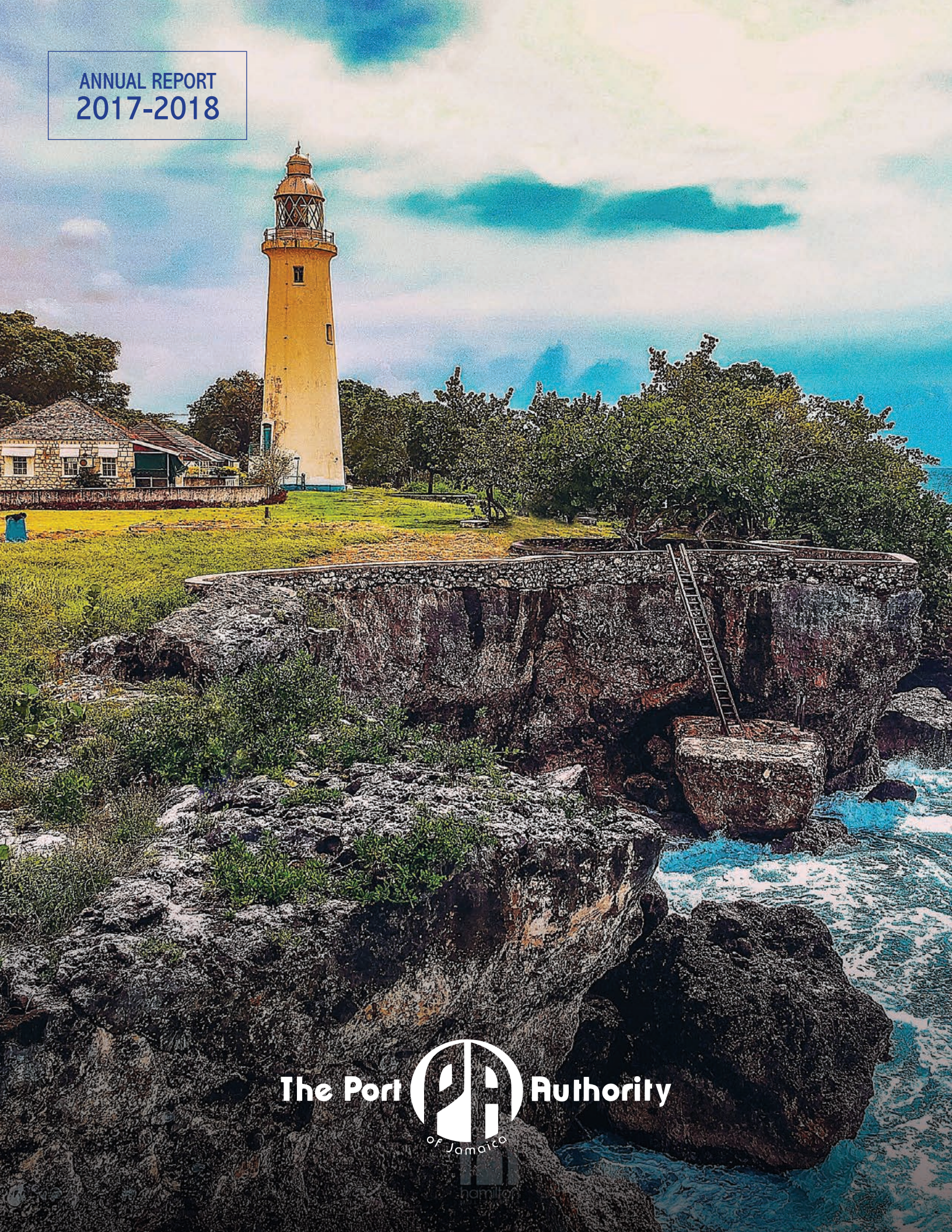


ANNUAL REPORT  
2017-2018



## 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.



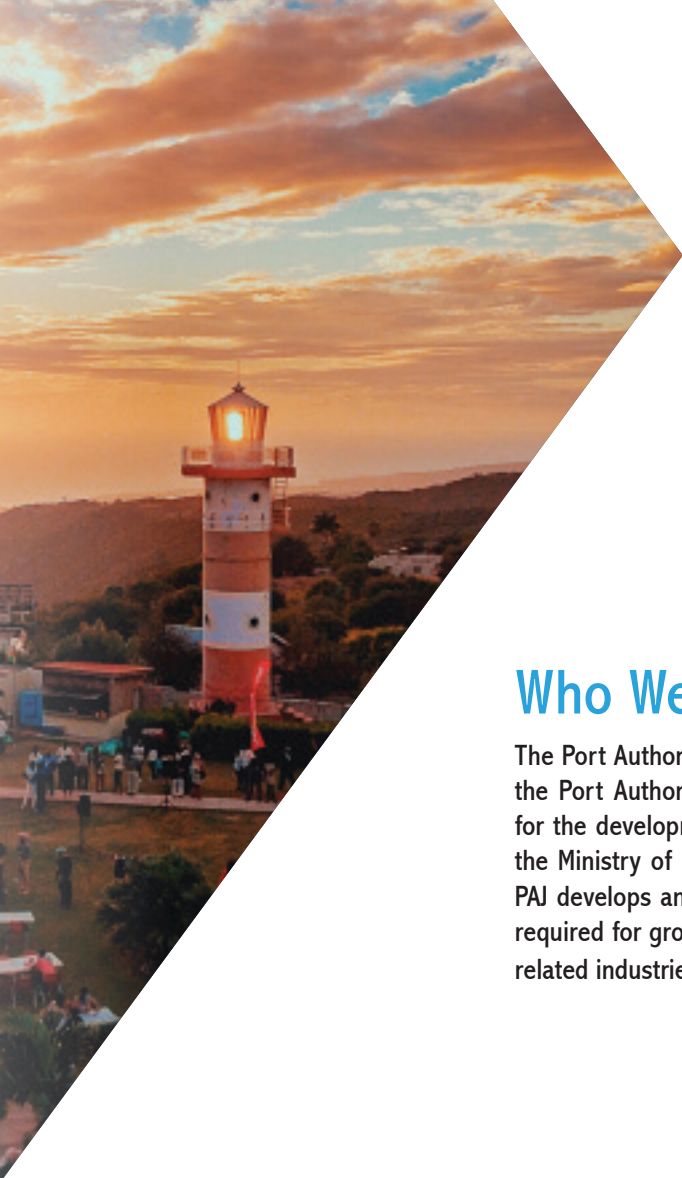
## Our Values

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

|    |                                  |    |                                   |
|----|----------------------------------|----|-----------------------------------|
| 1  | Corporate Profile                | 26 | Organisational Chart              |
| 3  | Operational Framework            | 27 | Management Team                   |
| 5  | Performance at a Glance          | 28 | Directors & Corporate Data        |
| 8  | Business Highlights              | 30 | Management Discussion & Analysis  |
| 10 | Board of Directors               | 40 | Corporate Social Responsibility   |
| 16 | Chairman's Report                | 45 | Employee Engagement & Development |
| 18 | Corporate Governance             | 46 | Financial Review                  |
| 22 | President & CEO's Statement      | 52 | Executive Emoluments              |
| 24 | Senior Executive Management Team | 54 | Financial Statements              |



# Corporate Profile

## Who We Are

The Port Authority of Jamaica (The Authority or PAJ) is a statutory body 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 seaports and the supporting infrastructure required for growth in Jamaica's International Trade and Commerce, Cruise Tourism and related industries.

## What We Do

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

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

# Our Business in Brief

## Cargo

The Port Authority derives its revenues from its main business segments and statutory dues. These include Cargo and Cruise activities, which are supported by Harbours and Port Services. The Kingston Container Terminal which is owned by PAJ, is operated by Kingston Freeport Terminal Limited (KFTL), a subsidiary of CMA/CGM. This arrangement is through a Build Operate Transfer (BOT) 30-year Concession Agreement which became effective July 1, 2016. PAJ earns revenue from the annual concession fee, which is a combination of guaranteed and variable fees, as a percentage of gross revenue, paid quarterly in advance.

The Port of Montego Bay is a multi-use facility for cargo and cruise. It is owned by the PAJ and operated by Port Handlers Limited (PHL) through a management agreement. PAJ is responsible for investment in development, equipment and systems, while PHL collects the revenues and manages the day to day operations and is paid a management fee.

## Logistics

Port-centric logistics development is a strategic imperative for the PAJ. It is an area of great opportunity to increase cargo throughput at Jamaica's seaports, create high and low skilled jobs, and drive economic activities for growth in Jamaica. The PAJ is actively pursuing initiatives to partner with private sector companies for the development and operations of logistic activities on land it owns, adjacent to the Kingston Container Terminal (KCT).

## Security

As the designated authority for seaport 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 and best practices.

## Cruise

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. The Port of Ocho Rios is managed by Lannaman and Morris by way of a management agreement. The Historic Falmouth Port and Errol Flynn Marina are managed by the Authority and the Port of Montego Bay by PHL.

## Business Process Outsourcing

The PAJ plays a key role in the Business Process Outsourcing (BPO) sector, in support of the Government of Jamaica's job creation and growth agenda. PAJ owns and manages approximately 1.5 million sq. ft. of building spaces, through three (3) Free Zone subsidiaries and manages 238,000 sq. ft. of building space for Factories Corporation of Jamaica.

## Harbours & Marine Services

As the regulator of seaports, the PAJ is responsible for ensuring the safe and efficient navigation of vessels entering and leaving our harbours. This is carried out by the Marine Services Division. This includes the management of the pilot service, maintenance of the harbour to include dredging, the maintenance of lighthouses and structures, buoys and beacons, as well as the provision of towing services which is currently outsourced.

Jamaica currently has 21 port facilities strategically located across the island. These include 3 public ports that handle domestic and transshipment cargo, 4 cruise ports and 14 private cargo ports that handle bulk and liquid cargo, such as bauxite, petroleum/fuel, aggregates, steel, cement and other raw materials.



# Operational Framework



## Infrastructure Development

Facilitates economic growth through the development and maintenance of best in class seaport infrastructure and supporting facilities in a cost effective and environmentally sustainable way. Ensures that Jamaica's seaports and cargo activities maintain a preeminent position in regional transshipment activity, as well as meets the demands of international sea trade to support Jamaica's commerce and trade. Develops and operates sustainable world class facilities and services to achieve Jamaica's mission as a leading cruise shipping destination and port logistics centre of the region.

## Safety & Security

Regulates and audits port security plans to ensure 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 Viability

Executes its core mandate for the development and regulation of Jamaica's Maritime Sector and supporting the Government of Jamaica's (GOJ's) Economic and Growth Agenda in a financially prudent and responsible manner that will enhance and ensure the long-term viability of the Authority.

This will be achieved through a thoughtful and fiscally disciplined approach in the management of the Authority's financial affairs. In addition, an appropriate mix of loan financing, equity and strategic partnerships with public and private entities in financing the development and operations of the Authority's businesses.

## Enterprise Risk Management

The PAJ undertakes general risk assessment in the execution of its strategies and operations. However, the need to strengthen its risk management oversight and capabilities, as well as formalise an effective enterprise risk management framework along with the appropriate policies and procedures have become increasingly important, and will be practiced across all entities, departments and among staff.

There is the need for an effective process where managers of key business segments are required to be proactive and continuously identify, assess, manage and monitor business opportunities and risks. This is to be done in a cohesive and wholesome way, anchored by a framework which integrates risk management with the organisation's strategy, which consolidates and prioritises the response. It is in this regard that the PAJ has taken steps to formalise its Enterprise Risk Management (ERM) Policy, which includes the training of key staff at all levels and the engagement of a risk management consultant and the engagement of a Chief Risk Officer.

## 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 strengthen market research, data analytics and business intelligence capabilities to identify and capitalize on opportunities and manage risks.

## Human Resource Development

Ensures an efficient and flexible organizational structure, driven by competent and highly skilled employees who are customer centric and deliver operational excellence in the execution of their functions. Trains and develops our employees to meet the needs of the evolving business environment including business continuity planning. Cultivates an environment where hidden talents are harnessed and developed. Improves performance and efficiency by leveraging Information and Communications Technology (ICT) capabilities to maximize productivity through innovation, transformation and the empowerment of staff.

# The PAJ Group

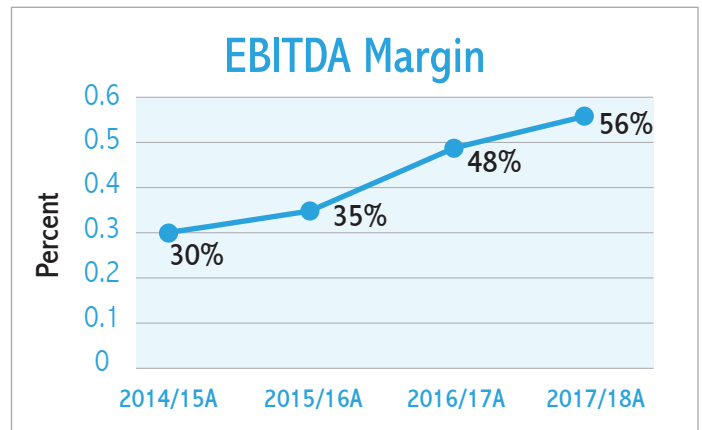
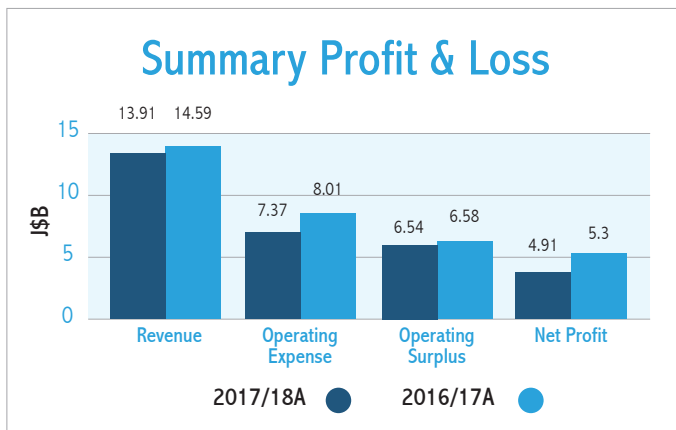
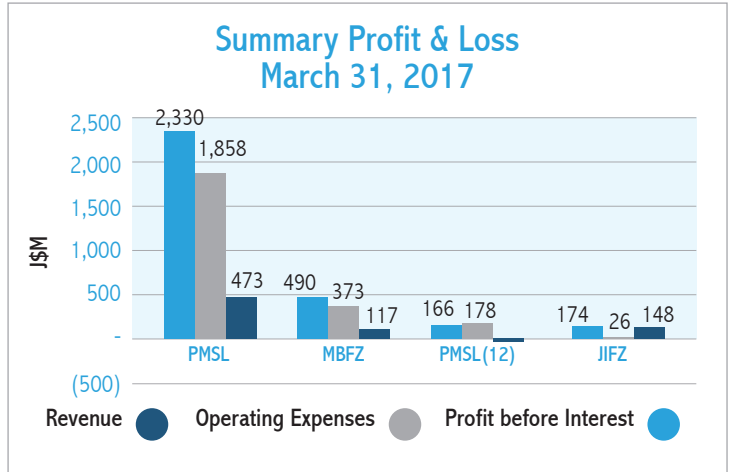
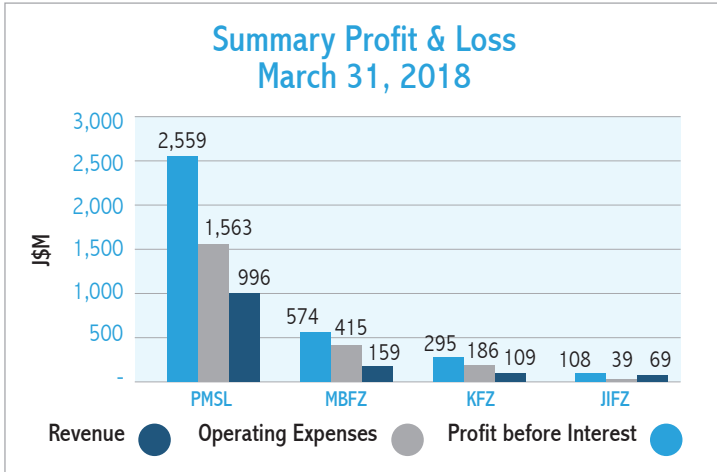
## Subsidiaries and Associates

## Service Provided

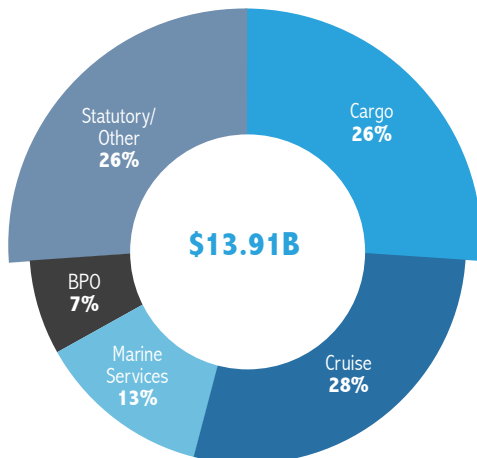
|  |   |
|--|---|
| Kingston Free Zone Limited (KFZ)                             | Owns, leases and manages real estate on properties adjacent to the KCT. Owned by PAJ 72%, GOJ 28%.  |
| Montego Bay Free Zone Limited (MBFZ)                         | Leases building spaces and provides real estate management services primarily to the BPO industry in Montego Bay. Shares owned equally by PAJ and GOJ.                                      |
| Ports Management & Security Limited (PMSL)                   | Implements the International Ship and Port Facility Security (ISPS) Code at the sea ports of Jamaica. Owned by PAJ (51%), Kingston Wharves (25%) and Shipping Association of Jamaica (24%). |
| Jamaica International Free Zone Development Limited (JIFZDL) | Acquires, develops and leases properties for logistics and related activities. Owned by the PAJ (75%) and ZIM Integrated Shipping Services (25%)  |
| Port Authority Management Services Limited (PAMS)            | Provides management services for the Half Way Tree Transport Center. A wholly-owned subsidiary of the Port Authority.   |
| KCT Services Limited   | A wholly-owned subsidiary of the PAJ, established to provide personnel services and management of the operations of the Kingston Container Terminal.  |
| Montego Cold Storage Limited                                 | A 33% associate company whose primary activities are the lease of lands, rental of refrigerated warehouses and 2 apartments it owns.  |
| Security Administrators Limited                              | A 33% associate company whose primary activities are the provision of port and general security, and other related services.  |



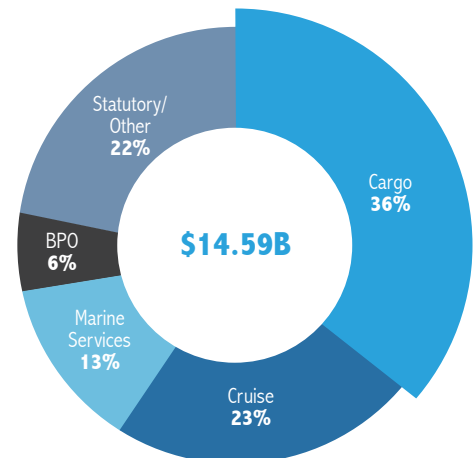
# Performance at a Glance



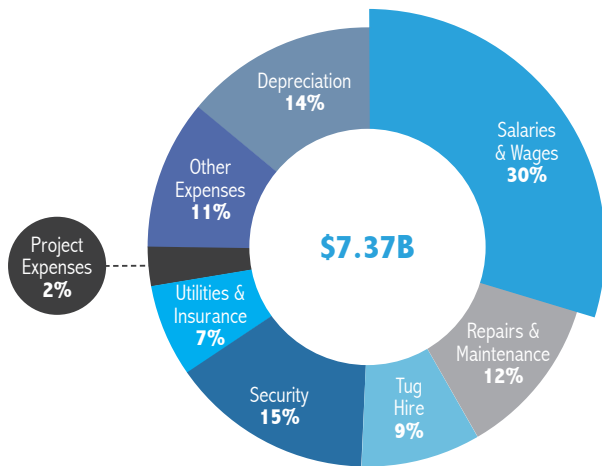
Revenue by Segments 2017/18



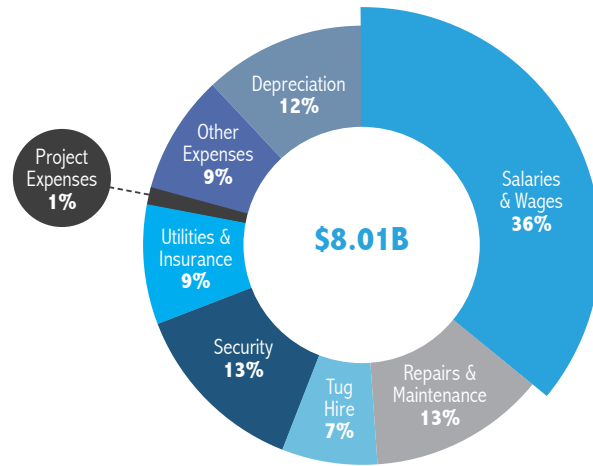
Revenue by Segments 2016/17



## Expense Major Categories 2017/18



## Expense Major Categories 2016/17



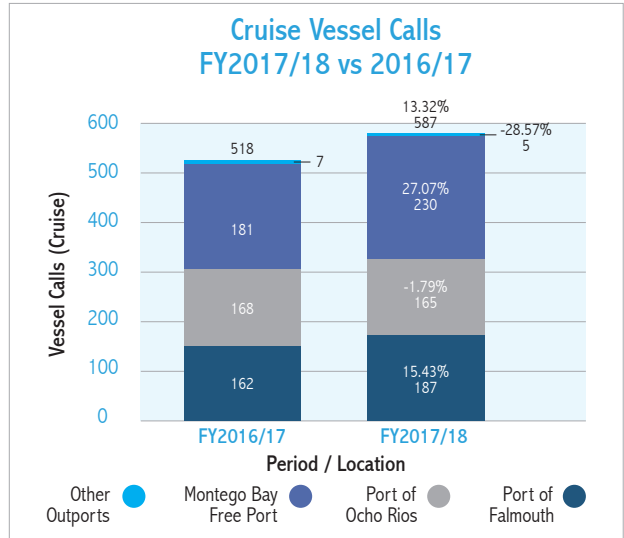
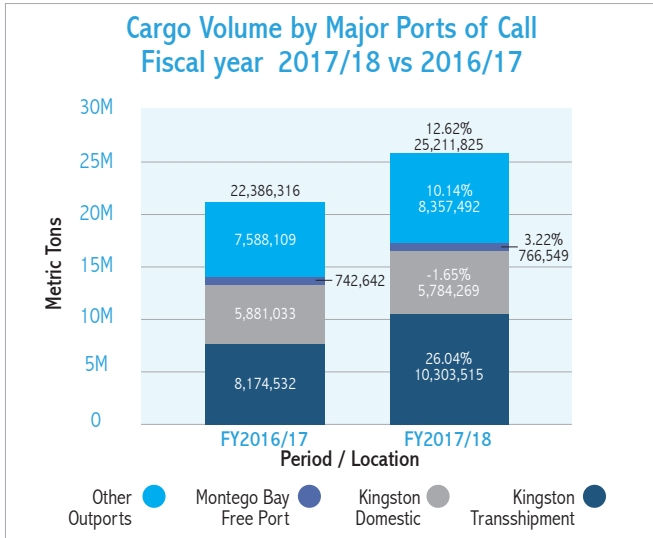
## Performance at a Glance Continued

| Free Zone Operations: Available Space & Occupancy Levels as at 31 March 2018 |                              |               |                                     |                |                  |                  |             |
|--|------------------------------|---------------|-------------------------------------|----------------|------------------|------------------|-------------|
| Free Zone companies  | Available Space (in sq. ft.) |               |                                     |                |                  | Occupancy (in %) |             |
|  | BPO                          | Other office  | Factory, Warehousing & Distribution | Paved Area     | Total            | 31-Mar-18        | 31-Mar-17   |
| Montego Bay Free Zone <sup>1</sup>   | 415,966                      |               | 249,000                             |                | 664,966          | 100.0            | 100.0       |
| Kingston Free Zone 2   | 50,000                       | 9,000         | 296,264                             |                | 355,264          | 96.9             | 90.3        |
| Jamaica International Free Zone  | 48,340                       | 20,451        | 34,801                              | 348,803        | 452,395          | 89.3             | 77.9        |
| <b>Total</b>   | <b>514,306</b>               | <b>29,451</b> | <b>580,065</b>                      | <b>348,803</b> | <b>1,472,625</b> | <b>96.0</b>      | <b>90.9</b> |

