31, 2016				
Assets measured at fair value:				
- Investment properties	-	-	17,276,311	17,276,311
- Investment in associates	-	-	137,712	137,712
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	12,354,917	-	12,354,917
Concessionary loans	-	12,014,671	-	12,014,671

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value measurement (continued)

	The Authority			
	Quoted Prices in Active Market Level 1 $'000	Significant Observable Inputs Level 2 $'000	Significant Unobservable Inputs Level 3 $'000	Total $'000
At March 31, 2017				
Assets measured at fair value:				
- Investment properties	-	-	15,369,975	15,369,995
- Investment in subsidiary, joint venture and associated company	-	-	30,508	30,508
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	13,958,179	-	13,958,179
Concessionary loans	-	14,382,207	-	14,382,207
At March 31, 2016				
Assets measured at fair value:				
- Investment properties	-	-	14,743,686	14,743,686
- Investment in subsidiary, joint venture and associated company	-	-	30,508	30,508
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	12,354,917	-	12,354,917
Concessionary loans	-	12,014,671	-	12,014,671

33 OTHER DISCLOSURES

Staff costs incurred during the year were:

	The Group		The Authority	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Salaries, wages and allowances	1,238,756	1,046,045	977,919	810,375
Statutory contributions	127,547	82,921	98,210	58,447
Pension contributions	54,889	29,236	37,085	12,511
Health scheme contributions	52,233	47,778	52,233	47,778
Travelling and other	275,983	222,202	202,402	165,160
	1,749,408	1,428,182	1,367,849	1,094,271

34 OPERATIONS IN JOINT VENTURE

The Banana Export Company Limited (BECO), 49% stakeholder in Boundbrook Wharves Development Company Limited and the lessee of one of the Authority's piers, ceased operations as of December 31, 2009 and it is the intention of BECO to transfer its shareholdings in the venture to the Authority. At the end of the year, the process of transfer of the shareholding was not yet initiated.

35 CONCESSION ARRANGEMENT WITH KINGSTON FREEPORT TERMINAL LIMITED (KFTL) FOR THE OPERATION OF KINGSTON CONTAINER TERMINAL (KCT)

The Kingston Freeport Terminal Limited (KTFL) assumed responsibility for the Container Terminal following the official handover of the Terminal on July 1, 2016. The terms and conditions within which they operate are guided by a Concession agreement with the Port Authority of Jamaica (PAJ) which was signed on April 7, 2015.

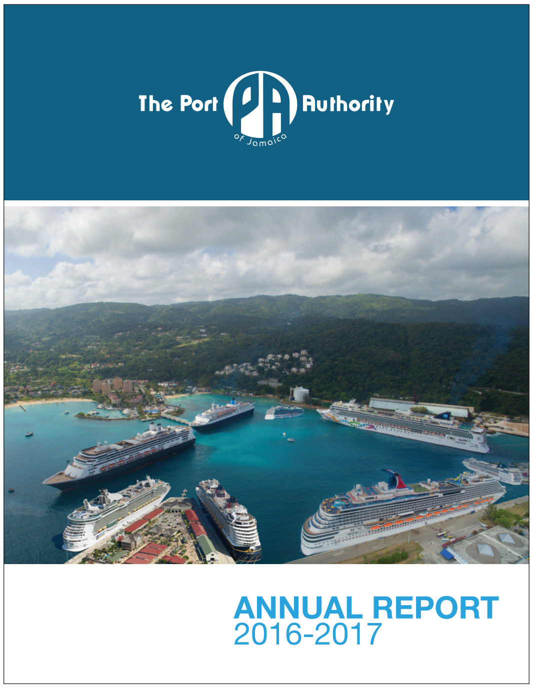
At March 31, 2016, an amount of $5.595 billion from Property, Plant and Equipment and Inventories (specifically spares) was classified as assets held for sale in connection with the privatisation of the Authority's Container Terminal Operations. No impairment loss was recognised on reclassification of these assets as the directors of the Group expected the fair values less costs to sell to exceed the carry amounts.

During the year, all fees were paid in line with the terms of the agreement. Transactions during the year relating to the handover of the Container Terminal Operations were as follows:

	$'000
Gain on disposal of the Container Terminal equipment and spares	3,280,838
Redundancy costs	(1,499,313)
Other privatisation costs	(255,532)
	1,525,993

36 TRANSFER TO THE GOVERNMENT OF JAMAICA CONSOLIDATED FUND

In accordance with Regulation 6 of the Public Bodies Regulations, 2015, and the provisions of the enabling Act, the Public Bodies Management and Accountability Act, a payment of a financial distribution of $250 million from retained earnings was transferred to the Government of Jamaica Consolidated Fund.



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