1. Includes the addition of 63,000 sq. ft. of new BPO completed.

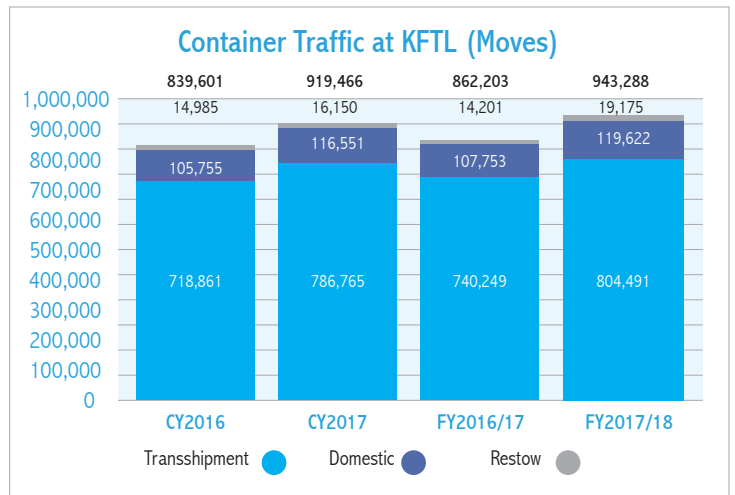
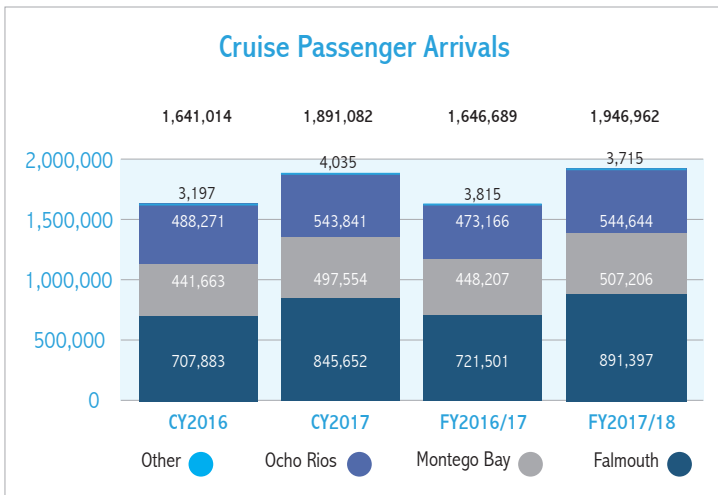
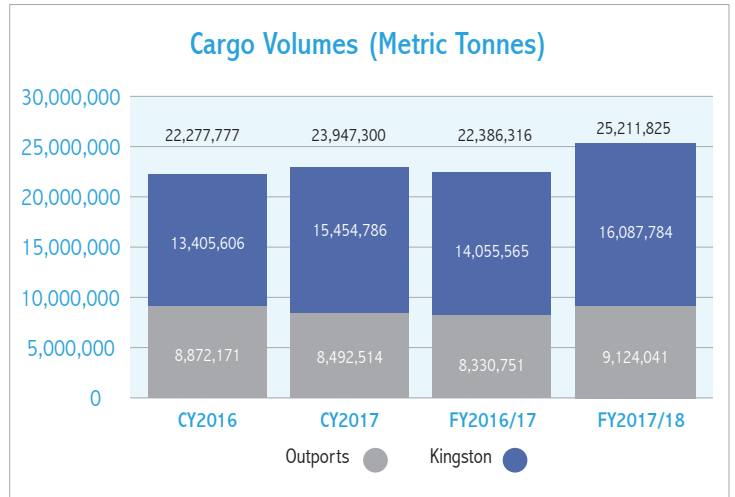
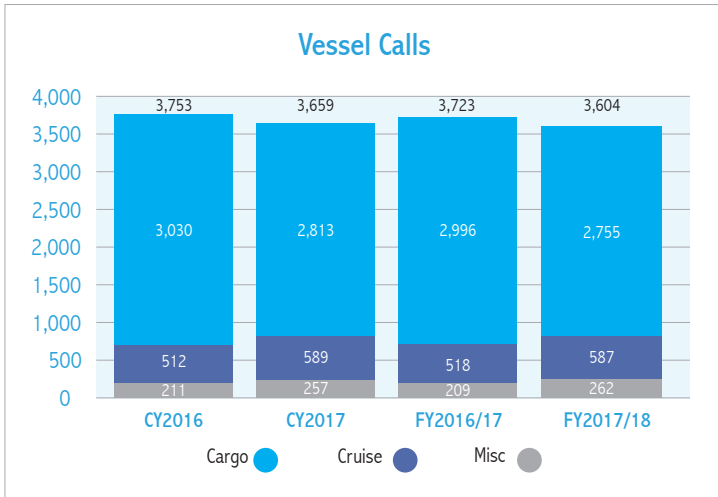
2. Does not include 153,000 sq. ft. of new space at the Portmore Informatics Park for which construction is still in progress at March 31, 2018.

| Free Zone Operations: Operators, Employment & Foreign Exchange Earnings as at 31 March 2018 |              |            |              |               |
|---|--------------|------------|--------------|---------------|
| Number of Operators/Lessees   | BPO          | Other      | 31-Mar-18    | 31-Mar-17     |
| Montego Bay Free Zone   | 18           | 24         | 42           | 66            |
| Kingston Free Zone  | 1            | 32         | 33           | 30            |
| Jamaica International Free Zone   | 0            | 3          | 3            | 4             |
| <b>Total</b>  | <b>19</b>    | <b>59</b>  | <b>78</b>    | <b>100</b>    |
| <b>Employment</b>   |              |            |              |               |
| Montego Bay Free Zone   | 7,984        | 387        | 8,371        | 8,371         |
| Kingston Free Zone  | 800          | 328        | 1,128        | 1,412         |
| Jamaica International Free Zone   | 0            | 80         | 80           | 539           |
| <b>Total</b>  | <b>8,784</b> | <b>795</b> | <b>9,579</b> | <b>10,322</b> |
| <b>Foreign Exchange Earnings (US\$M)</b>  |              |            |              |               |
| Montego Bay Free Zone   | 136          | 10         | 146          | 120           |
| Kingston Free Zone  | 6            | 1          | 7            | 7             |
| Jamaica International Free Zone   | 3            | 1          | 4            | 7             |
| <b>Total</b>  | <b>145</b>   | <b>12</b>  | <b>157</b>   | <b>134</b>    |

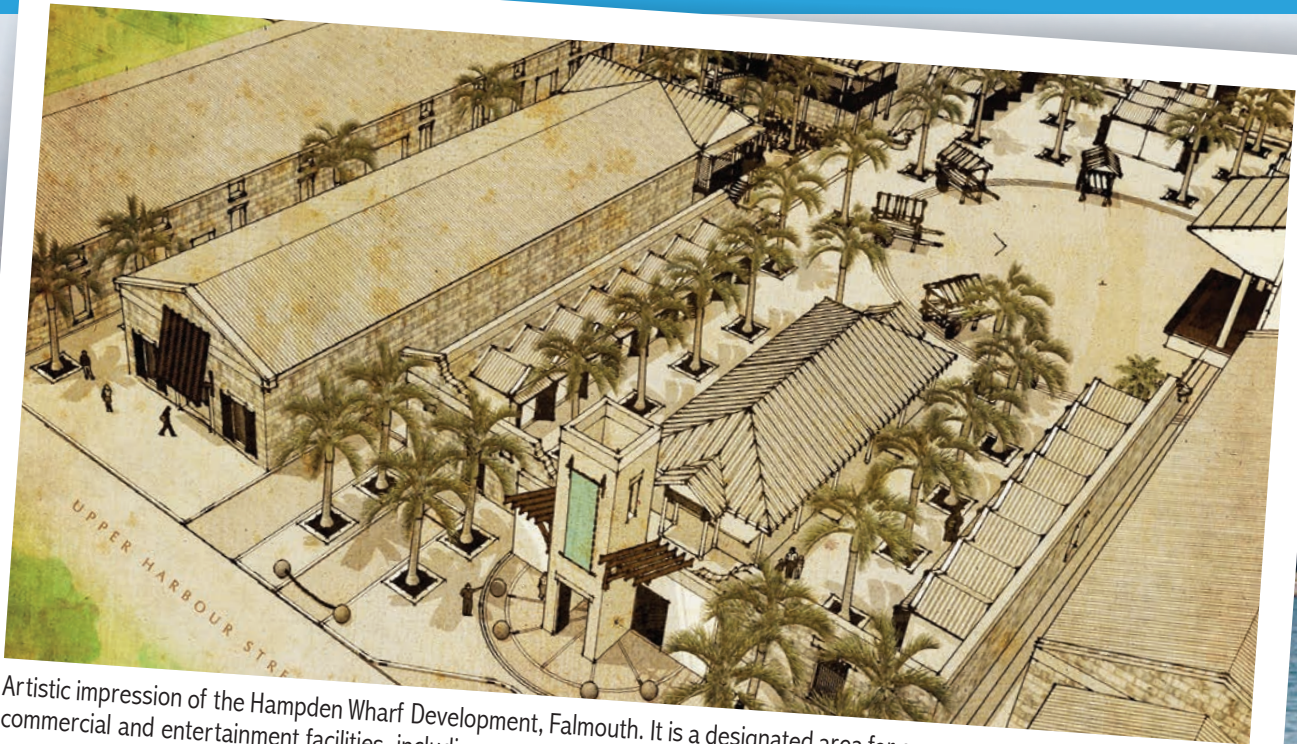


## Port Statistics

The information below highlights activities for cruise and cargo ports in Jamaica. Currently 3 public cargo ports, 4 cruise ports and 14 private wharfs.



# Business Highlights



Artistic impression of the Hampden Wharf Development, Falmouth. It is a designated area for on-port attractions which comprises commercial and entertainment facilities, including an artisan craft village and the restoration of Tharpe House.



Dr. Horace Chang, Minister without portfolio MEGIC engages a craft shop owner during a tour of the new craft shops at the Montego Bay Terminal.



(L-R) His Worship the Mayor, Councillor, Colin Gager, Professor Gordon Shirley, Edmond Bartlett, Minister of Tourism, Dr. Horace Chang and Victor Wright, MP Trelawny Northern, participate in the ground breaking ceremony for the Hampden Wharf Development being financed by PAJ and the Tourism Enhancement Fund (TEF).



Stakeholder tour of the newly upgraded terminal building at the Port of Montego Bay including a reconfigured air conditioning system, a new shopping arcade and enhancements to the aesthetics which include murals and paintings of 'things Jamaican' to reflect the spirit of the island's vibe, cuisine, notable personalities and landmarks.



Ongoing redevelopment of Reynolds Pier as a mixed-use port facility capable of accommodating Genesis class cruise vessels while maintaining its industrial abilities (lime aggregate and sugar export).



PAJ Chairman Dr. Nigel Clarke (left) and President of the PAJ, Professor Gordon Shirley (right), engaged in discussion with visitors during a tour of the Errol Flynn Marina in Portland following a board meeting at the facility.



Port Authority hosts Prime Minister, The Most Hon. Andrew Holness (left), on a familiarisation tour of the Historic Falmouth Port and related projects.



Dr. Patricia Dunwell, Custos of St. Andrew, Pilot Jomo King, CMI representative, Wife of the Prime Minister, the Most Hon. Juliet Holness, along with Dr. Horace Chang, Minister without portfolio MEGIC, Senator and Councillor Delroy Williams, Mayor of Kingston, President and CEO of the PAJ, Professor Gordon Shirley and Opposition Spokesman on Transport Mikael Phillips at the Naming and Commissioning into Service Ceremony for the two new pilot boats, Kingston 1 and Kingston 2. This acquisition supports the PAJ's objective of ensuring the safety and security of all ships navigating Jamaica's ports.



PAJ representatives engaged the Port Royal Brotherhood at a stakeholder meeting to discuss plans for cruise shipping and related attractions for the town.

# Board of Directors



Ambassador Dr. Nigel Clarke,  
Chairman

L-R: Professor Gordon Shirley, Dr. Janine Dawkins  
Mr. Alston Douglas, Mr. Edward Gabbidon



L-R: Mr. Mark Hart, Mr. Lyttleton Shirley, Mrs. Velma Ricketts Walker  
Mr. Jerome Smalling, Mr. Adam Stewart

# Board of Directors' Profiles

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. The Board of the Port Authority (PAJ) was appointed on June 20, 2016, for a period of three (3) years. The Members of the Board are:



**Ambassador Dr. Nigel Clarke,  
Chairman**

Chief Position: Deputy Chairman & COO, Musson Group. Appointed Chairman of the PAJ in 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 for the GOJ. He is a Rhodes Scholar who holds a MSc in Applied Statistics and a PhD in Numerical Analysis 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 Organization of American States (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 also 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.



### Mr. Lyttleton Shirley

Chief Position: Chairman of Factories Corporation of Jamaica Limited. 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.



### Mrs. Velma Ricketts Walker

Chief Position: CEO/Commissioner of Customs. She has over 19 years of experience in Customs Administration, Trade Facilitation, Risk Analysis, Strategic Planning, International Trade, Security, Compliance and Enforcement. She contributed significantly to Regional Customs Administrations, where as a Revenue Administration Advisor to the International Monetary Fund (IMF), she assisted regional Customs Administrations with the development and strengthening of their risk management programmes and organizational strategic reform. She is dedicated to improving Jamaica's image in the ease of doing business, logistics and competitive performance. Mrs. Walker currently serves as a Director on the Board of the Jamaica Special Economic Zone Authority (JSEZA) and holds the position of Chairperson for the World Customs Organization's Capacity Building Committee.



### 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 and 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, 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.

\*\*Note: Mrs. Velma Ricketts-Walker was appointed to the Board on October 23, 2017. Dr. Nigel Clarke demitted office March 3, 2018.

## External Committee Members



**Mr. Donald Patterson**  
(Audit Committee)

A UK-trained Chartered Accountant with a Master of Business Administration and over 30 years of senior management, executive and international experience in auditing, administration, systems development, overseas business development, marketing, credit, finance, treasury and general management. Experience in Jamaica spans auditing, quasi-government operations and two (2) multinational entities - with head offices in the UK and Jamaica that are involved in manufacturing and financial services (housing finance and development, fund management, remittance services, micro-credit, general insurance, information technology solutions) respectively.



**Ms. Roxann Linton**  
(Finance Committee)

Chief Position: CEO – First Heritage Co-Operative Credit Union Ltd. A seasoned financial services professional, Mrs Linton has worked with international financial institutions in progressively senior roles, locally, regionally and internationally. She has extensive experience in various areas, including Retail & Commercial Banking, Compliance and Risk Management. She is a CFA Charterholder and a Certified Public Accountant and earned her Bachelor and Master of Science Degrees in Accounting from the University of the West Indies. Roxann is passionate and committed to improving the lives of less fortunate women and children and has served as the Chairperson of the Operational Board of Junior Achievement of Jamaica and on the Grants Committee of the Canadian Women's Foundation.



**Mark Tracey**  
(Audit Committee)

Mark Tracey is currently on secondment from Jamaica Money Market Brokers (JMMB) to the Office of the Prime Minister as a Jamaica House Fellow where he is the Senior Economic Advisor to the Minister of Finance. His main focus is the monitoring of the Precautionary Standby Arrangement Jamaica has with the IMF. He holds an M.Sc. in Economics from the University of the West Indies, with special focus on Financial Economics and Risk Management. Mark also holds a certification in Financial Programming and Policies from the renowned IMF Institute in Vienna, Austria. He is a member of two committees, the acting chair for the PIOJ's Audit and Finance Committee Operation Restoration that operates a youth programme in Trench Town. He is also a Justice of the Peace for the parish of Kingston.

# Your Beacon of Light will SHINE FOREVER



## The Honorable Noel Hylton

OJ, CD, Hon. LL.D, JP

August 15, 1931 – February 24, 2018

*'A Public Servant Par Excellence'*

With tremendous passion and unwavering dedication, the Hon. Noel Hylton served Jamaica with distinction for 47 years. His vision, tenacity, commitment to nation building and transformational leadership are attributes by which he made his contribution to the development of modern shipping in Jamaica.

A phenomenon who has left an indelible mark on the maritime sector, Mr. Hylton is credited with raising the international stature and competitiveness of Jamaica's port and shipping sectors.

His illustrious career spanned tenures at the Shipping Association of Jamaica as General Manager (1966-1975), Chairman, President & CEO of the Port Authority of Jamaica (1975-2013) and President & Managing Director of Air Jamaica Ltd. (1981-1989 on secondment from the Port Authority of Jamaica).

He is fondly remembered for his close relationship with and care for employees. He paid keen attention to employee benefits and the welfare of the members of his team. The management and staff are deeply saddened by his passing.

We pay tribute to Mr. Hylton's exemplary achievements and recognize his sterling performance during his stewardship. We salute his years of ocean-crossing in pursuit of excellence and note that his footprint will remain perpetually etched in Jamaica's history.

# Chairman's Report

“As at December 2017, investment of US\$303 million was undertaken for the five-year Phase 1 of the US\$459 million investment programme.”



Dear Stakeholders:

**T**he Port Authority of Jamaica is the chief maritime agency of the Government of Jamaica for the regulation, growth and development of the sector. In this regard, the PAJ's strategies are inextricably aligned to the government's Medium Term Strategic Priorities, which include the development of a modern and competitive world class maritime sector for Jamaica to support trade, and economic growth in other industries.

During the period under review, the PAJ Group fulfilled a number of objectives and achieved several important strategic milestones. Demonstrably, these are reflected in the completion of major development projects such as the construction of a new 63,000 sq.ft purpose-built BPO space in Montego Bay, as well as strong financial performance and improved market share in a number of key business segments.

For the financial year ended March 31, 2018, the Group posted profit before taxation of \$5.61 billion, compared to \$5.73 billion for the previous year and revised budget of \$3.88 billion for 2017/18. Earnings before interest tax and depreciation (EBITDA) grew by 8% to \$5.6 billion. The assets of the Group increased by \$2.9 billion to \$64.34 billion. Investment of \$7 billion was undertaken in the construction of port related infrastructure, buildings and operating equipment, in the cruise, cargo, BPO and marine services segments.

Additionally, capital works and dredging to expand the capacity of the Kingston Container Terminal (KCT) facilities, which are outlined in the PAJ Concession Agreement (CA) with KFTL, are notably ahead of schedule. As at December 2017, investment of US\$303 million was undertaken for the five-year Phase 1 of the US\$459 million investment programme. Substantial completion of dredging (99%) and ongoing infrastructure development including berth rehabilitation (50%), as well as the procurement of new cargo-handling equipment and ICT systems have been undertaken. Other contractual commercial and operating obligations of the concessionaire are being executed in accordance with the terms of the CA.

Western Jamaica continues to be a rapidly growing section of the island and the multi-purpose terminal at the Port of Montego Bay is vital in response to the associated shipping and maritime needs. Contracts have been awarded for the development of a new cargo berth in response to the increased demand for fuel and break-bulk cargo, in addition to the rehabilitation of the existing berths and supporting facilities, new operating equipment and ICT systems.

Jamaica's cruise passenger arrivals have increased from 1.65 million to approximately 1.92 million in calendar year 2017, with Jamaica receiving "World's and Caribbean's Leading Cruise Port" awards consecutively for several years. Importantly, Jamaica's market share for cruise passenger arrivals in the Caribbean increased consistently since calendar year 2014, from 6.8% or 1,423,797 passengers to 9.1% or 1,923,274 passengers in 2017, reflecting a year on year increase of 16.2% for 2017.

Capital investment strategies at the island's cruise ports, including infrastructure works and township upgrades are ongoing to increase Jamaica's competitiveness as a cruise destination. In this regard, plans are advanced for the development of Port Royal and by extension Kingston, as a new cruise destination, which will offer historic attractions and a unique experience for cruise passengers, land tourist and Jamaicans at home and abroad. It is being developed in collaboration with multi-state agencies including the National Heritage Trust and the Urban Development Corporation. The preservation of the cultural heritage and the environment is a key consideration in this development which will engage the citizens of Port Royal in greater economic activities.

Significant emphasis has been placed on enhancing the marine services in the Port of Kingston. New pilot boats were acquired and a new 10-year Concession Agreement for the provision of Tug Services is being procured. This approach is in keeping with the thrust to engage Public Private Partnerships for investment opportunities, thus reducing PAJ and GOJ reliance on debt to finance these investments. As we look ahead we remain focused on the delivery of quality service to improve Jamaica's competitive position in the Maritime Sector. We will leverage our talent and technology in improving operational efficiencies and seize new opportunities for increasing growth and economic development for Jamaica.

As the Authority continues the implementation of its 5-year strategic plan, sharp focus has been placed on expanding and enhancing our regulatory role. The key strategy is to work with the port community to maximize opportunities and deliver growth in fulfilment of our shared vision for the Port of Kingston to be the 'Western Hemisphere's beacon of maritime excellence.' The PAJ has demonstrated its commitment to value creation for our stakeholders and we are grateful to our industry players and partners for their unwavering support.

I use 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 vision and objectives for the GOJ and the PAJ.



Chairman  
Amb. Dr. Nigel Clarke



# Corporate Governance

The PAJ's corporate governance practices and policies are guided by the GOJ's Corporate Governance Framework for Public Bodies and the Public Bodies Management and Accountability Act (PBMA). The Board of Directors and the Management Team of the Port Authority and its subsidiaries are committed to the practice of internationally accepted principles of corporate governance.

## Role of the Board of Directors

The Corporate Governance Framework for Public Bodies (Jamaica) provides that the board is collectively responsible for the strategic management and oversight of the PAJ, and is accountable to the Responsible Minister. In the execution of its functions, the PAJ's Board ensures that the Authority's vision and strategic direction, is in alignment with GOJ's medium term priorities for the Maritime Sector, and the realization of the Authority's Statutory and Regulatory responsibilities.

The Board monitors and 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 that the highest standard of governance is maintained and encourages and promotes a culture of adherence to ethics, transparency and core values. Each director is required to act honestly and in good faith and ensure that the PAJ executes its activities in accordance with its mandate.

## The Board of Directors

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

Board Competence Profile

|    | Name                       | General Management | Finance & Audit | Commerce & Marketing | International Relations | Port Security Operations | Port Operations & Government Policy | Engineering |
|----|----------------------------|--------------------|-----------------|----------------------|-------------------------|--------------------------|-------------------------------------|-------------|
| 1  | Dr. Nigel Clarke, Chairman | x                  | x               |                      | x                       |                          |                                     |             |
| 2  | Prof. Gordon Shirley       | x                  | x               |                      | x                       | x                        | x                                   | x           |
| 3  | Dr. Janine Dawkins         | x                  |                 |                      |                         |                          | x                                   | x           |
| 4  | Ms. Velma Ricketts-Walker  | x                  |                 |                      |                         | x                        | x                                   |             |
| 5  | Mr. Alston Douglas         | x                  |                 |                      |                         |                          |                                     | x           |
| 6  | Mr. Edward Gabbidon        | x                  | x               | x                    |                         |                          |                                     |             |
| 7  | Mr. Littleton Shirley      | x                  |                 |                      | x                       |                          |                                     |             |
| 8  | Mr. Adam Stewart           | x                  |                 | x                    | x                       |                          |                                     |             |
| 9  | Mr. Mark Hart              | x                  |                 | x                    |                         |                          | x                                   |             |
| 10 | Mr. Jerome Smalling        | x                  | x               | x                    |                         |                          |                                     |             |

## Corporate Secretary

The Corporate Secretary was re-appointed by the Board on November 3, 2017 to execute corporate governance and administrative functions of the Board including preparation and circulation of Board Minutes and Board Papers.

During the year, the secretary ensured that adequate notice, agenda, minutes and Board documents were circulated, attested to the proper use of the Authority's Seal and advised on contractual engagements and procurement methodology.

## Board Activities

During the year under review, the Board gave oversight in the execution of a wide range of activities and regulatory affairs, including but not limited to the following:

### A. Finance

- Review and approval of the PAJ Strategic and Corporate Plan & Budget for 4-years 2018/19 to 2021/22, in accordance with the requirements of the Public Bodies Management & Accountability Act.
- Approved the audited financial statements for the year ended March 31, 2017 and review of the Management Letter.
- Reviewed monthly financial and operational reports and monitor the financial performance of the PAJ and its subsidiaries, against targets as outlined in the approved budget.
- Reviewed capital project performances to ensure timely completion and assessed against budget.

### B. Project and Development

- Further development of the Historic Falmouth Cruise Ship Terminal, including, streetscaping, construction of a new market and commenced development of the Hampden Wharf.
- Construction of additional berthing facilities at the Port of Montego Bay.
- Expansion of the Cruise Ship Terminal at Ocho Rios including upgrade of the Reynolds Pier and development of the Ocho Rios Fishing Village.
- Business Process Outsourcing (BPO) – completed construction of 63,000 sq. ft. BPO Building in the Montego Bay Free Zone and commence construction of 157,000 sq. ft. building at the Portmore Informatics Park.
- Development of Marine Services with respect to procurement of a Concession Agreement for tug services with an international towage company.
- Acquisition of two (2) Pilot Boats.
- Acquisition of new articulated berthing facility (SeaWalk) for the development of Port Royal and negotiation for the acquisition of land for the construction of new cruise shipping facilities in Port Royal.
- Development of Logistics Hub.
- Procurement and implementation of Human Capital Management Solution.
- Upgrade of the ORACLE E-Business Solution and the upgrade of the Authority's ICT capabilities, all geared towards improving operating efficiency.

### C. Regulatory Oversight

- Review of Corporate Governance Charter, Board Charter and terms of reference for Board Committees.
- Respond to requests for access to information in accordance with the Access to Information Act.
- Designation of subsidiary companies and licensing of facilities for Special Economic Zone including Montego Bay Free Zone, Kingston Free Zone and the Errol Flynn Marina.

### D. Other Activities

- Members also toured PAJ's operating facilities and the projects/development islandwide including Ocho Rios, Montego Bay, Falmouth, Port Antonio and the Port of Kingston.
- The Board also reviewed and approved various initiatives as recommended by Management and the respective committees including sponsorship of:
  - Six (6) schools through the JMMB Joan Duncan Foundation - Conversations for Greatness.
  - Kingston And St. Andrew Football Association (KSAFA) Under 13 and Under 15 football competition.
  - The establishment of a unit of the Jamaica Fire Brigade on lands adjacent to the Port of Montego Bay.

## Board Attendance

During the year under review the Board of the Port Authority had eight (8) regular monthly meetings. There were no special meetings or retreats. The Committees met monthly, responded to matters within their remit and advised the Board accordingly. Attendance and frequency by members to Board Meetings and their respective Committees are outlined below:

Board & Committee Meetings Attendance Record  
April 2017 – March 2018

| Members                           | Board | Finance | Audit | Projects | Pilotage |
|-----------------------------------|-------|---------|-------|----------|----------|
| Clarke, Nigel                     | 6     | -       | -     |          |          |
| Dawkins, Janine                   | 8     | -       | 4     |          | 4        |
| Douglas, Alston                   | 8     | -       | -     |          |          |
| Gabbidon, Edward                  | 8     | -       | 3     | 8        |          |
| Hart, Mark                        | 6     | 7       | -     |          |          |
| Ricketts-Walker, Velma            | 2*    | -       | -     |          |          |
| Shirley, Gordon                   | 8     | -       |       |          |          |
| Shirley, Lyttleton                | 6     | -       | -     | 8        |          |
| Smalling, Jerome                  | 7     | 8       | -     |          |          |
| Stewart, Adam                     | 1     | -       | -     |          |          |
| <b>External Committee Members</b> |       |         |       |          |          |
| Patterson, Donald                 |       |         | 4     |          |          |
| Tracey, Mark                      |       |         | 2     |          |          |
| Linton, Roxann                    |       | 7       |       |          |          |

Note: \*Appointed to the Board on October 23, 2017.

## Board Committees

The Board has established the following committees to govern areas of its operations:

### Audit Committee

The Audit Committee Members are Dr. Janine Dawkins, Mr. Edward Gabbidon, Mr. Donald Patterson (external member) and Mr. Mark Tracey (co-opted). The roles and responsibilities of the Committee are as follows:

- Advises the Board on the:
  - extent to which the objectives of the Board are being achieved
  - adequacy, efficiency and effectiveness of the accounting and internal control structure and systems of the Board
  - independence of the auditors auditing the financial statements
- Reviews and advise the Board on the audited financial statements that are to be included in the PAJ's annual report
- Evaluates and ensures effectiveness of risk management, controls and governance procedures of PAJ's Internal Audit function
- Reviews and advise the Board on the annual auditor's report
- Conducts investigations on behalf of other board committees
- Performs such other functions as are assigned to it by the Board

### Finance Committee

The Members of the Finance Committee are Mr. Jerome Smalling, Mr. Mark Hart and Ms. Roxann Linton (co-opted external members). The roles and responsibilities of the Committee are as follows:

- Reviews and make recommendations to the Board on the following:
  - Financial Management Policies and Strategies
  - Cost Management Programme
  - Cash Flow Management
  - Budget Administration
  - Financial Plans



- Make recommendations to the Board on matters of finance and accounting in general
- Bring to the attention of the Authority any perceived weaknesses in the accounting and finance system, with suitable recommendation for addressing such deficiencies
- Perform such other functions as assigned by the Board

## Projects Committee

The Members of the Projects Committee are Mr. Lyttleton Shirley, Mr. Edward Gabbidon and Mr. Adam Stewart

The roles and responsibilities of the Committee include:

- Monitors the progress in implementation of projects
- Examines from time to time the development of project proposals and make recommendations to the Board on the implementation of such proposals
- Keeps under review on an ongoing basis the in-house procedural framework related to the implementation of contracts and make recommendations on adjustment mechanisms to facilitate speedier and smoother implementation of projects
- Develops strategies to address delays in the implementation of projects
- Reviews development projects of a commercial nature which are part of the Authority's efforts to diversify its revenue base
- Makes recommendations as relevant with a view to enhancing the operations and performance of the Engineering and Operations Departments, in particular, and the Port Authority, in general
- Performs such other functions as assigned by the Board

## Pilotage Committee

The Pilotage Committee is chaired by Dr. Janine Dawkins and supported by key members of the PAJ Staff and Pilots Association. The roles and responsibilities of the Committee include:

- Reviews the Pilotage Act 1975 in regards to developments and requirements in the global and local shipping industry
- Examines the disciplinary procedures as established in the Act and makes recommendations on changes, if any, that are required to harmonize with conventional industrial relations practice (employer/employee relationship)
- Evaluates the administration of the Pilotage Service in relation to recruitment, training, certification, system of remuneration, dispatching procedures with a view to making recommendations on improvements which are necessary to assist the operations of the service
- Reviews any other area relating to the provision of Pilotage Services which is considered critical to the provision of an efficient service
- Examines reports of incidents/accidents involving ships under Pilotage charge and advises on whether an enquiry should be scheduled in accordance with the Pilotage Act
- Performs such other functions as assigned by the Board

## Board Remuneration

The legislation makes provisions for remuneration of Board and Committee Members, according to rates prescribed by the Minister of Finance. Board and Committee Members were remunerated based on attendance at meetings. The details of payments for the year to each director is outlined on page 53.

## Board Evaluation

Cabinet by way of Decision #28/17 approved the implementation of a Board Performance Evaluation Instrument (BPEI) with a directive that a pilot should commence in April 2018 with full roll out in April 2019. The pilot phase of the roll out included twenty (20) public bodies of which the Port Authority is a participant.

The Board has reviewed the evaluation instrument and propose to commence evaluation in the financial year 2018/2019.



## President & CEO's Statement



**D**uring the financial year 2017/18, the Authority made significant progress in the achievement of objectives outlined in the approved strategic plan and budget. The activities for the year reflected the PAJ's commitment to the implementation of its infrastructural development projects, as well as its focus on enhancing customer experience and global best practices in all its business operations. Development of the human capital, improvement in ICT capabilities and supporting Corporate Social Responsibility (CSR) initiatives were also given sharp focus, underpinned with strong commitment to the highest levels of ethics and integrity.

As the business environment changes, influenced by evolving changes in the global markets, the Authority faces the pressing need to overhaul its port infrastructure, while simultaneously expanding capacity to capitalise on growth opportunities, improve port aesthetics and increase security within its operations. The Authority also collaborated with other government agencies such as the Tourism Enhancement Fund (TEF) and the Urban Development Corporation (UDC) on community development projects within the cruise ports and other areas in which we operate.

Capital investment of approximately \$7.2 billion was undertaken in 2017/18 to complete and implement new projects in all business segments geared towards growth and job creation. These include:

- i. BPO: \$2.2 billion: Completion of the 63,000 sq. ft. building in the Montego Bay Free Zone and infrastructure works on the Portmore Informatics Park (PIP) 157,000 sq. ft. building.
- ii. Cruise Shipping \$2.4 billion in cruise infrastructure and supporting facilities at the Ports of Ocho Rios, Falmouth and Montego Bay to strengthen and repair the berths, dredging and other works; increasing their capacity to dock the larger ships and improvement in the port aesthetics, to include completion of the new Ocho Rios Fishing Village project.

- iii. Cargo: \$1.97 Billion: With the development of an LNG Facility and the expansion in cruise operations at the Port of Montego Bay, berthing space for cargo operations has become constrained. These investments in infrastructure, new container handling equipment and ICT systems focus on improving the efficiency in the use of available cargo berths and storage space.
- iv. Harbours & Marine Services –\$445 million for the acquisition of two (2) new pilot boats.
- v. ICT projects, Port Community System and other supporting equipment \$270 million. This included implementation of the new human resource management and financial systems and an upgrade to the existing network.

Financial performance was in line with the approved budgeted targets, with total income of \$4.79 billion, compared to the budget of \$3.85 billion and \$506 million below 2017. Cargo volumes to the island increased by 12.8% to 25.2 million metric tons, with the Port of Kingston increasing to 16.2 million metric tons which was 14.3% over 2017. The Port of Montego Bay and other out-ports reflected increase in cargo activities of between 3.2% to 11% respectively.

Jamaica maintained a leading position in Cruise achieving 1.945 million passengers, the highest ever calling at the ports in Jamaica. Jamaica benefited from the relocation of passengers from other Caribbean ports of call which were impacted by hurricanes. Jamaica’s estimated share of the region’s Cruise market expanded to 9.1% in 2017, relative to 7.5% in the previous year. Cruise passenger arrivals grew by 18.2% during fiscal year 2017/18 compared to 1.1% in 2016/17 and Jamaica was recognized by the World Travel Awards as the Caribbean’s Leading Cruise Port in 2017.

As part of our Corporate Social Responsibility activities, the Authority supported and implemented several projects. Education, sports, community development and the environment continued to be the areas of focus. Initiatives undertaken included sponsorship of 6 schools through the JMMB’s Joan Duncan Foundation’s Conversation for Greatness Project. The schools are from communities in which we operate (Kingston, St Ann, Trelawny, Portland and St. James). We continued our sponsorship support of the KSAFA’s Under 13 and Under 15 football summer programme competitions, which develops and engages youths from communities in Kingston. The PAJ served as a partner agency for the GOJ’s HOPE Program through which the organization engaged thirty-five (35) interns for one (1) year. They were integrated in the operations based on their skill sets and benefitted from a rich knowledge sharing experience. Through ongoing efforts to improve our Cruise Shipping product offerings and cruise passenger experience, the PAJ invested in the development of 48 new craft vending facilities in Falmouth, of which 24 were completed and are occupied with the remaining 24 under construction.

Looking ahead, the development work will continue into the next financial year, with approved capital investment of \$7.12 billion. This will include: First phase development of a modern Class-A 18,000 m<sup>2</sup>. warehouse on lands adjacent to the KCT. Development of a new Cruise Ship Port at Port Royal in Kingston. Public-Private Partnership (PPP) arrangement for the 10-year renewable Concession Agreement for the provision of Tug service in the Ports in Kingston. Given Jamaica’s exposure to extreme natural events including hurricanes and earthquakes, the PAJ has placed an emphasis on disaster risk management, improving business continuity planning and on enhancing its resilience to unexpected events.

As we seek to improve on targets each year, our employees have consistently risen to the new challenge and are the driving force behind PAJ’s success and achievements. The Authority continues to invest in talent management, capacity building and employee engagement.

**“As we seek to improve on targets each year, our employees have consistently risen to the new challenge.”**

We are cognizant of the dynamic nature of change within our environment and so we continuously review our plans to ensure that it remains relevant to our stakeholders, in a manner that both connects and reinforces our purpose.

I wish to thank the management and staff who continue to demonstrate commitment and excellence. I also acknowledge our Chairman, Board of Directors, Prime Minister Holness, our portfolio minister and their teams, Ministry of Finance and other Agencies who offered unwavering support throughout the year. Many thanks as well to our industry partners that have offered their support to a number of initiatives.

We look forward to another year of maximizing opportunities and growth.



Professor Gordon Shirley, OJ  
President & Chief Executive Officer

# Senior Executive Management 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.



**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.

**Mr. Mervis Edghill**  
SVP, Engineering & Port  
Development

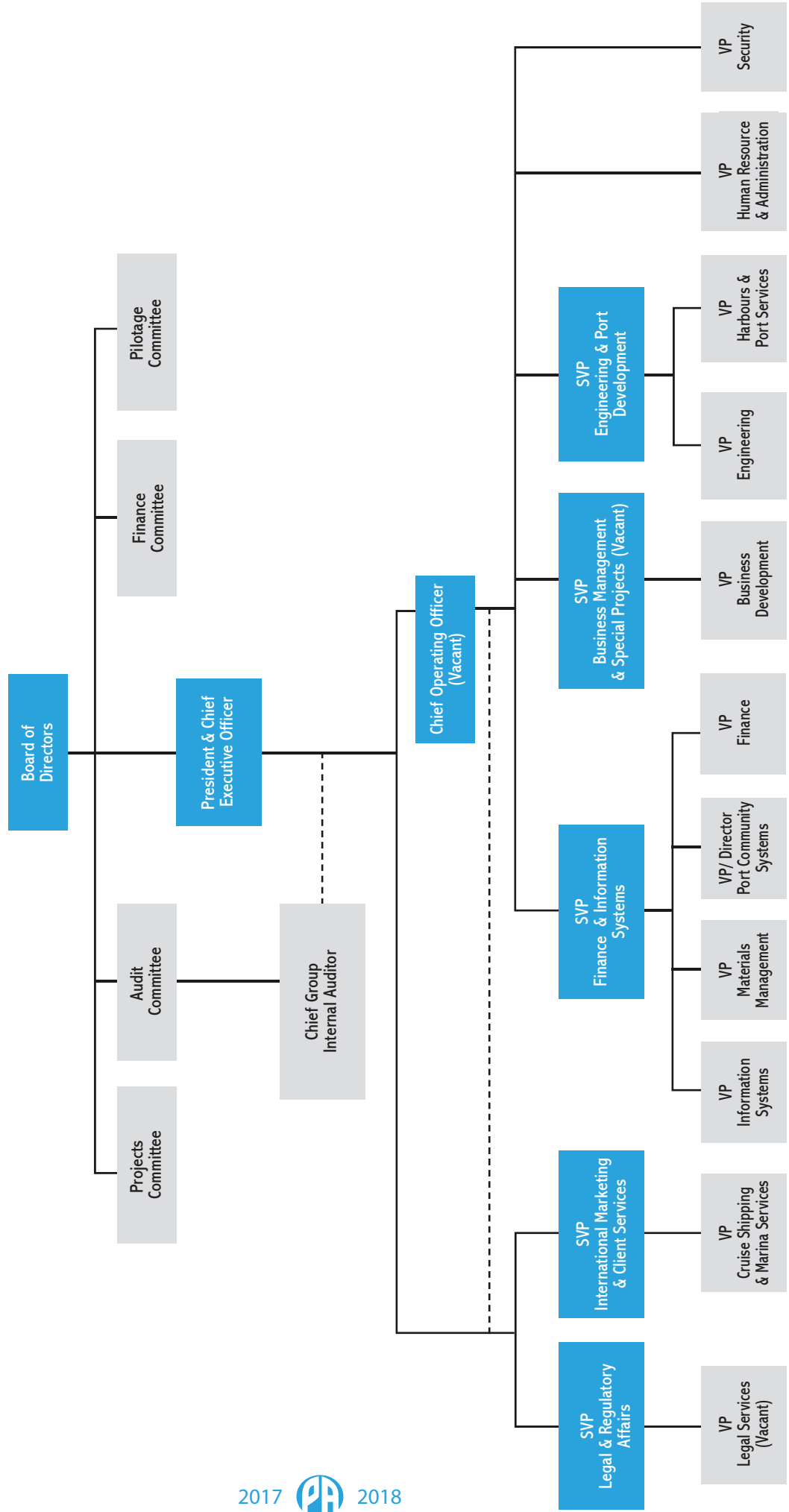
Mervis Edghill is responsible for the planning and development required to fulfill the organization's objective in the implementation of all maritime and engineering projects undertaken by the PAJ. He is a graduate of the University of Manchester Institute of Science & Technology in the United Kingdom 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.

**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.

# The Port Authority of Jamaica

## Executive Level Organisational Structure



# Management Team



Capt. (N) Sydney Innis  
VP Safety & Security



David Powell  
Chief Group Internal Auditor



Flora Garth  
VP Materials Management



Wilburn Pottinger  
VP Information Services



Dwain Powell  
Director Port  
Community System (PCS)



Ishamel Leon  
VP Finance



Belinda Ward  
VP Human Resource &  
Administration



Capt. Hopeton Delisser  
VP Harbours & Port  
Services



Gary Lawrence  
VP Engineering



William Tatham  
VP Cruise Shipping &  
Marina Operations



Edmond Marsh  
VP Business  
Development



Dr. Paul Robertson  
Senior Director  
Government Relations



Norman Lindo Special  
Advisor IT



Errol Grant  
AVP-Security



Francine Williams  
AVP-Internal Audit, Risk &  
Compliance



Hugh Clarke  
Port Manager, Ocho Rios  
Cruise Ship Terminal



Ewart Henry  
AVP- Network & Operations



Duane Wittaker  
Operations Manager, PCS



Libya Andrade  
AVP- Financial Accounting



Candice Banjoko  
AVP- Management Accounting



Nadine Gordon  
AVP- Subsidiaries  
(Assigned To Special project)



Judith Carty  
AVP-Subsidiaries (Acting)



Michele Smith-Cooke  
Service Performance Manager



Capt. Gimen Mendes  
Port Captain



Brian Bernal  
AVP-Planning & Design



Christopher Hamilton  
Project Manager



Raquel Forbes  
AVP-Legal, Regulatory &  
Corporate Affairs



Dwane Forrester  
Senior Advisor Special Projects



Keisha Holness-Feanny  
Deputy Chief Internal Auditor  
(Assigned To Special project)



Hortense Innerarity  
Superintendent Of  
Pilotage



Andre White  
AVP- Structural & Design  
Engineer



Kimberley Stiff  
AVP – Marketing  
Communications



Karla Huie  
AVP - Business Management &  
Special Projects



Laurel Robinson  
Administrative & Technical  
Operations Manager



Gloria Henry  
AVP - Operations &  
Customer Relations



Robin Reid  
Project  
Manger, Falmouth



Mark Hylton  
Port Manager, Falmouth



Christine Dowmer  
Marina Manager (Acting)

# Directors & Corporate Data

## Directors

Ambassador Dr. Nigel Clarke,  
Chairman (Resigned March 2018)

Prof. The Hon. Gordon Shirley, OJ  
Dr. Janine Dawkins  
Mr. Alston Douglas  
Mr. Edward Gabbidon  
Mr. Mark Hart  
Mr. Lyttleton Shirley  
Mr. Jerome Smalling  
Mr. Adam Stewart  
Mrs. Velma Ricketts Walker

## Auditors

Ernst & Young Chartered Accountants

## Corporate Secretary

Dr. Carrol Pickersgill  
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](mailto:paj@portjam.com)  
Website: [www.portjam.com](http://www.portjam.com)

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## Corporate Head Office

Prof. Gordon Shirley  
President & Chief Executive Officer

Ms. Rosalie Donaldson  
SVP, International Marketing & Client Services

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

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

Mr. Mervis Edghill  
SVP, Engineering & Port Development

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## Subsidiaries

KCT Services Limited

Kingston Free Zone Limited  
Chairman: Mr. Lyttleton Shirley  
Operations and Customer Relations Manager:  
Ms. Beverley Lee

Ports Management and Security Limited  
Chairman: Mr. Alston Douglas  
Chief Operating Officer:  
Capt. Sydney Innis

Montego Bay Free Zone Limited

Chairman: Mr. Mark Hart  
Manager: Ms. Gloria Henry, AVP Operations

Jamaica International Free Zone Development Limited  
Chairman: Mr. Lyttleton Shirley  
Operations and Customer Relations Manager:  
Ms. Beverley Lee

Port Authority Management Services  
Chairman: Mr. Edward Gabbidon  
Administrative and Technical Services  
Manager: Ms. Laurel Robinson



# JAMAICA

DOES IT *Again!*



## *World's Leading:*

- Cruise Destination 2017 - Jamaica
- Cruise Port 2017 - Port of Ocho Rios, Jamaica
- Home Port 2017 - Port of Montego Bay, Jamaica

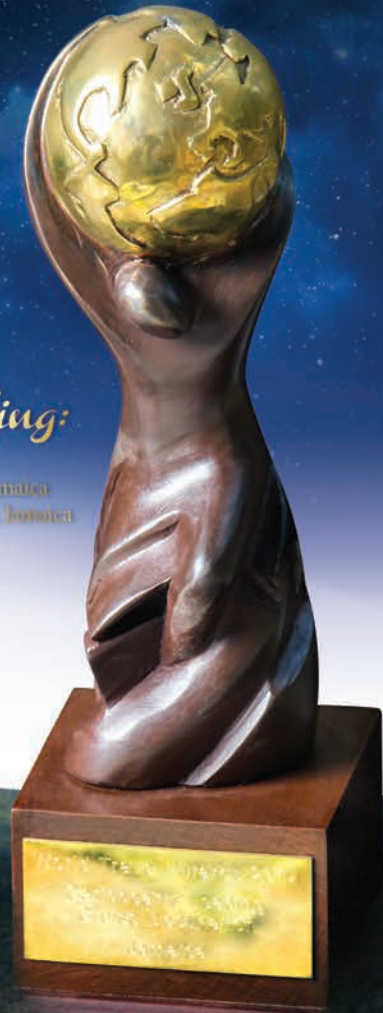


## *Caribbean's Leading:*

- Cruise Destination 2017 - Jamaica
- Cruise Port 2017 - Port of Ocho Rios, Jamaica
- Home Port 2017 - Port of Montego Bay, Jamaica

The Port Authority of Jamaica continues to support Jamaica's Cruise Shipping product by sustained investments in port infrastructure development as well as improvements in port amenities and facilities. These activities complement the innovative marketing initiatives implemented by the Ministry of Tourism.

Collectively, our joint programmes to improve the physical structure and social development in our cruise towns have resulted in this world leading achievement. Our collaborative effort in raising the profile of the Jamaican cruise sector has resulted in the promotion of economic growth and job creation.



Cruise Shipping | Marine & Port Services | Cargo Operations | Business Process Outsourcing | Port Community System | Logistics  
Website: [www.portjam.com](http://www.portjam.com) | Email: [paj@portjam.com](mailto:paj@portjam.com)

# Management Discussion & Analysis

## Introduction

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 to increase operational capacity and efficiency to meet growing demand in other segments, such as Cruise, BPO and Harbours and Port Services. Accordingly, it commenced the implementation of the Master Plan for the Port of Montego Bay and undertook key infrastructural investments in 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.

PAJ Group delivered another year of good performance, which is in line with the approved budget which includes targeted investment, operating and financial performance for the PAJ's line of business and its subsidiaries. These achievements underpin the GOJ growth, job creation and medium term strategic priorities to modernize the Maritime Sector towards improving Jamaica's competitiveness in the industries.

## Our Business Environment

### Cargo Operations



First 600 meters of expansion works being undertaken at the South Berth and ZIM Rotterdam 10,900 TEU Vessel, Feb 28, 2018 being handled at KCT.

A resurgence in global trade in 2017 contributed to a marked increase in cargo volumes at the ports in Kingston. This growth underlines the strategic importance of the infrastructure investments programme being undertaken by the port

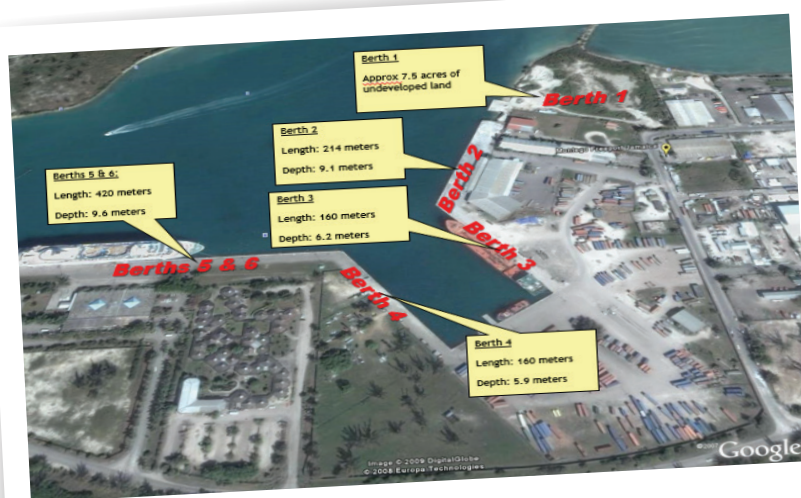
operators, Kingston Freeport Terminal Limited (KFTL) and Kingston Wharves Limited (KWL) to expand and modernize Port Bustamante. During the year, KFTL significantly advanced major capital works under Phase 1 consistent with the terms of the Concession Agreement signed in 2015. These works included the dredging of the access basin; the rehabilitation and expansion of berthing space at Port Bustamante; the strengthening of quay walls and the acquisition of new cargo handling equipment and investment in ICT operating systems and infrastructure.

| Key Market Trends Containerized Trade   | Achievements  | Macro-Economic Impact   |
|---|---|---|
| <ul style="list-style-type: none"> <li>Acceleration in global GDP growth with better than expected performance in US and Europe</li> <li>Modest projected growth in global containerized trade, despite the threat of a decline in US-China trade relations</li> <li>Major shipping lines upscaling vessel size to achieve greater economies of scale</li> <li>The completion of the Panama Canal expansion, which is expected to positively influence trade in the Atlantic</li> </ul> | <p>KCT Phase 1 - Percent Completion</p> <ul style="list-style-type: none"> <li>Dredging draught of 14.2m - 99%</li> <li>Quay Wall (600m) - 100%</li> <li>Upgrade 600m of berth space - 100%</li> <li>Yard Paving (600m) - 100%</li> <li>New operating equipment</li> <li>ICT systems and infrastructure</li> </ul> <p>Expenditure-to-date US\$227 M<br/>Projected Expenditure to complete Phase 1 - US\$200 M</p> | <p>Increased port throughput in cargo and consequently:</p> <ul style="list-style-type: none"> <li>foreign exchange earnings,</li> <li>increased employment and</li> <li>improvement in Kingston's global and regional port ranking.</li> </ul> |

### The Port of Montego Bay

The Montego Freeport is a multipurpose port which handles containerized cargo, breakbulk, dry bulk and liquid bulk cargo (LNG, automotive diesel oil, gasoline, ethanol, aircraft fuel). The port also serves as a homeporting hub and port of call for cruise lines.

In 2016, an LNG processing facility was constructed on port lands under the terms of a 22-year lease between the PAJ and New Fortress Energy Company Limited (NFE). The growth in demand for LNG and other bulk fuels as well as increased demand for cruise including homeporting and cargo activities have accelerated the demand for additional berthing facilities at the port.



Multi-purpose Port of Montego Bay

During the year the Authority continued the implementation of Phase 1 of the comprehensive port master plan to invest in the development and reorganizing of the Port's cargo operations:

- Contract was awarded in June 2017 for value of €14.2M / US\$16.2M for the design and build out of a new Berth 1 and the extension of Berth 2. This will facilitate simultaneous handling of cruise passengers, container and bulk liquid cargo.
- Dredging works was contracted in September 2017 for capital and maintenance dredging for the ports of which \$5.5 million was allocated for the Montego Bay berths to include berths 3 and 4 - work commenced in 2017/18 and will continue to quarter 3 in 2018/19.
- Procurement of new cargo handling equipment - contract awarded for delivery in 2018/19.
- Upgrading container storage areas - repaving, lighting and striping for increased efficiency in container storage and retrieval by Petrojam and West Indies Petroleum.
- Planning for the installation of a new gas pipeline to increase the discharge capabilities and efficiency. Work is to commence in Q1 of 2018/19 - this is necessary to increase demand for aviation fuel.

## Operating Performance

Cargo throughput at the island's ports increased by 12.8% to 25.2 million metric tons during the fiscal year. Cargo volumes at ports in Kingston increased by 14.3% to 16.1 million metric tonnes (FY2016/17: 15.2%), driven largely by higher transshipment activity. Kingston Freeport Terminal Limited (KFTL) 29.4% to 9.9 million metric tons (FY2016/17: 5.7%). Domestic cargo throughput at KFTL declined by 23.0% (FY2016/17: 13.3%). This was offset by higher domestic volumes at Kingston Wharves Limited (KWL) and marginal recovery in bauxite exports at Port Rhodes. Cargo operations at the Montego Bay Freeport and other outports, reflected increases in volume of 3.2% and 11.0% respectively.

A recent Drewry forecast projects demand growth in container shipping within the range of 4% to 5% per annum over the next five years. This outlook is subject to specific downside risks, primarily US protectionist sentiment and the prospect of US-China Trade war. In a worst-case scenario, the forecast suggests that approximately 17% of the containerized traffic from China to the US, could be impacted by higher trade tariffs.

## Cruise & Marina

Jamaica's share of the regional cruise market expanded to 9.1% in 2017 (2016: 7.5%), against the background of a resilient global travel and tourism industry and spillovers from Caribbean destinations impacted by hurricanes Maria and Irma. Passenger arrivals during FY2017/18 reflected growth of 18.2% (FY2016/17: 1.1%); the highest rate of growth since FY2014/15 when annual growth was 20.3%. Cruise Industry News forecast capacity of 24.77M passengers in 2022 up from the current 25.56M reflecting a Compound Annual Growth Rate (CAGR) of 6.7%. The Caribbean market share is projected to continue to benefit from the average 40% of the passengers. A key objective of the Authority's cruise port infrastructure investment program is to secure this growth and to bolster the impact of passenger throughput

| Infrastructure Investment Project |  | Project Status, Actual and Projected Expenditure  |
|-----------------------------------|--|---|
| 1.                                | Ocho Rios Reynolds Pier:<br>Development of multi-use Reynolds Pier as a Cruise Ship Terminal   | <ul style="list-style-type: none"> <li>Marine development expected completion dates: <ul style="list-style-type: none"> <li>All major Marine works completed by March 2018</li> </ul> </li> <li>Landside development expected completion dates (Q1 and Q2 FY2018/19) <ul style="list-style-type: none"> <li>New Workshop and New Admin. Building</li> <li>Bus Staging Area, Reception Building and Promenade - November 2018</li> <li>Promenade adjacent to roadway and other related works</li> </ul> </li> <li>Projected expenditure FY2017/18 - J\$2.2B</li> </ul> |
| 2.                                | Ocho Rios Fishing Village<br>Construction of Fishing Village as an attraction and for commerce | <ul style="list-style-type: none"> <li>Phase 1 - Infrastructure and 12 buildings: percent completion -100%</li> <li>Phase 2 - Two (2) Restaurants and Fishermen Facilities: percent completion - 100%</li> <li>Phase 3 - Beach Reclamation - Groyne Construction: in progress - 95% complete</li> <li>Beach Nourishment - submitted to Cabinet for approval</li> </ul>  |
| 3.                                | Falmouth<br>- Streetscape<br>- New Market Development<br>- Hampden Wharf<br>- Dredging         | <ul style="list-style-type: none"> <li>Streetscape Improvements <ul style="list-style-type: none"> <li>Market Street: percent completion - 100%</li> <li>Tharpe Street - completion by August 2018</li> </ul> </li> <li>New Market Development - complete</li> <li>Hampden Wharf - ground breaking ceremony held <ul style="list-style-type: none"> <li>Completion by December 2018 - Projected Cost J\$723M - funded by PAI/TEF</li> </ul> </li> <li>Dredging - to commence in FY2018/19</li> </ul>  |
| 4.                                | Port Royal Cruise Development  | <ul style="list-style-type: none"> <li>Floating Dock - contract signed and construction commenced with delivery expected in 2019</li> <li>Geo-technical investigations commissioned</li> <li>Collaboration with the other state agencies on designs and project phases</li> </ul>   |

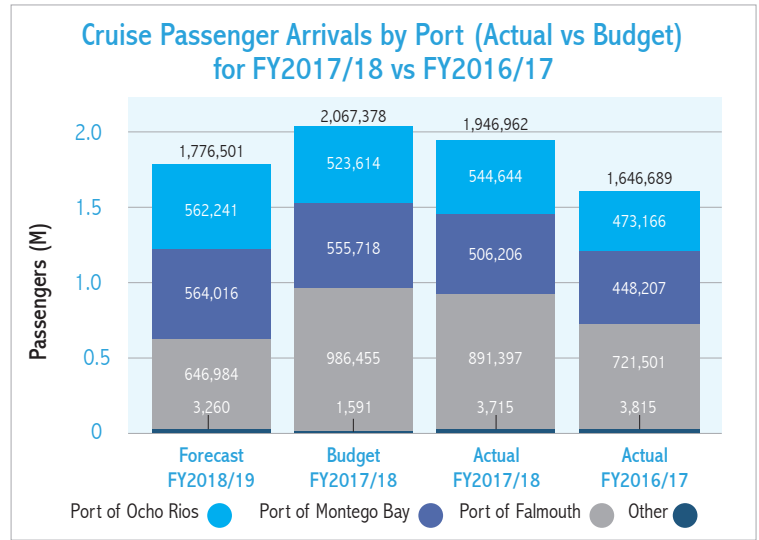
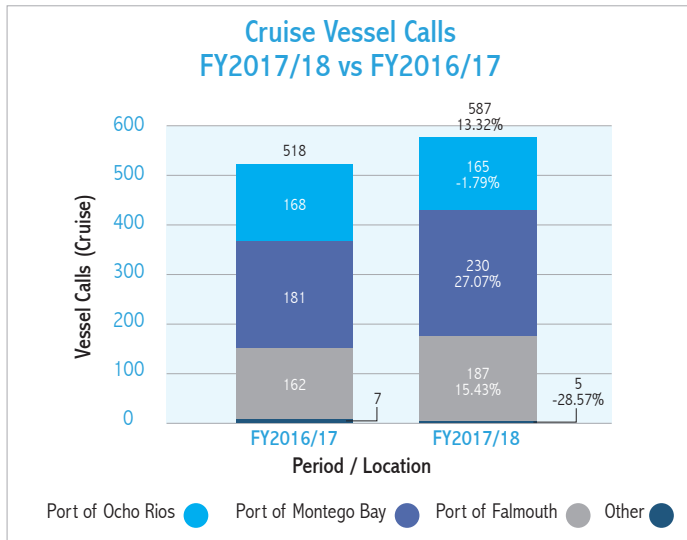
### Cruise and Marina - Key Market Trends and Medium to Long-Term Macro-Economic Impact

According to the World Travel and Tourism Council, growth in the international travel and tourism sector has been resilient to the impacts of terrorist attacks, political instability, health pandemics and natural disasters. Accordingly, the sector continues to outpace global economic growth and outperform other sectors including manufacturing and financial services.

According to the 2018-2019 Cruise Industry News Annual Report, the region should expect over 10 million passengers this year, beating the 2017 number by 6.9%. Several new large cruise vessels are to be assigned to the Caribbean, and regional trends suggest greater innovation and competition requiring continued focus on improving guest shoreside experience.

Climatic conditions including hurricanes, continue to be a risk which has to be strategically managed by the ports. It also requires strategic planning by governments, locally and regionally, given the significant contribution to the Caribbean's GDP, which in 2016 contributed US\$56B or up to 15% of the region's GDP.

## Cruise Shipping Activity



## Caribbean Cruise Passenger Arrivals 2014 - 2017

| Major Regional Destinations     | 2014               |                | 2015               |                | 2016               |                | 2017               |                | Year-on-year Change (%) |              |              | Cruise Passenger Total Expenditure (in US\$M) |
|---------------------------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|-------------------------|--------------|--------------|---|
|                                 | Passengers Jan-Dec | Market Share % | Passengers Jan-Dec | Market Share % | Passengers Jan-Dec | Market Share % | Passengers Jan-Dec | Market Share % | 2015 vs 2014            | 2016 vs 2015 | 2017 vs 2016 |   |
| Bahamas                         | 4,804,701          | 23             | 4,513,458          | 20.8           | 4,690,374          | 21.3           | 4,626,259          | 22.0           | -6.1                    | 3.9          | -1.4         | N/A   |
| Belize                          | 98,131             | 4.6            | 957,975            | 4.4            | 1,005,394          | 4.6            | 1,014,232          | 4.8            | -1.0                    | 4.9          | 0.9          | \$ 86.3                                       |
| Cayman Islands                  | 1,609,555          | 7.7            | 1,716,812          | 7.9            | 1,711,849          | 7.8            | 1,728,444          | 8.2            | 6.7                     | 0.3          | 1.0          | \$ 207.6                                      |
| Jamaica                         | 1,423,797          | 6.8            | 1,568,702          | 7.2            | 1,655,559          | 7.5            | 1,923,274          | 9.1            | 10.2                    | 5.5          | 16.2         | \$ 198.6                                      |
| Puerto Rico                     | 1,356,822          | 6.5            | 1,459,989          | 6.7            | 1,401,866          | 6.4            | 1,076,920          | 5.1            | 7.6                     | 4.0          | -23.2        | \$ 198.2                                      |
| St. Maarten                     | 2,001,996          | 9.6            | 1,901,617          | 8.8            | 1,668,863          | 7.6            | 1,237,760          | 5.9            | -5.0                    | -12.2        | -25.8        | \$ 422.9                                      |
| Turks & Caicos                  | 971,838            | 4.7            | 929,737            | 4.3            | 846,963            | 3.8            | 827,409            | 3.9            | -4.3                    | -8.9         | -2.3         | \$ 95.0                                       |
| US Virgin Islands               | 2,083,890          | 10             | 1,878,847          | 8.6            | 1,776,685          | 8.1            | 1,304,303          | 6.2            | -9.8                    | -5.4         | -26.6        | \$ 344.3                                      |
| Others                          | 5,639,517          | 27             | 6,797,261          | 31.3           | 7,241,711          | 32.9           | 7,283,903          | 34.6           | 20.5                    | 6.5          | 0.6          |   |
| <b>Total Passenger Arrivals</b> | <b>20,860,247</b>  | <b>100</b>     | <b>21,724,398</b>  | <b>100</b>     | <b>21,999,264</b>  | <b>100</b>     | <b>21,022,504</b>  | <b>100</b>     | <b>4.1</b>              | <b>1.3</b>   | <b>-4.4</b>  |   |

Source: Caribbean Tourism Organisation

## Harbours & Port Services

The Port and Marine Services portfolio of the Port Authority is responsible for the safe navigation of all vessels within and using Jamaica's seaports. This includes provision of efficient pilotage and towing services, maintenance of the navigation aids, equipment on land and at sea and maintenance dredging of the ship channels.

The increasing size of the vessels that call at the ports has accelerated the need for the PAJ to invest in the expansion of capacity in this segment to meet the demand for large state-of-the-art equipment, with increased horse-power to handle the larger vessels and improve the safety of our pilots and crew. During the year, two (2) new pilot boats were acquired at a cost of J\$445M. These state-of-the-art pilot boats are capable of transporting pilots in adverse weather conditions to board and disembark vessels, thereby increasing the level of responsiveness to customers.

In addition, as part of the PAJ's strategic shift to public private partnerships, a tender for the provision Tug Boat services for the Port of Kingston by way of 10 year renewable Service Level Agreement was undertaken. A preferred bidder was selected and the approval far advanced through the government procurement process. Under this agreement, the bidder will be responsible for the investment in acquisition of the boats (estimated USM \$30-\$40), fully operate the service, and pay PAJ an annual administration fee which is a percentage of gross earnings. This investment will see three (3) new state of the art 70/75 ton bollard tug boats operating in Kingston, anchoring the PAJ's mission to best in class service to the shipping lines and, improvement in operating efficiency and safety of the marine pilots and staff at sea.

These equipment are supported by investment in ICT with the upgrade of the Pilotage Dispatch System to a web-based platform and the procurement of portable pilotage units to assist pilots with the maneuvering of large vessels calling at the Port of Kingston. Recruitment and training of candidates to man the new pilot boats is ongoing. The tug operator will continue to be staffed with mainly local marine engineers.

## Port Community System

To facilitate international trade, the Port Authority embarked on the implementation of a Port Community System (PCS) which is an electronic platform which automates, manages and optimizes the port and logistics business processes of public and private entities 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 transshipment. The PCS project was officially launched in January 2016, with a 2-year implementation schedule which was subsequently extended to December 2018. The Transshipment module was implemented in October 2017 and is being used by shipping lines.

Continued Implementation of the Import/Export modules were the primary focus during the year. As part of the re-engineering of logistics processes, a series of business process reviews and training sessions were conducted with various stakeholders primarily in Kingston. The Import module was initiated in the fourth quarter of the year and will be fully implemented during Q1 – Q3 of FY2018/19. This module is currently being used by Shipping Lines or Agents, Freight Forwarders, Customs Brokers and Terminal Operators in Kingston to process transactions. The next phase of the Import/Export modules will include outports and airports. The project is on track to be implemented by the end of FY2018/19.

## Security & Safety

During the year, the Security Department completed the development of a Security Plan which requires among other things, Maritime Domain Awareness: the collection of information, intelligence, and knowledge within the maritime domain that affects port and ship security and safety. Training and awareness are pillars of ISPS compliance and involve a continuous program to update all stakeholders operating in the maritime domain, including security personnel, with new or revised information on the latest security trends, as well as techniques in mitigating the identified risks and threats.



Accordingly, the PAJ's Security Department continued its focus on Security Awareness Training for all Port Facility Security Officers and Deputies, stakeholders, and port personnel; ensuring preparation for the FY2018/19 re-certification period. Training was conducted by the International Maritime Organisation (IMO), the United States Coastguard (USCG), and Hudson Trident Inc. (HT) in the following areas: Conduct of Drills and Exercises – IMO; Port Facility Security Assessments and Plans - USCG; and Maritime Cyber Risk - HT.

The Security Department also embarked on terrorism sensitization at all ports in collaboration with the Counter Terrorism and Organized Crime Unit of the Jamaica Constabulary Force, with positive responses from all stakeholders and port personnel who were in attendance. The Security Department also organized training in the recognition and prevention of human trafficking hosted by the Ministry of Justice Anti-Trafficking Taskforce for the sensitization of seaport employees. During the year, PAJ sponsored cyber-security and terrorism training for the marine and supporting sector delivered by US-based security firm, Hudson Trident.

## Business Process Outsourcing

The Authority currently leases and manages approximately 1.47 million sq. ft. of floor space for BPO operations distributed across four strategic locations - the Montego Bay Free Zone, the Kingston Free Zone, including the Portmore Informatics Park and the Jamaica International Free Zone. All locations currently have high levels of occupancy by foreign companies except for KFZ which provides warehousing to local companies.

The expansion of Business Process Outsourcing (BPO) infrastructure continued to underpin the Authority's strategic efforts to access opportunities and improve Jamaica's competitiveness in the near-shore BPO market. During the fiscal year a major capital investment project target was achieved – the completion of 63,000 sq. ft. of new purpose-built space.

| Infrastructure Investment Project  | Project Status, Actual and Projected Expenditure   |
|--|--|
| <p>MBFZ - 63,000 sq. ft. of new BPO space</p>                              | <p>Percent Completion</p> <ul style="list-style-type: none"> <li>• Foundations, Superstructure and Facade - 100%</li> <li>• Mechanical, Electrical and Plumbing - 95%</li> <li>• The new facilities have been opened and currently maintains an occupancy level of 50%</li> </ul> <p>Actual Expenditure-to-date - J\$947.8M</p>  |
| <p>Kingston – 157,000 sq. ft. addition to Portmore Informatics Park</p>  | <p>Percent Completion</p> <ul style="list-style-type: none"> <li>• Foundations - Buildings B, C, D and E - 100%</li> <li>• Superstructure - Buildings B, C, D and E - in progress; completion by December 2018</li> <li>• Mechanical Electrical and Plumbing - contract award in progress</li> </ul> <p>Actual expenditure-to-date - J\$1,659.9M<br/>Projected expenditure FY2018/19 - J\$854.6M</p> |

| Free Zone Operations: Available Space and Occupancy Levels as at March 31, 2018 |                           |               |                                       |                |                  |               |             |
|---|---------------------------|---------------|---------------------------------------|----------------|------------------|---------------|-------------|
| Free Zone companies   | Available Space (sq. ft.) |               |                                       |                |                  | Occupancy (%) |             |
|   | BPO                       | Other Office  | Factory, Warehousing and Distribution | Paved Area     | Total            | 31-Mar-18     | 31-Mar-17   |
| Montego Bay Free Zone <sup>1</sup>  | 415,966                   | -             | 249,000                               | -              | 664,966          | 100.0         | 100.0       |
| Kingston Free Zone 2  | 50,000                    | 9,000         | 296,264                               | -              | 355,264          | 96.9          | 90.3        |
| Jamaica International Free Zone   | 48,340                    | 20,451        | 34,801                                | 348,803        | 452,395          | 89.3          | 77.9        |
| <b>Total</b>  | <b>514,306</b>            | <b>29,451</b> | <b>580,065</b>                        | <b>348,803</b> | <b>1,472,625</b> | <b>96.0</b>   | <b>90.9</b> |

1. Includes the addition of 63,000 sq. ft. of new BPO completed

2. Does not include 153,000 sq. ft. of new space at the Portmore Informatics Park for which construction is still in progress at March 31, 2018





# LEADING THE CHARGE



“The acquisition of new pilot boats **Kingston 1 and Kingston 2**, signals our commitment to the delivery of world-class port services. This move enables Jamaica to lead the charge in regional trans-shipment and to effectively support our logistics, port and shipping sectors in achieving economic growth and job creation.”

**Professor Gordon Shirley**  
President & CEO, The Port Authority of Jamaica



“The Port of Kingston is on the verge of becoming the biggest trans-shipment hub in the Caribbean ...This acquisition by the **Port Authority of Jamaica** clearly represents the intention of this stellar agency of the state to pursue meaningful improvements to maritime operations at the Kingston Port.”

**Hon. Dr. Horace Chang**  
Minister without Portfolio, Ministry of Economic Growth & Job Creation



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Cruise Shipping | Marine & Port Services | Cargo Operations  
Logistics | Business Process Outsourcing | Port Community System  
Website: [www.portjam.com](http://www.portjam.com) | Email: [paj@portjam.com](mailto:paj@portjam.com)





# *Project Achievements Highlights*



*New 63,000 sq. ft. building at MBFZ.*



Minister of Tourism Edmund Bartlett (left) accepts award for Caribbean's Leading Cruise Destination – Jamaica from World Travel Awards President Graham Cooke (centre). Sharing in the occasion is our minister Dr. Horace Chang.



Completion of Phase 2 of the Ocho Rios Fishing Village.



Falmouth Craft Market construction completed for 24 new shops.



New craft shops at Cruise Ship Terminal at the Port of Montego Bay.



Aerial view of advanced stages of upgrade at Reynolds Pier.

# Corporate Social Responsibility

PAJ's Corporate Social Responsibility (CSR) is driven by the strategic focus on making a meaningful impact on the communities in which we operate. 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 charged with sustainable development and driving 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 is linked to our strategic business imperatives which prioritizes: Economic Growth & Development; Employee Benefits & Talent Development; Customer Focus & Satisfaction; Environmental Awareness & Preservation, Community Investment and Stakeholder Engagement.

During the year PAJ continued to support initiatives in the education sector as the PAJ staff participated in various activities including career day. PAJ supported health care, culture, sports and other social development initiatives in the areas it operates.

The Housing Opportunity, Production and Employment (HOPE) Programme was launched on May 8, 2017 by Prime Minister the Most Hon. Andrew Holness, to provide job opportunities for youths, ages 18 – 24, who are not employed or enrolled in an educational institution or skills training programme.



Interns at the RIM Warehouse - Kingston Free Zone, with Manager and liaison officers from the Ministry of Education, Youth and Information.



Kingston Free Zone Managers and an Assistant, supporting HOPE Interns.

In July 2017, thirty-five (35) HOPE interns (22 males and 13 females) were assigned to the PAJ for a one (1) year programme, fully sponsored by the PAJ. They were paid a weekly allowance, given training in personal grooming, office etiquette & department, customer service & office procedures. They were placed in departments/locations in the PAJ's operations in accordance to their areas of interest and competence, to include Technical, Information Services (IS), Engineering and Development, Records Management and Human Resources and Administration. The PAJ collaborated with HEART Trust/NTA (Employment & Career Services) to design a training plan for the interns to include an initial competence assessment and on the job and classroom training and certification. Based on achievements, the interns will matriculate into a full NVQT programme. Interns were also facilitated with time off during the day or evening to continue their education and skills training at HEART or other schools.

The management and staff of the PAJ welcomed and supports the GOJ initiative for the development of the HOPE interns, who are fully integrated as part of the PAJ staff team and will be provided the best experience, ensuring that they were fully engaged and exposed to their areas of interest. In addition to on the job training, PAJ staff volunteered as mentors to the interns.

Six (6) interns received permanent jobs and have left the employ of the Authority and some are awaiting results of interviews to move on to their areas of interest. The interns were managed by the PAJ Human Resource Department.



Tour of BPO Elephant Group - Centerfield during the BPO Employment Summit and Job Fair - Montego Bay Free Zone, November 17, 2017.



HOPE interns with PAJ Liaison Officers and Port Manager, Falmouth Cruise Ship Terminal in Falmouth - November 17, 2017.





## Ocho Rios Fishing Village

# Environmentally Sustainable Development

## PAJ's Environmental Philosophy

Ports by their very nature occupy and operate in fragile environmental spaces. As an entity with responsibility for port and related development, the PAJ executes its functions in an environmentally sustainable way and promotes the preservation of natural resources. This is reflected in the PAJ's port operations and development projects through the use of energy efficient measures to mitigate against critical environment threats such as marine litter.


Globally, there is an increasing move towards employing green initiatives in the management of maritime port operations. Implementation of environmentally sustainable practices will prove beneficial to maritime ports and port authorities as it will lead to improvements in the economic, commercial and operational activities of ports.

All PAJ's developments are undertaken with the approval of the National Environment and Planning Agency (NEPA), meeting the highest standard of international best practices.

## PAJ Environmental Initiatives 2017/18

Conservation Strategies and Energy efficiency:

- Electrical and mechanical services are the major energy consumers in buildings with air conditioning and lighting being the largest. New development projects such as the Portmore BPO complex include energy efficiency measures such as:
  - LED and solar panels use in building installation.
  - Water conservation strategies e.g. rainwater harvesting and use of wastewater from bathroom sinks for irrigation and sanitation (toilet flushing) purposes.
  - Solar energy also implemented in navigational aids such as buoys and beacons.
  - Concrete paver utilization in car parks - low solar reflective index to reduce heat island effect generated by asphalt which is highly reflective.



In late 2015, discussions began and eventually led to a decision to develop the Ocho Rios Fishing Village. The main aims were to enhance the environs of the Ocho Rios Cruise Ship Terminal as well as provide modern facilities for local fishermen and shop owners to operate.

The Sailor's Hole Fisherman Benevolent Society and shop owners who were the occupants at the time, agreed to a temporary halt in their businesses with PAJ's commitment that they would become the occupants and shop owners at the modern state of the art fishing village at the end of the development process.

The PAJ staff participated in various environmental conferences and workshops which helped to increase awareness of trends in environmental and maritime port sustainability, which includes:

- Third Hemispheric Conference on Competitiveness, Innovation and Logistics: Comprehensive Port Management for Increased Efficiency. Panama. October 2017.
  - Focused on key aspects of efficient logistics, multimodal transport, competitive port security operations, and environmental innovation. This is aligned with the development of a competitive, safe, inclusive and sustainable port sector.
  - Importance of ongoing stakeholder dialogue (private and public sector) as part of corporate social responsibility.
- UNCTAD Workshop Climate Change Impacts and Adaptation for Coastal Transport Infrastructure in the Caribbean. Barbados. December 2017.
  - Showcased importance of criticality assessments of port infrastructure to determine climate resilience – potential project to be undertaken by PAJ.
- Chile-CARICOM Workshop. Major Aspects of Coastal Environmental Management. Phase 1 in Jamaica (October 2017) and Phase 2 in Chile (March 2018).
  - Highlighted marine debris management programmes focused on global and regional plastic pollution problem.
  - Production of Jamaica’s Country Report via inter-agency collaboration with the National Environment and Planning Agency (NEPA) and support from the Caribbean Maritime University (CMU). Awaiting confirmation to proceed further.
- Research & Development (R&D)
  - Contribution to CIP/OAS Environmental magazine CIP Magazine (October 2017 edition) entitled Green Port Management. Article “Sustainable Port Management in the Americas, Key for Competitiveness.”
- Environmental Considerations in Port Projects
  - The natural environment is important to port operations and forms a key part of sustainable, long-term development. To fulfill this, the PAJ aims to adhere and comply with all applicable requirements of environmental laws.
  - Marine development projects at Jamaica’s ports involved relocation of marine resources such as corals and sea urchins. These were done in accordance with requisite Beach Licences.



Mark Hylton, Port Manager - Historic Falmouth Port (third left) hands over maintenance equipment to Superintendent Powell of the Jamaica Constabulary Force’s Trelawny Division, (forth left). The equipment was donated by The Port Authority of Jamaica and will help in the maintenance and upkeep of the grounds of the Falmouth Police Station.

# Corporate Social Responsibility CSR



PAJ makes contribution Mrs Sheona Muschett (Chairperson) of The Friends of Falmouth Hospital.

The Port Authority of Jamaica continues to pursue a generally inclusive approach to youth development, education, improving civic organizations and enhancing communities through corporate social responsibility initiatives and community development programmes. Our position is hinged on our belief that demonstrating a strong sense of social responsibility is essential to the success of our projects and by extension the communities in which we operate. We sought to engage in social projects that specifically targeted nation building and supported initiatives that aligned with our areas of focus: Education, Community Enhancement, Youth Development and the Environment.

During the period, the PAJ made contributions differing in nature to the following projects, activities and groups: Development of the Falmouth Craft Market, Falmouth Hospital, Business Process Industry Association of Jamaica, Association of Engineers of Jamaica, Kingston & St. Andrew Football Association, among others.



Highlights from a forum at the Historic Port of Falmouth to provide project updates as well as to formally announce a contribution to the Falmouth Hospital Development Fund.



Student attendees at the annual Engineers Association Expo engaged in a video presentation by the PAJ.



GOJ Ministers and guests are welcomed at the PAJ booth at the inaugural Outsourcing to Jamaica Expo.



Kimberley Stiff, AVP Marketing Communications participates in the Medal Ceremony for the KSAFA Under 13 & Under 15 football competitions. PAJ was a main sponsor.



# Employee Engagement & Development

The ability of our employees to quickly adapt to the rapid pace of change and evolving business requirements is an essential component of our competitive advantage. We are aware that the achievement of our strategic goals necessitated critical shifts in the psyche and conduct of our employees. To further develop their capacities, we engaged our employees in a number of training and development programmes facilitated by the OAS and the American Association of Port Authorities (AAPA) to foster the analytical capabilities and business acumen critical to the attainment of the organization's objectives.

Employee engagement is a key driver of organizational effectiveness, synergy and teamwork. Sustainable engagement is nurtured by the extent to which employees are motivated, enabled and supported with the requisite resources and given opportunities for self-expression and interaction.

Employee development and empowerment are essential mechanisms through which to cultivate and harness employee potential and talents. In order to equip our employees with the requisite life skills and life options we convened a number of workshops such as Personal Financial Management and Estate & Retirement Planning. We also conducted free health fairs and employees also participated in football and domino tournaments.



Staff function to recognise the retirement of Shirley Morrison who was engaged to the Harbours and Port Services Department.



PAJ's team participates in the Business House football competition.



Representatives from Dynamics Industries, Bharath Ram - Customer Success Manager (4th left) and Matthias Strauss - Developer (1st left) who conducted technical training at the PAJ's offices in Kingston from March 19 to 23, 2018. Also pictured from left are PAJ employees: Rickell Muir, Cameil Donalds, Richard Lyn and Keisha Holness-Feanny, Project Manager.



Oracle Fusion financial training in process for implementation of the financial system.

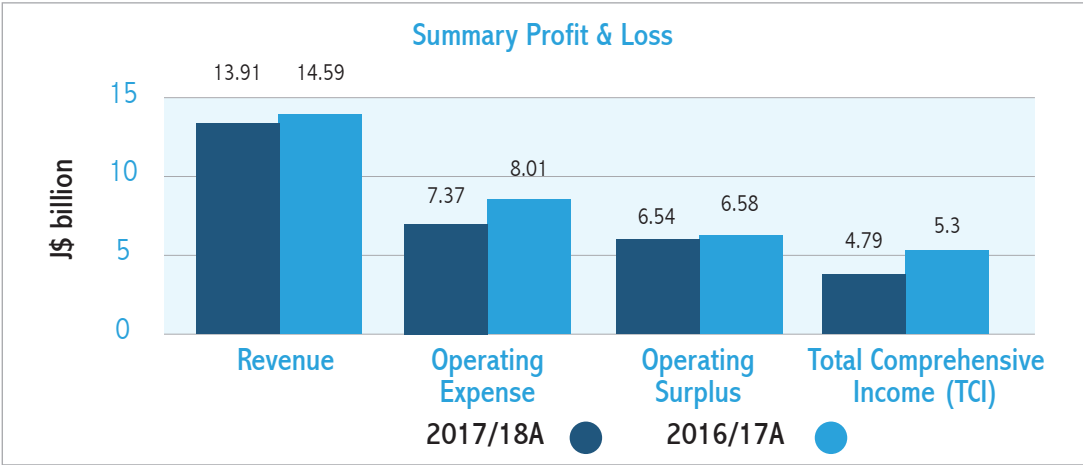
# Financial Review

## For The Port Authority & Its Subsidiaries Financial Year Ended March 31, 2018

### Statement of Profit and Loss and Other Comprehensive Income

The PAJ and its subsidiaries earned Total Comprehensive Income (TCI) of \$4.79 billion for the year ended March 31, 2018. A net reduction of \$506 million (9.6%) compared to earnings of \$5.30 billion March 31, 2017. Main items accounting for the change includes:

- reduction in revenue (\$676 million) and operating expenses (\$637 million)
- Unrealized gains of net \$510 million, which includes unrealized exchange gain on loans of \$447 million (March 2017: \$1.59 billion loss), gain on revaluation of investment properties \$372 million, offset by a \$309 million net unrealised loss on other foreign denominated assets and liabilities compared to \$656 million at March 2017
- realised gain of \$1.5 billion on sale of KCT equipment assets at March 2017, resulting from the privatization exercise.



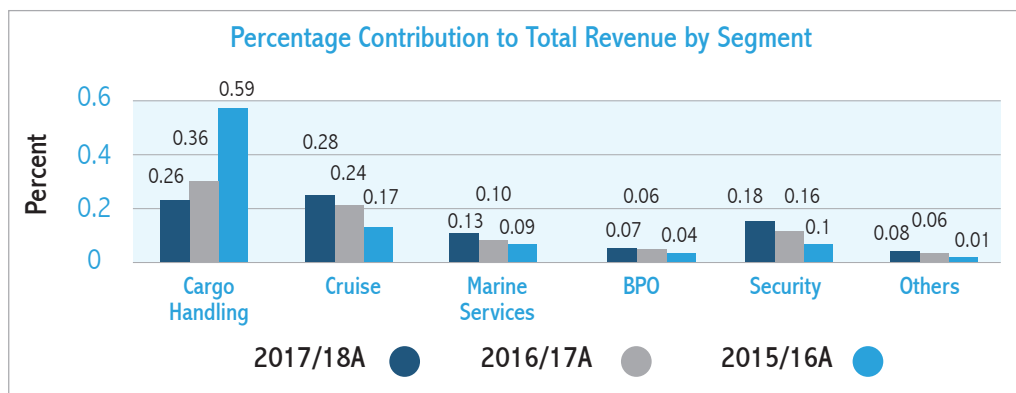
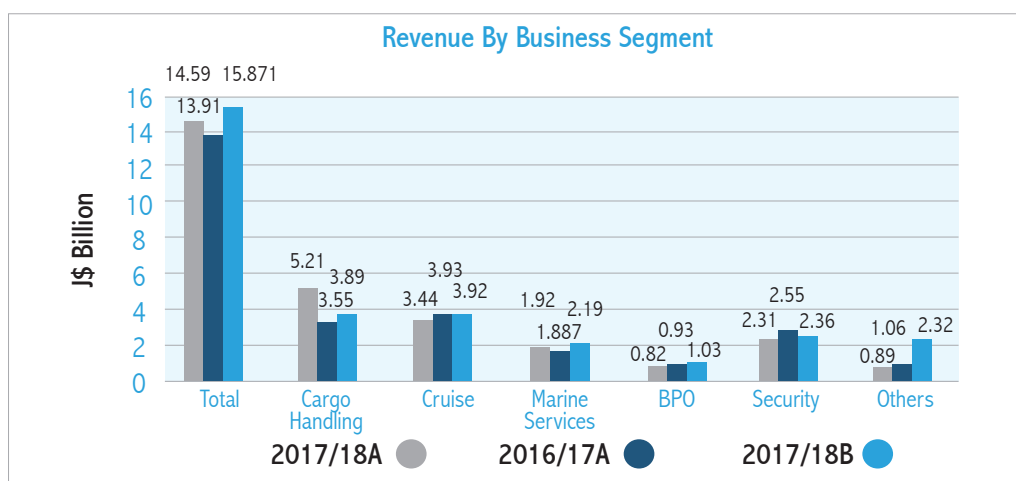
### Revenue

The Port Authority and its subsidiaries (The Group) earned total revenue of \$13.91 billion, a reduction of \$676 million (4.6%) compared to the \$14.59 billion at March 31, 2017. The main sources of revenue were: facility fees \$3.61 billion (26%), cargo fees \$3.49 billion (25%), security fees \$2.56 billion (18%), marine services \$1.91 billion (14%). These major revenue categories contributed to 83% of total revenue, with Cargo and Cruise in aggregate maintaining the highest revenue source of \$7.10 billion or 51%.

### Revenue Details

| Revenue                        | Mar. 2018 Actual | Mar. 2017 Actual | Increase (Decrease) over Mar 2017 | Budget Mar 2018 | Increase (Decrease) over Budget 2018 | % of Mar. 2018 Revenue | % of Mar. 2017 Revenue |
|--------------------------------|------------------|------------------|-----------------------------------|-----------------|--------------------------------------|------------------------|------------------------|
|                                | \$M              | \$M              | \$M                               | \$M             | \$M                                  | %                      | %                      |
| Cargo                          | 3,488            | 4,764            | (1,276)                           | 3,809           | (321)                                | 25%                    | 33%                    |
| Cruise                         | 3,614            | 3,181            | 433                               | 3,860           | (246)                                | 26%                    | 22%                    |
| Wharfage                       | 862              | 831              | 31                                | 504             | 358                                  | 6%                     | 6%                     |
| Marine                         | 1,914            | 1,955            | (41)                              | 2,195           | (281)                                | 14%                    | 13%                    |
| Building & Equipment Lease     | 1,151            | 1,054            | 97                                | 1,291           | (140)                                | 8%                     | 7%                     |
| Port Antonio Marina            | 125              | 92               | 33                                | 96              | 29                                   | 1%                     | 1%                     |
| Security Fees                  | 2,559            | 2,315            | 244                               | 2,323           | 236                                  | 18%                    | 16%                    |
| Other                          | 201              | 398              | (197)                             | 75              | 126                                  | 2%                     | 2%                     |
| <b>Total Operating Revenue</b> | <b>13,914</b>    | <b>14,590</b>    | <b>(676)</b>                      | <b>14,153</b>   | <b>(239)</b>                         | <b>100%</b>            | <b>100%</b>            |

Note: Not including Gains/Losses



## Revenue Analysis

The net \$676 million reduction in operating revenue is due mainly to a decrease of \$1.276 million in Cargo, \$197M in other revenue offset by a \$433 million increase in cruise revenue compared to March 31, 2017. Revenue for March 2017 included gross revenue of \$2.6 billion for April to June 30, 2016 for KCT plus 9 months of concession fees. The Concession Agreement was effected July 1, 2016, and as a result financial year ended March 31, 2018 represents the first full year of income from the concession fees. PAJ earns a guarantee income plus a variable fee percentage of gross revenue, without the responsibility of operating expenses or capital investments.

The reduction in other revenue is due mainly to reduced interest income on investment, which is a combination of reduced interest rates and utilization of funds for capital projects. PAJ earns and collects approximately 90% of revenue in USD. The appreciation of the JMD vs the USD negatively impacted total income, with the reduction offset by increases of \$433 million (13.6%) in Cruise revenues and \$244 million (10.5%) Security fees.

The increase in Cruise revenues was influenced by the redeployment of passengers and vessels from other Caribbean countries, due to the negative impact of Hurricane Irma and Maria. The Security fee movement was due to increased domestic import and export cargo at the public ports.

## Expenses

Total expenses of \$7.37 billion, inclusive of depreciation charges of \$1 billion, was a reduction of \$637 million (8%) less than the \$8.01 billion incurred for March 31, 2017. Included in March 31, 2017, was \$1.53 billion of KCT operating expenses for three (3) months (April to June 2016), prior to the commencement of the Concession Agreement.

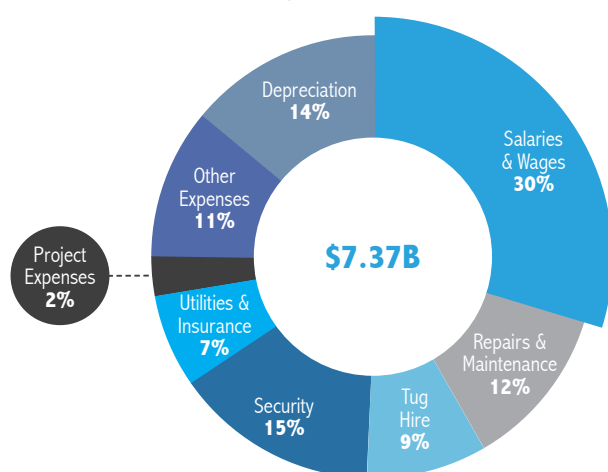
Operating expenses accounted for \$6.36 billion (86%) of the total expenses, and was \$646 billion (8.1%) less than March 31, 2017, and depreciation charge was 14%.

The main operating expenses were: Salaries and related staff cost \$2.19 billion (30%), repairs and maintenance \$848 million (12%), security cost \$1.09 billion (15%), utilities and insurance \$508 million (7%), Tug hire \$690 million (9%) and other expenses \$828 million (11%).

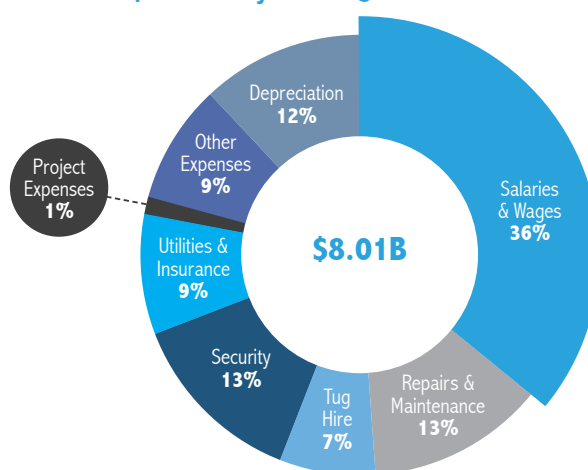
### Expense Details

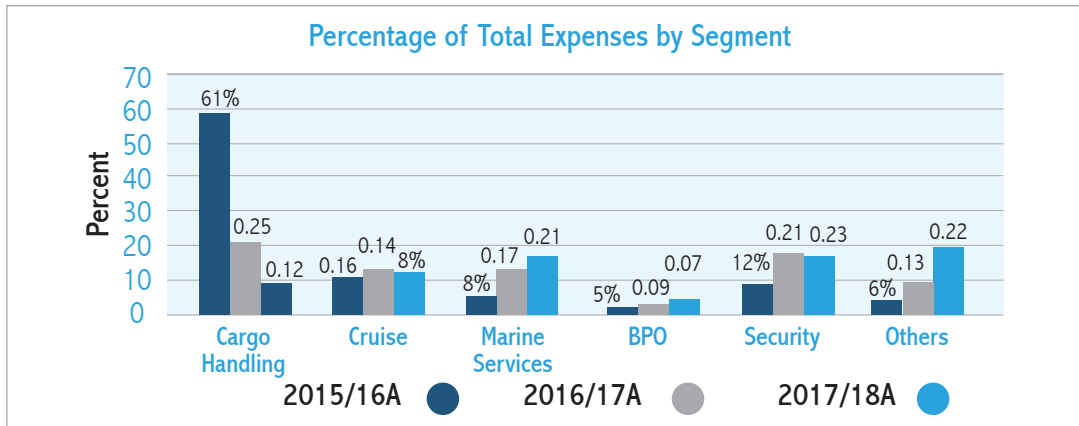
| Operating Expenses              | Mar. 2018 Actual | Mar. 2017 Actual | (Increase) Decrease over Mar 2017 | Budget Mar 2018 | (Increase) Decrease over Budget 2018 | % of Mar. 2018 Expense | % of Mar. 2017 Expense |
|---------------------------------|------------------|------------------|-----------------------------------|-----------------|--------------------------------------|------------------------|------------------------|
|                                 | \$M              | \$M              | \$M                               | \$M             | \$M                                  | %                      | %                      |
| Salaries & Wages                | 2,190            | 2,877            | 687                               | 1,738           | 452                                  | 30%                    | 36%                    |
| Repairs & Maintenance           | 848              | 1,024            | 176                               | 1,745           | (897)                                | 12%                    | 13%                    |
| Tug Hire                        | 690              | 572              | (118)                             | 698             | (8)                                  | 9%                     | 7%                     |
| Security                        | 1,093            | 1,007            | (86)                              | 1,024           | 69                                   | 15%                    | 13%                    |
| Utilities & Insurance           | 508              | 749              | 241                               | 347             | 161                                  | 7%                     | 9%                     |
| Project Expenses                | 201              | 58               | (143)                             | 0               | 201                                  | 3%                     | 1%                     |
| Other Expenses                  | 828              | 729              | (99)                              | 1,275           | (447)                                | 11%                    | 9%                     |
| <b>Total Operating Expenses</b> | <b>6,358</b>     | <b>7,015</b>     | <b>657</b>                        | <b>6,827</b>    | <b>(469)</b>                         | <b>86%</b>             | <b>88%</b>             |
| Depreciation                    | 1,013            | 1,002            | 11                                | 1,013           | 0                                    | 14%                    | 12%                    |
| <b>Total Expenses</b>           | <b>7,371</b>     | <b>8,008</b>     | <b>646</b>                        | <b>7,840</b>    | <b>(470)</b>                         | <b>100%</b>            | <b>100%</b>            |

Expense Major Categories 2017/18A



Expense Major Categories 2016/17A





## Profit Before Taxation

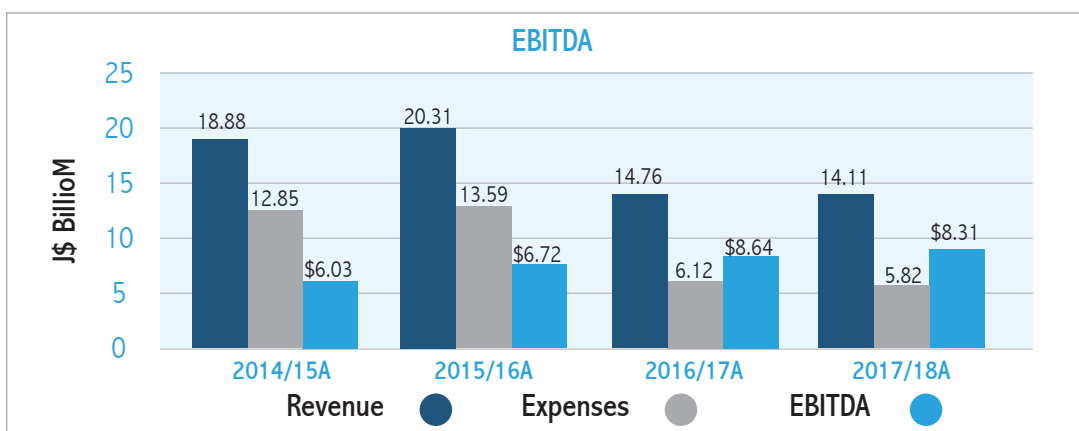
Profit before taxation of \$5.61 billion represents a net reduction of \$119 million compared to \$5.73 billion at March 31, 2017. Main items contributing to this reduction includes:

- March 2017 realized gain of \$1.53 billion on sale of KCT operating equipment in the privatization transaction.
- Unrealized foreign exchange gain of \$447 million on long term loans compared to a loss of \$1.59 billion in 2017. This is due to the appreciation of the JMD vs USD by J\$2.69 (March 2018: 125.98 vs March 2017: \$128.67).
- Other gains include \$372 million gain on revaluation of investment property compared to \$656 million at March 31, 2017.
- Finance and Interest cost of \$1.66 billion compared to \$1.92 billion at March 31, 2017, a reduction of \$260 million is attributable to the continued reduction and management of the debt portfolio.

## Overview of Performance on Operating Income, Expenses & Earnings Before Interest Tax Depreciation & Amortisation (EBITDA)

Comparative financial performance of the Authority for the last four (4) years ended March 31, 2018 using the basis of EBITDA is illustrated in the graph below.

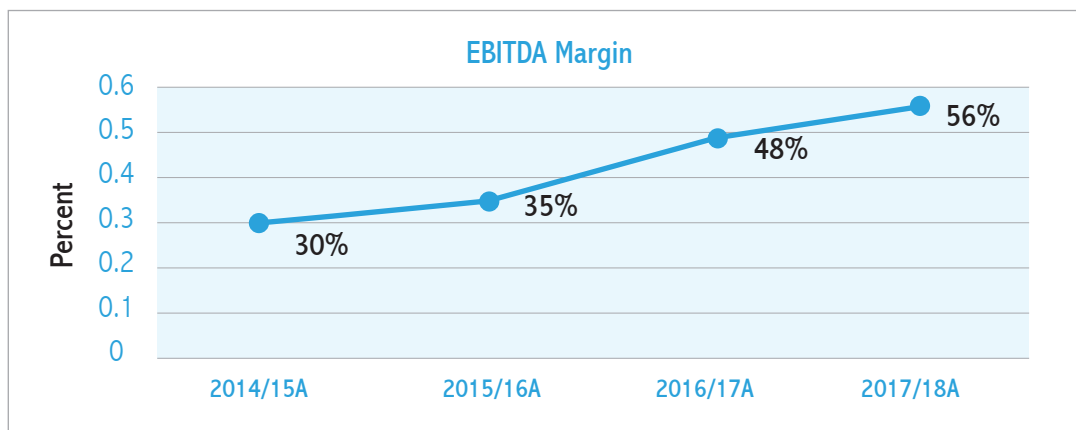
The Group's Earnings Before interest (\$1.7 billion), Tax (\$242 million), Depreciation and Amortization (\$1 billion) (EBITDA) was \$8.31 billion at March 31, 2018 and has remained positive over the four (4) year period, with a marginal reduction of \$0.33 billion compared to March 31, 2017.



## EBITDA Margin

As indicated in the graph below, the EBITDA margin is trending in the right direction increasing over the 4-year period to March 2018. The financial performance of the Group is expected to continue to improve, based on the strategic plans, including investment to grow the existing core businesses and improve operating efficiency.

Fundamental to the achievement of the plan and consistent with GOJ mandate, is the divestment of certain areas of business operations which are considered to be best suited for private sector partnership for financing, operations and risk sharing. A model which the PAJ has implemented with the privatization of the KCT as well as other initiatives which are far advanced.



## Exchange Loss on Foreign Currency Loans

Approximately 75% of the Authority's long-term loans are denominated in foreign currency. In compliance with International Financial Reporting Standards (IFRS, the Authority translates its foreign currency loans to Jamaican dollars (JMD) at the year-end exchange rate. The appreciation in the JMD vs. the USD by J\$2.69 at March 31, 2018 (March 2018: 125.98 vs March 2017: \$128.67) accounted for unrealized gain of \$447 million at March 2018, when compared to a net unrealized exchange loss of \$1.59 billion at March 2017.

Approximately 90% of the Authority's annual income is denominated and collected in USD, while its operating expenses are mainly in JMD. This provides a natural currency hedge in respect of earnings and cash flow. In addition, as part of the strategy to manage the exchange rate exposure, new loan facilities are negotiated and agreed in JMD. Furthermore, based on current financial market conditions and existing loan terms, conversion of a portion of the USD loans to JMD are being pursued.

## Statement of Financial Position

The total assets of the Group as at March 31, 2018 was \$64.34 billion, an increase of \$2.9 billion (4.7%) over March 31, 2017. Property, Plant and Equipment (PP&E) \$31 billion, continues to be the highest value class of assets, representing 48% of the total assets. The following summarizes the main assets and changes for the year:

### Non-Current Asset \$51.75 Billion

Non-current assets of \$51.75 billion increased by \$6.52 billion (14.4%). Property plant and equipment of \$31.2 billion (Note 5) increased by net \$5.4 billion (net of \$1 billion depreciation), which was due mainly to J\$7 billion investment in construction of buildings, infrastructure and operating equipment in the Cruise, Cargo, BPO and Marine Services segments.

### Investment Properties (IP) \$18.77 Billion <sup>(Note 6)</sup>

IP carrying value of J\$18.77 billion (29% of total assets) increased by \$902 million, due to \$372 million fair value gain on valuation undertaken (as required by IFRS) and reclassification of \$530 million from PP&E.

### Other Investments \$1.53 Billion <sup>(Note 9)</sup>

This relates primarily to hypothecation of funds held in trust for security as specified by the requisite loan agreements.

### Trade and Other Receivables \$2.91 Billion <sup>(Note 14)</sup>

Increased by \$1.14 billion (64%) mainly resulting from timing difference in the receipt of funds, a portion of which was received subsequent to year end.

### Cash and Short Term Deposits \$9.6 Billion <sup>(Note 15)</sup>

Cash and short-term deposits decreased by \$4.75 billion due mainly to \$7 billion (2017: 1.5 billion) investment in capital development. The cash includes sums to meet loan payments due in the next 3 months and to fund committed capital investment program of \$7 billion being undertaken within the next 12 months. This includes port infrastructure development and improvement works such as: dredging, berth expansion and acquisition of port operating equipment.

### Total Equity & Liabilities \$64.3 Billion

#### **Long term loan of \$30.4 billion include current portion \$7.1 billion** <sup>(Note 19)</sup>

A reduction of net \$3.1 billion is a combination of loan repayments of \$4.2 billion, draw-down on existing loan facility \$1.5 billion and unrealized exchange gain \$447 million. With the privatization 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. During the year a number of initiatives were undertaken and are far advanced in the procurement process, including outsourcing of services.

#### **Accounts Payable \$3.6 billion** <sup>(Note 18)</sup>

Accounts payable of \$3.6 billion represents 10% of total liabilities (excluding long term loans), increased by J\$1 billion. The balance includes mainly accrual for project and capital related expenditure for work in progress.

#### **Equity** <sup>(Note 17)</sup>

The Group's equity of \$27.13 billion at March 2018 (excluding non-controlling interest of \$2.03 billion) increased by \$4.54 billion (20%) compared to \$22.59 billion at March 2017. The increase is primarily the profit of \$4.8 billion for the year.

### Subsidiaries, Joint Venture & Associated Companies <sup>(Note 8b)</sup>

The performance of the subsidiaries and other related companies (with material non-controlling interest) as at March 31, 2018, reflected net assets of \$5.236 billion and net profits of \$1.029 billion, inclusive of net gain of \$30 million on the revaluation of investment properties. There was an increase of \$1.1 billion in net assets and increase of \$480 million in profits, compared to March 31, 2017. The Group's share of the Associates' profits for the financial year amounted to \$25.8 million (March 2017: \$21.5 million).

# Executive Emoluments

## (FY 2017/18)

| Name & Position of Senior Executive   | SALARY             | Contract Gratuity | Travelling Allowance or Value of Assignment of Motor Vehicle | Pension or Other Retirement Benefits | Seniority pmts. & Other Allowances | Non-Cash Benefits | TOTAL              |
|---|--------------------|-------------------|--|--------------------------------------|------------------------------------|-------------------|--------------------|
|   | \$                 | \$                | \$   | \$                                   | \$                                 | \$                | \$                 |
| Gordon Shirley – President & CEO  | 19,650,382         | 4,912,596         | 3,896,096  | NIL                                  | 1,428,542 (Note 1)                 | NIL               | 29,887,616         |
| 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 International Marketing & Client Services                 | 11,192,175         | NIL               | 3,370,752  | 1,442,596 (Note 2)                   | 803,103                            | NIL               | 16,808,626         |
| Dr. Carrol Pickersgill SVP Legal, Regulatory & Corporate Affairs                | 11,192,175         | 2,798,044         | 3,370,752  | NIL                                  | 401,551                            | NIL               | 17,762,522         |
| Mervis Edghill SVP Engineering & Port Development                               | 11,192,175         | 2,798,044         | 3,370,752  | NIL                                  | 401,551                            | NIL               | 17,762,522         |
| David Powell Chief Group Internal Auditor, Assurance & Risk Management 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                                  | 1,489,273                          | NIL               | 15,692,130         |
| 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         | 2,722,335  | NIL                                  | NIL                                | NIL               | 14,202,857         |
| Belinda Ward VP Human Resources & Administration                                | 9,184,418          | NIL               | 2,722,335  | 1,182,697 (Note 2)                   | 775,878                            | NIL               | 13,865,328         |
| Wilburn Pottinger VP Information Systems  | 9,184,418          | 2,296,104         | 2,722,335  | NIL                                  | 775,878                            | NIL               | 14,978,735         |
| William Tatham VP Cruise Shipping & Marina Services                             | 9,184,418          | 2,296,104         | 2,722,335  | NIL                                  | 775,878                            | NIL               | 14,978,735         |
| Ishmael Leon VP Finance   | 9,184,418          | 2,296,104         | 2,722,335  | NIL                                  | 387,939                            | NIL               | 14,590,796         |
| 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                                  | 387,939                            | NIL               | 14,590,796         |
| Flora Garth VP Materials Management   | 8,408,539          | NIL               | 2,722,335  | 1,027,522 (Note 2)                   | NIL                                | NIL               | 12,158,396         |
| Dwain Powell VP Port Community Systems (Note 7)                                 | 7,632,661          | 1,908,165         | 2,722,335  | NIL                                  | NIL                                | NIL               | 12,263,161         |
| <b>TOTAL</b>  | <b>172,304,462</b> | <b>35,879,829</b> | <b>50,695,541</b>  | <b>3,652,815</b>                     | <b>11,707,412</b>                  | <b>NIL</b>        | <b>274,240,059</b> |

Note: 1. This represents other expenses paid as per contract.

2. These executives are members of the PAJ's staff pension fund and are not paid gratuity.



# Directors' & External Members' Compensation (FY 2017/18)

| Directors & External Members              |                  | Motor Vehicle Upkeep                               |            | All Other Compensation including |                  |
|---|------------------|--|------------|----------------------------------|------------------|
|   | Fees             | Travelling or Value of Assignment of Motor Vehicle | Honoraria  | Non-Cash Benefits                | TOTAL            |
| Dr. Nigel Clarke, Chairman                | 161,000          | 5,076  | Nil        | Nil                              | 166,076          |
| Professor Gordon Shirley, OJ <sup>1</sup> | Nil              | Nil  | Nil        | Nil                              | Nil              |
| Dr. Janine Dawkins                        | 216,100          | 12,709   | Nil        | Nil                              | 228,809          |
| Mr. Alston Douglas                        | 154,000          | 5,330  | Nil        | Nil                              | 159,330          |
| Mr. Edward Gabbidon                       | 239,100          | 38,616   | Nil        | Nil                              | 277,716          |
| Mr. Mark Hart                             | 160,500          | 125,020  | Nil        | Nil                              | 285,520          |
| Mr. Lyttleton Shirley                     | 232,000          | 21,742   | Nil        | Nil                              | 253,742          |
| Mr. Jerome Smalling                       | 227,000          | 25,756   | Nil        | Nil                              | 252,756          |
| Mrs. Velma Ricketts Walker                | 14,000           | Nil  | Nil        | Nil                              | 14,000           |
| Mr. Adam Stewart                          | 14,000           | Nil  | Nil        | Nil                              | 14,000           |
| Mr. Donald Patterson <sup>2</sup>         |                  |  |            |                                  |                  |
| Mr. Mark Tracey <sup>2</sup>              | 20,700           | 1,240  | Nil        | Nil                              | 21,940           |
| Ms. Roxann Linton <sup>2</sup>            | 48,300           | 2,594  | Nil        | Nil                              | 50,894           |
| <b>TOTAL</b>                              | <b>1,486,700</b> | <b>238,083</b>                                     | <b>Nil</b> | <b>Nil</b>                       | <b>1,724,783</b> |

Note: 1. Professor Gordon Shirley does not earn Board fees as he is an employee of the PAJ.

2. External Committee Members.

| Office             | Rate/Meeting |
|--------------------|--------------|
| Board Chairman     | \$23,000.00  |
| Board Member       | \$14,000.00  |
| Committee Chairman | \$11,500.00  |
| Committee Member   | \$ 6,900.00  |

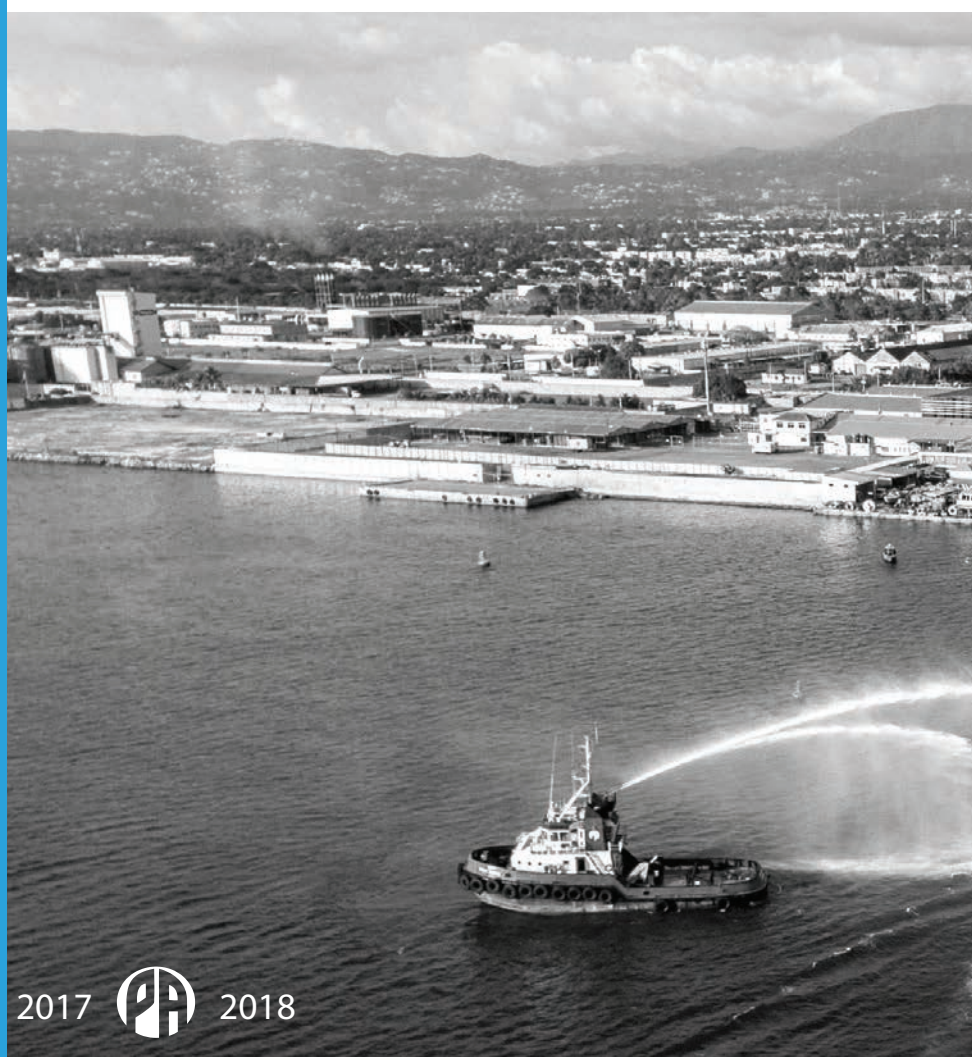
Reimbursable travelling allowance is paid at the rate of \$47/km.

# Financial Statements

Year Ended

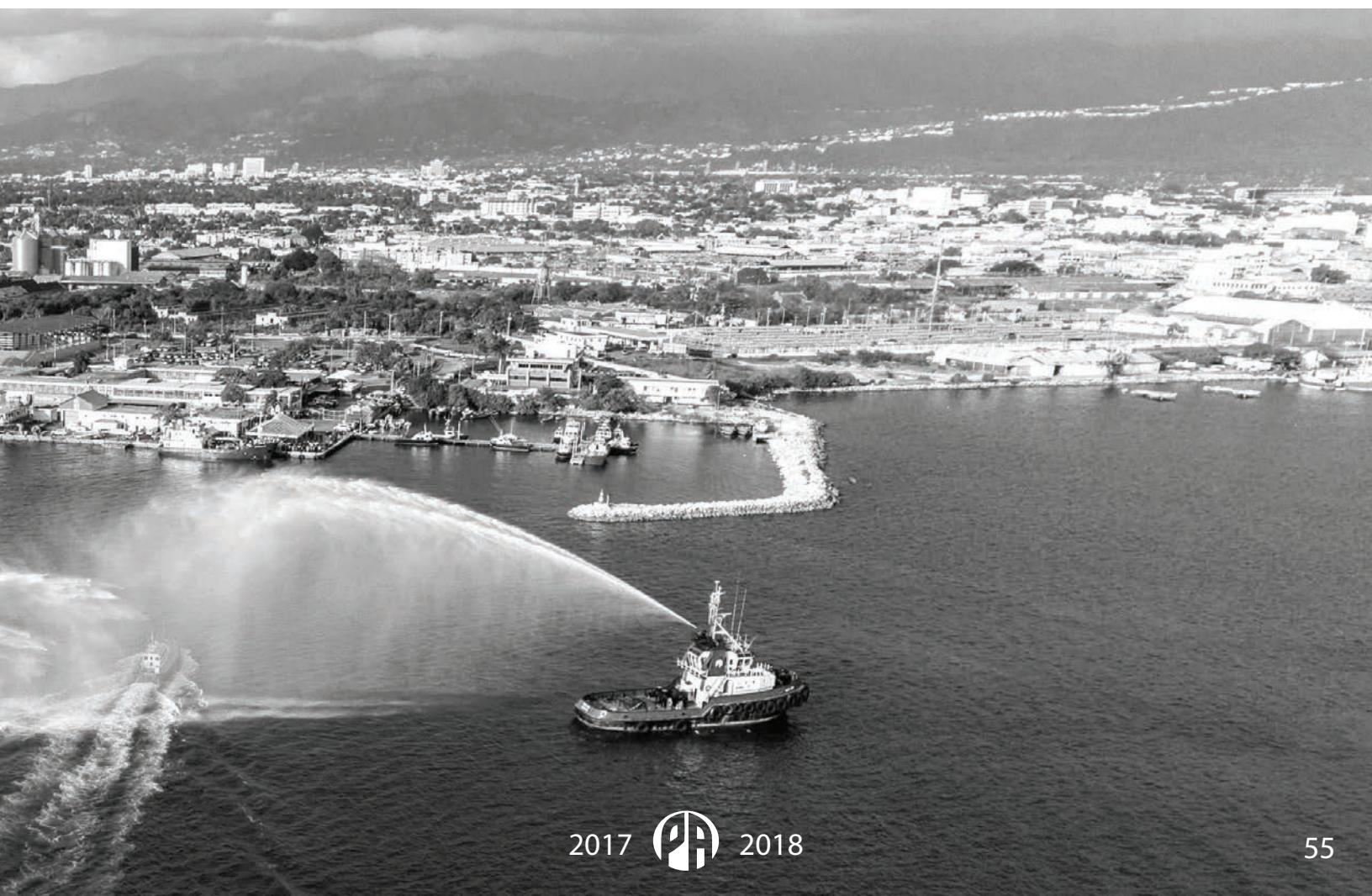
March 31, 2018

(Expressed in Jamaican dollars)



# Contents

- 56 Independent Auditor's Report
- 59 Financial Statements
- 60 Consolidated Statement of Financial Position
- 61 Consolidated Statement of Profit and Loss and Other Comprehensive Income
- 62 Consolidated Statement of Changes in Equity
- 63 Consolidated Statement of Cash Flows
- 64 Separate Statement of Financial Position
- 65 Separate statement of Profit and Loss and Other Comprehensive Income
- 66 Separate Statement of Changes in Equity
- 67 Separate statement of Cash Flows
- 69 Notes to the Financial Statements





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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, 2018, 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, 2018 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 Group'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 consolidated 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.

Chartered Accountants  
Kingston, Jamaica

June 21, 2018

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

(Expressed in Jamaican dollars)

|  | Notes | 2018<br>\$'000           | Restated<br>2017<br>\$'000 | Restated<br>2016<br>\$'000 |
|--|-------|--------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                            |       |                          |                            |                            |
| <b>Non-current assets</b>                |       |                          |                            |                            |
| Property, plant and equipment            | 5     | 31,171,036               | 25,771,209                 | 25,545,365                 |
| Investment properties                    | 6     | 18,769,420               | 17,867,405                 | 17,276,311                 |
| Intangible assets                        | 7     | 4,980                    | 1,182                      | 4,385                      |
| Investment in associates                 | 8(a)  | 184,940                  | 159,189                    | 137,712                    |
| Other investments                        | 9     | 1,530,685                | 1,359,012                  | 1,296,735                  |
| Long-term receivables                    | 10    | 28,346                   | 15,849                     | 14,573                     |
| Retirement benefit asset                 | 11    | 52,504                   | 59,485                     | 38,331                     |
| Deferred tax assets                      | 12    | 8,390                    | 548                        | 548                        |
|  |       | <u>51,750,301</u>        | <u>45,233,879</u>          | <u>44,313,960</u>          |
| <b>Current assets</b>                    |       |                          |                            |                            |
| Inventories                              | 13    | 92,006                   | 94,970                     | 86,780                     |
| Trade and other receivables              | 14    | 2,907,585                | 1,765,069                  | 2,909,738                  |
| Cash and short-term deposits             | 15    | 9,594,663                | 14,348,325                 | 5,400,835                  |
|  |       | <u>12,594,254</u>        | <u>16,208,364</u>          | <u>8,397,353</u>           |
| Assets classified as held for sale       |       | -                        | -                          | 5,595,097                  |
|  |       | <u>12,594,254</u>        | <u>16,208,364</u>          | <u>13,992,450</u>          |
| <b>Total assets</b>                      |       | <u><u>64,344,555</u></u> | <u><u>61,442,243</u></u>   | <u><u>58,306,410</u></u>   |
| <b>EQUITY AND LIABILITIES</b>            |       |                          |                            |                            |
| <b>Equity</b>                            |       |                          |                            |                            |
| Reserves                                 | 16    | 6,747,779                | 6,698,978                  | 6,619,788                  |
| Retained earnings                        | 17,37 | 20,378,092               | 15,888,609                 | 10,920,670                 |
|  |       | <u>27,125,871</u>        | <u>22,587,587</u>          | <u>17,540,458</u>          |
| Non-controlling interests                | 18    | 2,031,354                | 1,554,841                  | 1,307,113                  |
|  |       | <u>29,157,225</u>        | <u>24,142,428</u>          | <u>18,847,571</u>          |
| <b>Non-current liabilities</b>           |       |                          |                            |                            |
| Retirement benefit liability             | 11,37 | 546,735                  | 425,537                    | 305,115                    |
| Long-term liabilities                    | 19    | 23,351,126               | 29,089,935                 | 28,754,473                 |
| Deferred income                          | 20    | 495,174                  | 543,076                    | 598,194                    |
| Deferred tax liabilities                 | 12    | 7,818                    | 18,278                     | 17,407                     |
|  |       | <u>24,400,853</u>        | <u>30,076,826</u>          | <u>29,675,189</u>          |
| <b>Current liabilities</b>               |       |                          |                            |                            |
| Provisions                               | 21    | 101,868                  | 111,944                    | 271,097                    |
| Current portion of long-term liabilities | 19    | 7,098,845                | 4,474,048                  | 6,865,610                  |
| Trade and other payables                 | 22    | 3,558,959                | 2,598,924                  | 2,616,098                  |
| Bank overdrafts (unsecured)              |       | 26,805                   | 38,073                     | 30,845                     |
|  |       | <u>10,786,477</u>        | <u>7,222,989</u>           | <u>9,783,650</u>           |
| <b>Total equity and liabilities</b>      |       | <u><u>64,344,555</u></u> | <u><u>61,442,243</u></u>   | <u><u>58,306,410</u></u>   |

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 June 8, 2018 and are signed on its behalf by:

  
Jerome Smalling - Director

  
Professor Gordon Shirley - President

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

|  | Notes | 2018<br>\$'000 | Restated<br>2017<br>\$'000 |
|--|-------|----------------|----------------------------|
| Revenue  | 23    | 13,914,395     | 14,590,635                 |
| Expenses:  |       |                |                            |
| Direct operating   | 24,37 | (4,657,837)    | (5,584,313)                |
| Administrative   | 24,37 | (2,712,805)    | (2,423,305)                |
|  |       | (7,370,642)    | (8,007,618)                |
|  |       | 6,543,753      | 6,583,017                  |
| Share of associated companies' results   | 8(a)  | 25,751         | 21,477                     |
| Interest income  | 27    | 191,456        | 167,993                    |
| Gain on privatisation of container terminal operations (net)                             | 35    | -              | 1,525,993                  |
| Gains and losses:  |       |                |                            |
| Foreign exchange gains (losses) on loans   | 25    | 446,607        | (1,585,693)                |
| Other gains  | 25    | 63,007         | 935,530                    |
| Finance charges and interest on loans  | 24    | (1,664,802)    | (1,923,284)                |
| <b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>                                 |       | 5,605,772      | 5,725,033                  |
| Taxation   | 26    | (241,924)      | (169,456)                  |
| <b>PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS</b>                                  | 27    | 5,363,848      | 5,555,577                  |
| <b>DISCONTINUED OPERATIONS:</b>  |       |                |                            |
| Profit for the year from discontinued operations   | 8(b)  | 31,030         | -                          |
|  |       | 5,394,878      | 5,555,577                  |
| Profits attributable to non-controlling interests  | 18    | (476,513)      | (247,728)                  |
| <b>NET PROFIT FOR THE YEAR</b>   |       | 4,918,365      | 5,307,849                  |
| <b>OTHER COMPREHENSIVE LOSS:</b>   |       |                |                            |
| Other comprehensive loss not to be reclassified to profit or loss in subsequent periods: |       |                |                            |
| Remeasurement losses on retirement benefit plans   | 11,37 | (127,163)      | (10,720)                   |
| <b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>   |       | (127,163)      | (10,720)                   |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>   | 28    | 4,791,202      | 5,297,129                  |

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, 2018  
(Expressed in Jamaican dollars)

|         |           | RESERVES    |              |               |              |           |          |           |            |            |                 | Non-Controlling Interests | Total |
|---------|-----------|-------------|--------------|---------------|--------------|-----------|----------|-----------|------------|------------|-----------------|---------------------------|-------|
| General | Capital   | Development | Equalisation | Stabilisation | Fixed Assets | Insurance | Wharfage | Total     | Retained   | Total      | Non-Controlling | Total                     |       |
| 16(a)   | 16(b)     | 16(c)       | 16(d)        | 16(e)         | 16(f)        | 16(g)     | 16(h)    | Reserves  | Earnings   | Reserves   | Interests       | Reserves                  |       |
| \$'000  | \$'000    | \$'000      | \$'000       | \$'000        | \$'000       | \$'000    | \$'000   | \$'000    | \$'000     | \$'000     | \$'000          | \$'000                    |       |
| 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                |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | (270,077)  | (270,077)  | -               | (270,077)                 |       |
| 359,450 | 5,089,330 | 305,150     | 1,630        | 32            | 554,791      | 142,557   | 166,848  | 6,619,788 | 10,920,670 | 17,540,458 | 1,307,113       | 18,847,571                |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | 5,307,849  | 5,307,849  | 247,728         | 5,555,577                 |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | (10,720)   | (10,720)   | -               | (10,720)                  |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | 5,297,129  | 5,297,129  | 247,728         | 5,544,857                 |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | (250,000)  | (250,000)  | -               | (250,000)                 |       |
| -       | -         | -           | -            | -             | 57,109       | 4,550     | 17,531   | 79,190    | (79,190)   | -          | -               | -                         |       |
| 359,450 | 5,089,330 | 305,150     | 1,630        | 32            | 611,900      | 147,107   | 184,379  | 6,698,978 | 15,888,609 | 22,587,587 | 1,554,841       | 24,142,428                |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | 4,918,365  | 4,918,365  | 476,513         | 5,394,878                 |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | (127,163)  | (127,163)  | -               | (127,163)                 |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | 4,791,202  | 4,791,202  | 476,513         | 5,267,715                 |       |
| -       | -         | -           | -            | -             | -            | -         | -        | -         | (252,918)  | (252,918)  | -               | (252,918)                 |       |
| -       | -         | -           | -            | -             | 45,433       | 4,659     | (1,291)  | 48,801    | (48,801)   | -          | -               | -                         |       |
| 359,450 | 5,089,330 | 305,150     | 1,630        | 32            | 657,333      | 151,766   | 183,088  | 6,747,779 | 20,378,092 | 27,125,871 | 2,031,354       | 29,157,225                |       |

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, 2018  
(Expressed in Jamaican dollars)**

|  | Notes | 2018<br>\$'000   | Restated<br>2017<br>\$'000 |
|--|-------|------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |       |                  |                            |
| Net profit from:   |       |                  |                            |
| Continuing operations  |       | 4,887,335        | 5,307,849                  |
| Discontinued operations  |       | 31,030           | -                          |
|  |       | <u>4,918,365</u> | <u>5,307,849</u>           |
| Adjustments for:   |       |                  |                            |
| Depreciation and amortisation                                    | 5,7   | 1,012,683        | 1,004,955                  |
| Adjustment to property, plant and equipment                      | 5     | (429)            | 698                        |
| Write-off of property, plant and equipment                       | 5     | 188,448          | 965                        |
| (Gain) Loss on disposal of property, plant and equipment         | 25    | (4,342)          | 296,033                    |
| Adjustment to intangible assets                                  | 7     | -                | (3,445)                    |
| Adjustment to investment properties                              | 6     | (34)             | -                          |
| Gain on privatisation of containers terminal operations (net)    | 35    | -                | (1,525,993)                |
| Increase in fair value of investment properties                  | 6     | (372,100)        | (656,094)                  |
| Interest income  | 27    | (191,456)        | (167,993)                  |
| Foreign exchange (gains) losses (net)                            |       | (691,782)        | 1,982,571                  |
| Retirement benefit expense                                       | 11    | 44,479           | 130,456                    |
| Provision charge   | 21    | 90,789           | 91,639                     |
| Profits attributable to non-controlling interests                | 18    | 476,513          | 247,728                    |
| Amortisation of deferred income                                  | 20    | (47,902)         | (55,118)                   |
| Impairment loss recognised (reversed) on trade receivables (net) | 14    | 974              | (5,635)                    |
| Loan fees amortised  |       | 1,489            | 7,178                      |
| Taxation charge  | 26    | 241,924          | 169,456                    |
| Share of associates' results                                     | 8     | (25,751)         | (21,477)                   |
| Finance charges and interest on loans                            | 24    | 1,664,802        | 1,923,284                  |
|  |       | <u>7,306,670</u> | <u>8,727,057</u>           |
| (Increase) Decrease in operating assets:                         |       |                  |                            |
| Trade and other receivables                                      |       | (1,139,465)      | 1,149,130                  |
| Inventories  |       | 2,964            | (237,416)                  |
| Increase (Decrease) in operating liabilities:                    |       |                  |                            |
| Trade and other payables   |       | 873,585          | (43,805)                   |
| Retirement benefit contributions                                 | 11    | (43,463)         | (41,908)                   |
| Provisions utilised  | 21    | (100,865)        | (250,792)                  |
| Cash generated by operations                                     |       | 6,899,426        | 9,302,266                  |
| Income taxes paid  |       | (173,776)        | (141,954)                  |
| Interest paid  |       | (1,675,487)      | (1,926,004)                |
| Net cash provided by operating activities                        |       | <u>5,050,163</u> | <u>7,234,308</u>           |

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, 2018**  
**(Expressed in Jamaican dollars)**

|   | Notes | 2018<br>\$'000          | Restated<br>2017<br>\$'000 |
|---|-------|-------------------------|----------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |       |                         |                            |
| Interest received   |       | 190,640                 | 168,063                    |
| Acquisition of property, plant and equipment                      | 5     | (7,149,032)             | (1,505,950)                |
| Net proceeds (costs) on disposal of property, plant and equipment |       | 21,267                  | (296,898)                  |
| Proceeds on privatisation of container terminal operations (net)  |       | -                       | 7,697,984                  |
| Other investments (net)   |       | (170,857)               | (62,347)                   |
| Decrease in long-term receivables                                 |       | (13,683)                | (1,380)                    |
| Acquisition of intangible assets                                  | 7     | (2,101)                 | (1,667)                    |
| Net cash (used in) provided by investing activities               |       | <u>(7,123,766)</u>      | <u>5,997,805</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                         |                            |
| Receipt of long-term loans  |       | 1,493,579               | 3,207,614                  |
| Repayment of long-term loans                                      |       | (4,201,450)             | (6,965,406)                |
| Decrease in prepaid credit insurance                              |       | 49,662                  | 111,541                    |
| Transfer to the Government of Jamaica Consolidated Fund           | 36    | (252,918)               | (250,000)                  |
| Net cash used in financing activities                             |       | <u>(2,911,127)</u>      | <u>(3,896,251)</u>         |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>       |       | <b>(4,984,730)</b>      | <b>9,335,862</b>           |
| <b>OPENING CASH AND CASH EQUIVALENTS</b>                          |       | <b>14,310,252</b>       | <b>5,369,990</b>           |
| Effect of foreign exchange rate changes                           |       | <u>242,336</u>          | <u>(395,600)</u>           |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>                          |       | <b><u>9,567,858</u></b> | <b><u>14,310,252</u></b>   |
| Cash and cash equivalents comprises:                              |       |                         |                            |
| Cash and short-term deposits                                      | 15    | 9,594,663               | 14,348,325                 |
| Bank overdrafts   |       | <u>(26,805)</u>         | <u>(38,073)</u>            |
|   |       | <u>9,567,858</u>        | <u>14,310,252</u>          |

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

THE PORT AUTHORITY


SEPARATE STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2018  
(Expressed in Jamaican dollars)

|  | Notes | 2018<br>\$'000    | Restated<br>2017<br>\$'000 | Restated<br>2016<br>\$'000 |
|--|-------|-------------------|----------------------------|----------------------------|
| <b>ASSETS</b>  |       |                   |                            |                            |
| <b>Non-current assets</b>  |       |                   |                            |                            |
| Property, plant and equipment  | 5     | 31,069,625        | 25,692,137                 | 25,482,547                 |
| Investment properties  | 6     | 16,242,420        | 15,369,975                 | 14,743,686                 |
| Intangible assets  | 7     | 4,513             | 1,140                      | 4,278                      |
| Investments in subsidiary, joint venture<br>and associated companies | 8(b)  | 30,508            | 30,508                     | 30,508                     |
| Other investments  | 9     | 1,516,864         | 1,345,123                  | 1,283,639                  |
| Long-term receivables  | 10    | 104,572           | 92,075                     | 90,799                     |
| Retirement benefit asset   | 11    | 52,504            | 59,485                     | 38,331                     |
|  |       | <u>49,021,006</u> | <u>42,590,443</u>          | <u>41,673,788</u>          |
| <b>Current assets</b>  |       |                   |                            |                            |
| Inventories  | 13    | 92,006            | 94,970                     | 86,780                     |
| Trade and other receivables  | 14    | 1,589,552         | 1,221,521                  | 2,811,748                  |
| Cash and short-term deposits   | 15    | 7,351,766         | 12,602,245                 | 3,952,637                  |
|  |       | <u>9,033,324</u>  | <u>13,918,736</u>          | <u>6,851,165</u>           |
| Assets classified as held for sale                                   |       | -                 | -                          | 5,595,097                  |
|  |       | <u>9,033,324</u>  | <u>13,918,736</u>          | <u>12,446,262</u>          |
| <b>Total assets</b>  |       | <u>58,054,330</u> | <u>56,509,179</u>          | <u>54,120,050</u>          |
| <b>EQUITY AND LIABILITIES</b>  |       |                   |                            |                            |
| <b>Equity</b>  |       |                   |                            |                            |
| Reserves   | 16    | 6,741,786         | 6,692,985                  | 6,613,795                  |
| Retained earnings  | 17,37 | 17,012,323        | 13,167,888                 | 8,568,571                  |
|  |       | <u>23,754,109</u> | <u>19,860,873</u>          | <u>15,182,366</u>          |
| <b>Non-current liabilities</b>                                       |       |                   |                            |                            |
| Retirement benefit liability   | 11,37 | 546,735           | 425,537                    | 305,115                    |
| Long-term liabilities  | 19    | 23,246,979        | 28,950,701                 | 28,590,739                 |
| Deferred income  | 20    | 495,174           | 543,076                    | 598,194                    |
|  |       | <u>24,288,888</u> | <u>29,919,314</u>          | <u>29,494,048</u>          |
| <b>Current liabilities</b>   |       |                   |                            |                            |
| Provisions   | 21    | 87,348            | 92,465                     | 56,219                     |
| Current portion of long-term liabilities                             | 19    | 7,056,768         | 4,441,008                  | 6,834,273                  |
| Trade payables and accruals  | 22    | 2,844,381         | 2,158,660                  | 2,523,349                  |
| Bank overdrafts (unsecured)  |       | 22,836            | 36,859                     | 29,795                     |
|  |       | <u>10,011,333</u> | <u>6,728,992</u>           | <u>9,443,636</u>           |
| <b>Total equity and liabilities</b>                                  |       | <u>58,054,330</u> | <u>56,509,179</u>          | <u>54,120,050</u>          |

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 June 8, 2018 and are signed on its behalf by:

  
Jerome Smalling - Director

  
Professor Gordon Shirley - President

THE PORT AUTHORITY

SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

|   | Notes | 2018<br>\$'000          | Restated<br>2017<br>\$'000 |
|---|-------|-------------------------|----------------------------|
| Revenue   | 23    | 11,009,199              | 12,360,521                 |
| Interest income   | 27    | 148,497                 | 136,969                    |
| Expenses:   |       |                         |                            |
| Direct operating  | 24    | (3,576,766)             | (4,497,757)                |
| Administrative  | 24,37 | (2,161,669)             | (2,023,647)                |
| Finance charges and interest on loans   | 24    | (1,662,301)             | (1,919,788)                |
|   |       | 3,756,960               | 4,056,298                  |
| Gain on privatisation of container terminal operations (net)                                | 35    | -                       | 1,525,993                  |
| Gains and losses:   |       |                         |                            |
| Foreign exchange gains (losses) on loans  | 25    | 443,524                 | (1,575,678)                |
| Other gains   | 25    | 72,833                  | 932,614                    |
| <b>NET PROFIT FOR THE YEAR</b>  | 27    | <u>4,273,317</u>        | <u>4,939,227</u>           |
| <b>OTHER COMPREHENSIVE LOSS:</b>  |       |                         |                            |
| Other comprehensive loss not to be reclassified<br>to profit or loss in subsequent periods: |       |                         |                            |
| Remeasurement losses on retirement benefit plans  | 11,37 | (127,163)               | (10,720)                   |
| <b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>  |       | <u>(127,163)</u>        | <u>(10,720)</u>            |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>  | 28    | <u><u>4,146,154</u></u> | <u><u>4,928,507</u></u>    |

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

|   | Notes | RESERVES      |               |                   |                    |                          |                                |                 |                |           |          | Total Reserves | Accumulated Surplus | Total |
|---|-------|---------------|---------------|-------------------|--------------------|--------------------------|--------------------------------|-----------------|----------------|-----------|----------|----------------|---------------------|-------|
|   |       | General 16(a) | Capital 16(b) | Development 16(c) | Equalisation 16(d) | Stabilisation Fund 16(e) | Fixed Assets Replacement 16(f) | Insurance 16(g) | Wharfage 16(h) | Total     | Reserves |                |                     |       |
|   |       |               |               |                   |                    |                          |                                |                 |                |           |          |                |                     |       |
| <b>Balance at April 1, 2016, as previously reported</b>                               |       | 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          |       |
| Adjustments in respect of actuarial remeasurements for retirement benefit liabilities | 37    | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | (270,077)      | (270,077)           |       |
| <b>Balance at April 1, 2016, as restated</b>  |       | 359,450       | 5,083,337     | 305,150           | 1,630              | 32                       | 554,791                        | 142,557         | 166,848        | 6,613,795 |          | 8,568,571      | 15,182,366          |       |
| Net profit, as restated   |       | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | 4,939,227      | 4,939,227           |       |
| Other comprehensive loss, as restated   | 11(d) | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | (10,720)       | (10,720)            |       |
| Total comprehensive income, as restated   |       | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | 4,928,507      | 4,928,507           |       |
| 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)       | -                   |       |
| <b>Balance at March 31, 2017, as restated</b>   |       | 359,450       | 5,083,337     | 305,150           | 1,630              | 32                       | 611,900                        | 147,107         | 184,379        | 6,692,985 |          | 13,167,888     | 19,860,873          |       |
| Net profit  |       | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | 4,273,317      | 4,273,317           |       |
| Other comprehensive loss  | 11(d) | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | (127,163)      | (127,163)           |       |
| Total comprehensive income  |       | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | 4,146,154      | 4,146,154           |       |
| Transfer to the Government of Jamaica Consolidated Fund                               | 36    | -             | -             | -                 | -                  | -                        | -                              | -               | -              | -         | -        | (252,918)      | (252,918)           |       |
| Transfers to (from) reserves of managed operations                                    |       | -             | -             | -                 | -                  | -                        | 45,433                         | 4,659           | (1,291)        | 48,801    |          | (48,801)       | -                   |       |
| <b>Balance at March 31, 2018</b>  |       | 359,450       | 5,083,337     | 305,150           | 1,630              | 32                       | 657,333                        | 151,766         | 183,088        | 6,741,786 |          | 17,012,323     | 23,754,109          |       |

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

**THE PORT AUTHORITY**

**SEPARATE STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

|  | Notes | 2018<br>\$'000     | Restated<br>2017<br>\$'000 |
|--|-------|--------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |       |                    |                            |
| Net profit   |       | 4,273,317          | 4,939,227                  |
| Adjustments for:   |       |                    |                            |
| Interest income  | 27    | (148,497)          | (136,969)                  |
| Foreign exchange (gains) losses (net)                        |       | (208,724)          | 1,191,017                  |
| Finance charges and interest on loans                        | 24    | 1,662,301          | 1,919,788                  |
| Impairment loss reversed on trade receivables (net)          | 14    | (47)               | (15,716)                   |
| Impairment loss recognised on related party receivables      | 14    | (12,334)           | 30,329                     |
| Increase in fair value of investment properties              | 6     | (342,530)          | (691,289)                  |
| Adjustment to investment properties                          | 6     | (34)               | -                          |
| Depreciation and amortisation                                | 5,7   | 998,585            | 993,325                    |
| (Gain) Loss on disposal of property, plant and equipment     | 25    | (4,342)            | 296,033                    |
| Gain on privatisation of container terminal operations (net) | 35    | -                  | (1,525,993)                |
| Write-off of property, plant and equipment                   | 5     | 185,835            | -                          |
| Adjustment to property, plant and equipment                  | 5     | (429)              | 14                         |
| Adjustment to intangible assets                              | 7     | -                  | (3,445)                    |
| Provision charge   | 21    | 74,394             | 73,794                     |
| Amortisation of deferred income                              | 20    | (47,902)           | (55,118)                   |
| Retirement benefit expense                                   | 11    | 44,479             | 130,456                    |
| Loan fees amortised  |       | 1,422              | 7,111                      |
|  |       | <u>6,475,494</u>   | <u>7,152,564</u>           |
| (Increase) Decrease in operating assets:                     |       |                    |                            |
| Trade and other receivables                                  |       | (352,133)          | 1,575,718                  |
| Inventories  |       | 2,964              | (237,416)                  |
| Increase (Decrease) in operating liabilities:                |       |                    |                            |
| Trade payables and accruals                                  |       | 685,721            | (364,689)                  |
| Provisions utilised  | 21    | (79,511)           | (37,548)                   |
| Retirement benefit contributions                             | 11    | (43,463)           | (41,908)                   |
|  |       | <u>6,689,072</u>   | <u>8,046,721</u>           |
| Cash generated by operations                                 |       | <u>6,689,072</u>   | <u>8,046,721</u>           |
| Interest paid  |       | <u>(1,674,614)</u> | <u>(1,922,508)</u>         |
| Net cash provided by operating activities                    |       | <u>5,014,458</u>   | <u>6,124,213</u>           |

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

**THE PORT AUTHORITY**

**SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED MARCH 31, 2018**  
**(Expressed in Jamaican dollars)**

|   | Notes | 2018<br>\$'000     | Restated<br>2017<br>\$'000 |
|---|-------|--------------------|----------------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |       |                    |                            |
| Interest received   |       | 147,717            | 137,023                    |
| Increase in long-term receivables                                 |       | (13,683)           | (1,380)                    |
| Other investments (net)   |       | (170,961)          | (61,538)                   |
| Acquisition of intangible assets                                  | 7     | (1,816)            | (1,667)                    |
| Acquisition of property, plant and equipment                      | 5     | (7,109,842)        | (1,476,482)                |
| Proceeds on privitisation of container terminal operations (net)  |       | -                  | 7,697,984                  |
| Net proceeds (costs) on disposal of property, plant and equipment |       | <u>21,267</u>      | <u>(296,898)</u>           |
| Net cash (used in) provided by investing activities               |       | <u>(7,127,318)</u> | <u>5,997,042</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                       |       |                    |                            |
| Receipt of long-term loans  |       | 1,493,579          | 3,207,614                  |
| Repayment of long-term loans                                      |       | (4,176,788)        | (6,932,527)                |
| Decrease in prepaid credit insurance                              |       | 49,662             | 111,541                    |
| Transfer to the Government of Jamaica Consolidated Fund           | 36    | <u>(252,918)</u>   | <u>(250,000)</u>           |
| Net cash used in financing activities                             |       | <u>(2,886,465)</u> | <u>(3,863,372)</u>         |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>       |       | (4,999,325)        | 8,257,883                  |
| <b>OPENING CASH AND CASH EQUIVALENTS</b>                          |       | 12,565,386         | 3,922,842                  |
| Effect of foreign exchange rate changes                           |       | <u>(237,131)</u>   | <u>384,661</u>             |
| <b>CLOSING CASH AND CASH EQUIVALENTS</b>                          |       | <u>7,328,930</u>   | <u>12,565,386</u>          |
| Cash and cash equivalents comprise:                               |       |                    |                            |
| Cash and short-term deposits                                      | 15    | 7,351,766          | 12,602,245                 |
| Bank overdraft  |       | <u>(22,836)</u>    | <u>(36,859)</u>            |
|   |       | <u>7,328,930</u>   | <u>12,565,386</u>          |

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



## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (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:

| <u>Subsidiaries</u>                                 | <u>Place of incorporation and operation</u> | <u>Proportion of ownership interests</u> | <u>Proportion of voting rights</u> | <u>Principal activity</u>  |
|---|---|--|------------------------------------|--|
| 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:

| <u>Joint venture</u>                           | <u>Place of incorporation and operation</u> | <u>Proportion of ownership interests</u> | <u>Proportion of voting rights</u> | <u>Principal activity</u>   |
|--|---|--|------------------------------------|---|
| 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)). |

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 1 GROUP IDENTIFICATION (CONTINUED)

##### (a) (Continued)

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

| <u>Associates</u>               | <u>Place of<br/>incorporation<br/>and<br/>operation</u> | <u>Proportion<br/>of<br/>ownership<br/>interests</u> | <u>Proportion<br/>of<br/>voting<br/>rights</u> | <u>Principal activity</u>                |
|---------------------------------|---|--|--|--|
| 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, 2018 (2017: March 31, 2017).

##### (c) Taxation

The Authority is a statutory body and is exempt from income tax under the Income Tax Act, Section 12(b).

#### 2 APPLICATION 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 periods beginning on or after April 1, 2017. 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 2017/2018, 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:

- **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 do not have any impact on the financial statements of the Group.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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

##### 2.1 Current year changes (continued)

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

This includes:

*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. This amendment does not have any impact on the financial statements of the Group.

- **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. This amendment does not have any impact on the financial statements of the Group. Such disclosures were already being made in the financial statements of the Group.

- **IFRS Practice Statement 2: Making Materiality Judgements**

Companies are permitted to apply the guidance in the Practice Statement (PS) to financial statements prepared any time after September 14, 2017.

The PS contains non-mandatory guidance to help entities making materiality judgements when preparing general purpose IFRS financial statements. The PS may also help users of financial statements to understand how an entity makes materiality judgements in preparing such financial statements.

The PS comprises guidance in three main areas:

- General characteristics of materiality,
- A four-step process that may be applied in making materiality judgements when preparing financial statements. This process describes how an entity could assess whether information is material for the purposes of recognition, measurement, presentation and disclosure.
- How to make materiality judgements in specific circumstances, namely, prior period information, errors and covenants and in the context of interim reporting. Furthermore, the PS discusses the interaction between the materiality judgements an entity is required to make and local laws and regulations.

The PS did not have any impact on the Group's financial statements.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 2 APPLICATION 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.

- **IFRS 9 *Financial Instruments***

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, instead of the incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risks since initial recognition.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available under IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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

##### 2.2 Future changes (continued)

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

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 and management 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.

- **IFRS 15 *Revenue from Contracts with Customers***

This new standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps are:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when (or as) the entity satisfies a performance obligation.

There is new guidance on whether revenue should be recognised at a point in time or over time, which replaces the previous distinction between goods and services. Where revenue is variable, a new recognition threshold has been introduced by the standard. This threshold requires that variable amounts are only included in revenue if, and to the extent that, it is highly probable that a significant revenue reversal will not occur in the future as a result of re-estimation. However, a different approach is applied for sales and usage-based royalties from licences of intellectual property; for such royalties, revenue is recognised only when the underlying sale or usage occurs. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalised. Costs that do not meet the criteria must be expensed when incurred.

The standard provides detailed guidance on various issues such as identifying distinct performance obligations, accounting for contract modifications and accounting for the time value of money, sales with a right of return, customer options for additional goods or services, principal versus agent considerations, licensing, and bill-and-hold arrangements.

The standard introduces new, increased requirements for disclosure of revenue in an IFRS reporter's financial statements.

IFRS 15 must be applied in an entity's annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the Standard is mandatory and early adoption is permitted. The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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

##### 2.2 Future changes (continued)

- **IFRS 16 Leases**

This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of “low value” assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. 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 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.

- **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 beginning 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 2 APPLICATION 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.

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

- **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 has developed 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 PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 2 APPLICATION 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 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.

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 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.

- **IFRS 17 *Insurance Contracts***

The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 is effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted.

IFRS 17 reflects the IAS Board's view that an insurance contract combines features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, the Board developed an approach that:

- a) Combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;
- b) Presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- c) Requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognise all insurance finance income or expenses for the reporting period in profit or loss or to recognise some of that income or expenses in other comprehensive income.

An entity may apply a simplified measurement approach (the premium allocation approach) to some insurance contracts. The simplified measurement approach allows an entity to measure the amount relating to remaining service by allocating the premium over the coverage period. This standard is not expected to have any impact on the financial statements of the Group.



## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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

##### 2.2 Future changes (continued)

- **Amendments to IFRS 9 - Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. The amendments are effective for annual periods beginning on or after January 1, 2019.

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

- **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. 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 recognises 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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

##### 2.2 Future changes (continued)

- **IFRIC Interpretation 22 *Foreign Currency Transactions and Advance Consideration* (continued)**

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 interpretation on the Group's financial statements.

- **IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments***

In June 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments* which clarifies application of the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available.

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

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

---

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

##### 2.2 Future changes (continued)

- **Amendments to IAS 28 - Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments. Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate ambiguity in the wording of the standard. The amendments are effective for annual periods beginning on or after January 1, 2019. These amendments are not expected to have an impact on the Group.

- **Annual Improvements 2015-2017 cycle (issued in December 2017)**

Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

- **IFRS 3 Business Combinations - Previously held Interests in a joint operation**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted. These amendments are not expected to have an impact on the Group.

- **IFRS 11 Joint Arrangements - Previously held Interests in a joint operation**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019. Earlier application is permitted. These amendments are not applicable to the Group.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

---

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

##### 2.2 Future changes (continued)

- **Annual Improvements 2015-2017 cycle (issued in December 2017) (continued)**

- **IAS 12 Income Taxes - *Income tax consequences of payments on financial instruments classified as equity***

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. These amendments are not expected to have an impact on the Group.

- **IAS 23 *Borrowing Costs - Borrowing costs eligible for capitalisation***

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The directors and management have not yet completed their assessment of the impact of the application of these amendments on the Group's financial statements.

- **Plan Amendment, Curtailment or Settlement - Amendments to IAS 19**

The amendments to IAS 19 *Employee Benefits* address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.

***Determining the current service cost and net interest***

When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is generally calculated by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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

##### 2.2 Future changes (continued)

- **Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (continued)**  
*Effect on asset ceiling requirements*

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Early application is permitted and should be disclosed.

These amendments are not expected to have an impact of 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.

##### 3.3 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.3 Basis of consolidation (continued)

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.

##### Changes in the Group's ownership interests in existing subsidiaries

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.

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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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

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.



## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

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 PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.7 Fair value measurement (continued)

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.

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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 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.

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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.11 Impairment of tangible and intangible assets (continued)

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 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 at 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.

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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.12 Financial instruments (continued)

###### 3.12.1 *Financial assets (continued)*

###### (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.

###### Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdraft.

###### 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 if 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.

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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.12 Financial instruments (continued)

##### 3.12.1 *Financial assets (continued)*

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

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.

##### 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 PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

3.12.1 *Financial assets (continued)*

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

Investment in associates and joint ventures (continued)

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 associates and joint venture results' in the statement of profit or loss.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 3.12 Financial instruments (continued)

###### 3.12.1 *Financial assets (continued)*

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

###### Investment in associates and joint ventures (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.



## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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

###### Classification as debt

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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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 liability 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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.



## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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.

#### 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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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, 2018 is \$135.424 million (2017: \$162.508 million) with management estimating remaining useful life as approximately 8 years (2017: 9 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, 2018 is \$2.674 billion (2017: \$2.940 billion) with management estimating remaining useful life as approximately 13 years (2017: 14 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 \$18.769 billion (2017: \$17.867 billion) and \$16.242 billion (2017: \$15.370 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 \$4.164 billion (2017: \$4.042 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 \$41.64 million (2017: \$40.42 million).

In determining the fair values of the Group's investment properties totaling \$4.273 billion (2017: \$4.144 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 \$42.73 million (2017: \$41.44 million).

In determining the fair values of the Group's investment properties totaling \$10.332 billion (2017: \$9.681 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 \$103.32 million (2017: \$96.81 million).

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

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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 \$52.504 million (2017: \$59.485 million) in respect of the defined benefit plan and a liability of approximately \$546.735 million (2017: \$425.537 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 subsidiaries. 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  $\pm 10\%$  in the final outcome of these estimates would have the effect of approximately \$24.192 million (2017: \$16.946 million) increase/decrease in tax charge for the year (See Notes 12 and 26).

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

5 PROPERTY, PLANT AND EQUIPMENT

|   | The Group                  |                                 |                                     |  |   |  |  |                          |                    |                     | Total<br>\$'000 |   |
|---|----------------------------|---------------------------------|-------------------------------------|--|---|--|--|--------------------------|--------------------|---------------------|-----------------|---|
|   | Freehold<br>Land<br>\$'000 | Freehold<br>Buildings<br>\$'000 | Leasehold<br>Improvements<br>\$'000 | Tugs, Cranes, Trailers,<br>Straddle Carriers,<br>and Other Equipment<br>\$'000 | Lighting BERTHS<br>BERTHS 10 & 11,<br>Pavements<br>\$'000 | Furniture<br>and Office<br>Equipment<br>\$'000 | Motor<br>Vehicles/<br>Motor Cycles<br>\$'000 | Infrastructure<br>\$'000 | Dredging<br>\$'000 | Computers<br>\$'000 |                 | Capital<br>Works-in<br>Progress<br>\$'000 |
| <b>At cost or valuation</b>                       |                            |                                 |                                     |  |   |  |  |                          |                    |                     |                 |   |
| April 1, 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       | 1,505,990                                 |
| Disposals   | -                          | -                               | -                                   | (1,074)  | -   | (352)  | (1,502)                                      | -                        | -                  | (825)               | (2,674)         | (6,427)                                   |
| Write-off (Note 5(e))                             | -                          | -                               | -                                   | -  | -   | (173)  | -  | -                        | -                  | -                   | (792)           | (985)                                     |
| 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)            | (688)                                     |
| 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                                |
| Additions   | -                          | -                               | 24,330                              | 29,503   | -   | 25,985   | 42,801                                       | 2,916                    | -                  | 28,114              | 6,995,383       | 7,149,032                                 |
| Disposals   | -                          | -                               | -                                   | (1,477,766)  | -   | (48,535)                                       | (36,805)                                     | -                        | -                  | (82,934)            | -               | (1,646,040)                               |
| Write off of assets (Note 5(f))                   | -                          | -                               | (62,368)                            | -  | -   | (22,951)                                       | -  | -                        | -                  | -                   | (85,319)        | -   |
| Transfer to investment properties (Note 6)        | (529,881)                  | -                               | -                                   | -  | -   | -  | -  | -                        | -                  | (2,421)             | (208)           | (529,881)                                 |
| Transfer to intangible assets (Note 7)            | -                          | -                               | -                                   | -  | -   | 87   | 30,899                                       | (29,367)                 | -                  | 2,840               | (482,526)       | -   |
| Transfer from works-in-progress (net)             | 167,472                    | (17,359)                        | -                                   | 498,583  | (79,249)  | -  | -  | -                        | (91,380)           | -                   | (185,835)       | -   |
| Work-in-progress reclassified to project expenses | -                          | -                               | -                                   | -  | -   | -  | -  | -                        | -                  | -                   | -               | -   |
| Adjustments/Reclassifications                     | 50                         | (632)                           | -                                   | 306,173  | -   | (13,795)                                       | (18)   | (305,734)                | -                  | (942)               | 14,186          | (712)                                     |
| March 31, 2018                                    | 5,966,572                  | 1,994,486                       | 53,847                              | 3,559,804  | 11,598,129  | 256,430  | 132,658                                      | 6,275,714                | 5,056,241          | 403,813             | 8,922,049       | 44,219,753                                |
| <b>Depreciation</b>                               |                            |                                 |                                     |  |   |  |  |                          |                    |                     |                 |   |
| April 1, 2016                                     | -                          | 563,561                         | 68,058                              | 4,479,828  | 2,986,710   | 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                                |
| Charge for year                                   | -                          | 58,018                          | 3,113                               | 122,023  | 278,326   | 16,005   | 26,069                                       | 275,702                  | 205,352            | 27,143              | -               | 1,011,751                                 |
| On disposals                                      | -                          | -                               | -                                   | (1,467,619)  | -   | (42,368)                                       | (36,805)                                     | -                        | -                  | (82,323)            | -               | (1,629,115)                               |
| Write off of assets (Note 5(f))                   | -                          | -                               | (59,756)                            | -  | -   | (22,950)                                       | -  | -                        | -                  | -                   | -               | (82,706)                                  |
| Adjustments/Reclassifications                     | -                          | (421)                           | -                                   | 177,992  | (1)   | (1,179)  | (1)  | (177,993)                | (1)                | 463                 | -               | (1,141)                                   |
| March 31, 2018                                    | -                          | 676,832                         | 13,857                              | 2,717,415  | 3,559,230   | 156,352  | 67,017                                       | 3,307,646                | 2,246,959          | 303,409             | -               | 13,046,717                                |
| <b>Net book value</b>                             |                            |                                 |                                     |  |   |  |  |                          |                    |                     |                 |   |
| March 31, 2018                                    | 5,966,572                  | 1,317,664                       | 39,990                              | 842,389  | 8,038,899   | 100,078  | 65,641                                       | 2,968,068                | 2,809,282          | 100,404             | 8,922,049       | 31,171,036                                |
| 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                                |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|   | The Authority              |                                 |  |   |                          |                    |  |                     |                             |   | Total<br>\$'000 |
|---|----------------------------|---------------------------------|--|---|--------------------------|--------------------|--|---------------------|-----------------------------|---|-----------------|
|   | Freehold<br>Land<br>\$'000 | Freehold<br>Buildings<br>\$'000 | Trailers, Cranes,<br>Trucks, Cranes,<br>Carriers, Vessels and<br>Other Equipment<br>\$'000 | Lighting,<br>Docks, Berths<br>10 and 11<br>\$'000 | Infrastructure<br>\$'000 | Dredging<br>\$'000 | Furniture<br>and Office<br>Equipment<br>\$'000 | Computers<br>\$'000 | Motor<br>Vehicles<br>\$'000 | Capital<br>Works-in<br>Progress<br>\$'000 |                 |
| <b>At cost</b>                                    |                            |                                 |  |   |                          |                    |  |                     |                             |   |                 |
| April 1, 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)                     | -   | (982,612)       |
| Reclassification                                  | -                          | -                               | -  | -   | -                        | -                  | -  | -                   | -                           | -   | -               |
| Transfer from works-in-progress                   | -                          | -                               | -  | -   | 3,840                    | -                  | 10,087   | -                   | -                           | (13,937)                                  | -               |
| Transfer from investment properties (Note 6)      | 14,300                     | 50,700                          | -  | -   | -                        | -                  | -  | -                   | -                           | -   | 65,000          |
| Adjustments                                       | -                          | -                               | -  | -   | -                        | -                  | -  | -                   | -                           | (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      |
| Additions   | -                          | -                               | 29,503   | -   | 2,916                    | -                  | 14,106   | 25,133              | 42,801                      | 6,995,383                                 | 7,109,842       |
| Disposals   | -                          | -                               | (1,477,766)  | -   | -                        | -                  | (48,535)                                       | (82,934)            | (36,805)                    | -   | (1,646,040)     |
| Work-in-progress reclassified to project expenses | -                          | -                               | -  | -   | -                        | -                  | -  | -                   | -                           | (185,835)                                 | (185,835)       |
| Transfer from works-in-progress                   | 167,472                    | (17,359)                        | 488,583  | (79,249)  | (29,367)                 | (91,380)           | -  | 2,840               | 30,899                      | (482,439)                                 | -               |
| Transfer to investment properties (Note 6)        | (529,881)                  | -                               | -  | -   | -                        | -                  | -  | -                   | -                           | -   | (529,881)       |
| Transfer to intangible assets (Note 7)            | -                          | -                               | -  | -   | -                        | -                  | -  | (2,421)             | -                           | -   | (2,421)         |
| Adjustments/Reclassifications                     | 50                         | (632)                           | 306,173  | -   | (305,734)                | -                  | (13,795)                                       | (942)               | (18)                        | 14,186                                    | (712)           |
| March 31, 2018                                    | 5,966,572                  | 1,994,496                       | 3,559,804  | 11,598,129  | 6,273,625                | 5,056,241          | 162,532  | 387,814             | 118,369                     | 8,922,049                                 | 44,039,631      |
| <b>Depreciation</b>                               |                            |                                 |  |   |                          |                    |  |                     |                             |   |                 |
| April 1, 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   | 282,195   | 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      |
| Charge for year                                   | -                          | 56,018                          | 122,023  | 278,326   | 275,494                  | 205,352            | 9,104  | 25,661              | 23,743                      | -   | 997,721         |
| On disposals                                      | -                          | -                               | (1,467,619)  | -   | -                        | -                  | (42,368)                                       | (82,323)            | (36,805)                    | -   | (1,629,115)     |
| Adjustments/Reclassifications                     | -                          | (421)                           | 177,982  | (1)   | (177,993)                | (1)                | (1,179)  | 463                 | (1)                         | -   | (1,141)         |
| March 31, 2018                                    | -                          | 676,832                         | 2,717,415  | 3,559,230   | 3,306,393                | 2,246,959          | 110,165  | 293,482             | 59,530                      | -   | 12,970,006      |
| <b>Net book value</b>                             |                            |                                 |  |   |                          |                    |  |                     |                             |   |                 |
| March 31, 2018                                    | 5,966,572                  | 1,317,664                       | 842,389  | 8,038,899   | 2,967,232                | 2,809,282          | 52,367   | 94,332              | 58,839                      | 8,922,049                                 | 31,069,625      |
| 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      |

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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 (2017: \$2.493 billion) as security for certain long-term liabilities. (Note 19(c)).
- (d) Included in property, plant and equipment are lands vested by the Government of Jamaica with a carrying value of approximately \$67.5 million (2017: \$514.8 million) and motor vehicle with a carrying value of approximately \$13.569 million (2017: \$Nil) for which the Group does not hold a registered title as the legal formalities in this regard have not yet been completed.
- (e) During 2016/2017, 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.

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**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. Consequent on the wind up of the joint venture in November 2017, the assets held were written off (Note 8(b)).

(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, 2018, an amount of US\$3.397 million (J\$436 million) (2017: US\$1.5 million (J\$186.5 million)) has been advanced in respect of this project.

**6 INVESTMENT PROPERTIES**

|  | <b>The Group</b>                     |   |                         |
|--|--------------------------------------|---|-------------------------|
|  | <b>Land<br/>Note 6(a)<br/>\$'000</b> | <b>Buildings<br/>Note 6(b)<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| Fair value, April 1, 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              |
| Transfer from property, plant and equipment (Note 5) | 529,881                              | -   | 529,881                 |
| Adjustment   | 34                                   | -   | 34                      |
| Increase in fair value (Note 25)                     | 229,867                              | 142,233                                   | 372,100                 |
| Fair value, March 31, 2018                           | <u>12,924,645</u>                    | <u>5,844,775</u>                          | <u>18,769,420</u>       |

|  | <b>The Authority</b>                   |   |                         |
|--|--|---|-------------------------|
|  | <b>Land<br/>(Note 6(a))<br/>\$'000</b> | <b>Buildings<br/>(Note 6(b))<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
| Fair value, April 1, 2016                          | 9,882,185                              | 4,861,501                                   | 14,743,686              |
| Transfer to property, plant & equipment (Note 5)   | (14,300)                               | (50,700)                                    | (65,000)                |
| 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              |
| Transfer from property, plant & equipment (Note 5) | 529,881                                | -   | 529,881                 |
| Adjustment   | 34                                     | -   | 34                      |
| Increase in fair value (Note 25)                   | 215,867                                | 126,663                                     | 342,530                 |
| Fair value, March 31, 2018                         | <u>11,798,645</u>                      | <u>4,443,775</u>                            | <u>16,242,420</u>       |

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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 2018 (2017: January and March 2017) 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, 2018 (2017: March 31, 2017) 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 \$12.924 billion (2017: \$12.165 billion) and buildings valued at \$5.845 billion (2017: \$5.702 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 \$646.507 million (2017: \$568.140 million). Direct operating expenses arising from the investment properties during the period amounted to \$87.635 million (2017: \$67.412 million).

(e) Certain charges in respect of a subsidiary long-term loan have been registered on land and building valued at \$1.483 billion (2017: \$1.468 billion) at the end of the reporting period (See Notes 19(c) and 19(f)).



THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

7 INTANGIBLE ASSETS

|  | The Group<br>\$'000 | The Authority<br>\$'000 |
|--|---------------------|-------------------------|
| <b>Cost</b>  |                     |                         |
| Balance, April 1, 2016                               | 107,000             | 106,575                 |
| Additions  | 1,667               | 1,667                   |
| Disposal   | (24,738)            | (24,738)                |
|  | <u>83,929</u>       | <u>83,504</u>           |
| Balance, March 31, 2017                              | 83,929              | 83,504                  |
| Additions  | 2,101               | 1,816                   |
| Transfer from property, plant and equipment (Note 5) | 2,629               | 2,421                   |
| Disposal   | (22,990)            | (22,990)                |
|  | <u>65,669</u>       | <u>64,751</u>           |
| Balance, March 31, 2018                              | 65,669              | 64,751                  |
| <b>Amortisation</b>                                  |                     |                         |
| Balance, April 1, 2016                               | 102,615             | 102,297                 |
| Charge for year                                      | 1,412               | 1,347                   |
| Adjustment (Note 7(b))                               | (3,445)             | (3,445)                 |
| Disposal   | (17,835)            | (17,835)                |
|  | <u>82,747</u>       | <u>82,364</u>           |
| Balance, March 31, 2017                              | 82,747              | 82,364                  |
| Charge for the year                                  | 932                 | 864                     |
| Disposal   | (22,990)            | (22,990)                |
|  | <u>60,689</u>       | <u>60,238</u>           |
| Balance, March 31, 2018                              | 60,689              | 60,238                  |
| <b>Carrying amount:</b>                              |                     |                         |
| March 31, 2018                                       | <u>4,980</u>        | <u>4,513</u>            |
| March 31, 2017                                       | <u>1,182</u>        | <u>1,140</u>            |

- (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 2016/17.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

8 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

(a) Investments in associates

|                                   | <b>The Group</b> |                |
|-----------------------------------|------------------|----------------|
|                                   | <b>2018</b>      | <b>2017</b>    |
|                                   | <b>\$'000</b>    | <b>\$'000</b>  |
| <b>Shares at cost</b>             |                  |                |
| Security Administrators Limited   | 7,353            | 7,353          |
| Montego Cold Storage Limited      | 20               | 20             |
| <b>Reserves</b>                   |                  |                |
| Share of reserves at acquisition  | 12,331           | 12,331         |
| Dividend received                 | (7,000)          | (7,000)        |
| Share of post acquisition profits | 172,236          | 146,485        |
|                                   | <u>184,940</u>   | <u>159,189</u> |

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

|  | <b>The Group</b>   |                    |
|--|--------------------|--------------------|
|  | <b>(Unaudited)</b> | <b>(Unaudited)</b> |
|  | <b>2018</b>        | <b>2017</b>        |
|  | <b>\$'000</b>      | <b>\$'000</b>      |
| Total assets                                     | 574,507            | 424,943            |
| Total liabilities                                | (154,664)          | (75,878)           |
| Net assets                                       | <u>419,843</u>     | <u>349,065</u>     |
| Group's share of associates' net assets          | <u>139,948</u>     | <u>116,355</u>     |
| Revenue  | <u>715,749</u>     | <u>594,459</u>     |
| Profit for the year                              | <u>77,253</u>      | <u>64,431</u>      |
| Group's share of associates' profit for the year | <u>25,751</u>      | <u>21,477</u>      |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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

(b) Investments in subsidiaries and joint ventures

|   | <u>The Authority</u> |                |
|---|----------------------|----------------|
|   | 2018<br>\$'000       | 2017<br>\$'000 |
| <b>Shares at cost</b>                                   |                      |                |
| <i>Subsidiary companies</i>                             |                      |                |
| 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                                    | -                    | - *****        |
|   | <u>23,135</u>        | <u>23,135</u>  |
| <i>Joint venture</i>                                    |                      |                |
| Boundbrook Wharves Development Company                  | -                    | - *****        |
| <i>Associated companies</i>                             |                      |                |
| Security Administrators Ltd.                            | 7,353                | 7,353          |
| Montego Cold Storage Limited                            | 20                   | 20             |
|   | <u>7,373</u>         | <u>7,373</u>   |
| Total investments in subsidiaries and joint venture     | <u>30,508</u>        | <u>30,508</u>  |

- \* Denotes 1 (2017: 1) ordinary share  
 \*\* Denotes 51 (2017: 51) ordinary shares  
 \*\*\* Denotes 10,725,075 (2017: 10,725,075) ordinary shares  
 \*\*\*\* Denotes 500 (2017: 500) ordinary shares  
 \*\*\*\*\* Denotes 200 (2017: 200) ordinary shares  
 \*\*\*\*\* Denotes Nil (2017: 102) ordinary shares

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

|  | KFZ<br>\$'000    | MBFZ<br>\$'000 | PMS<br>\$'000    | JIFZ<br>\$'000   | <u>The Group</u> |                  |
|--|------------------|----------------|------------------|------------------|------------------|------------------|
|  |                  |                |                  |                  | 2018<br>\$'000   | 2017<br>\$'000   |
| Total assets                             | 1,528,427        | 879,581        | 2,380,802        | 1,559,968        | 6,348,778        | 5,025,509        |
| Total liabilities                        | (94,483)         | (233,108)      | (495,167)        | (289,619)        | (1,122,377)      | (872,565)        |
| Net assets                               | <u>1,433,944</u> | <u>646,473</u> | <u>1,885,635</u> | <u>1,270,349</u> | <u>5,236,401</u> | <u>4,152,944</u> |
| Revenue                                  | <u>294,793</u>   | <u>564,298</u> | <u>2,576,961</u> | <u>107,974</u>   | <u>3,544,026</u> | <u>3,278,403</u> |
| Profit for the year                      | <u>81,165</u>    | <u>106,216</u> | <u>792,332</u>   | <u>49,744</u>    | <u>1,029,457</u> | <u>549,099</u>   |
| Attributable to non-controlling interest | <u>22,726</u>    | <u>53,108</u>  | <u>388,243</u>   | <u>12,436</u>    | <u>476,513</u>   | <u>247,728</u>   |

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**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:

|   | <b>The Authority</b> |               |
|---|----------------------|---------------|
|   | <b>2018</b>          | <b>2017</b>   |
|   | <b>\$'000</b>        | <b>\$'000</b> |
| Total assets                              | 5,486                | 5,486         |
| Total liabilities                         | (35,968)             | (35,968)      |
|   | (30,482)             | (30,482)      |
| Deferred tax assets written off (Note 12) | (548)                | -             |
| Net liabilities written back              | 31,030               | -             |
| Net liabilities                           | -                    | (30,482)      |

The joint venture has not been trading, accordingly there was no profit (loss) for the year. As the joint venture was not operating, the Authority had committed to settle the joint venture's day to day expenses as they arise. During November 2017, the wind up of the joint venture was effected and application for the entity to be removed from the Companies Office of Jamaica (COJ) was submitted. As at March 31, 2018, the COJ has issued the relevant notices of removal to the public, however the process was not completed. Net liabilities amounting to \$31.030 million were written bank to income.

**9 OTHER INVESTMENTS**

|  | <b>The Group</b> |               | <b>The Authority</b> |               |
|--|------------------|---------------|----------------------|---------------|
|  | <b>2018</b>      | <b>2017</b>   | <b>2018</b>          | <b>2017</b>   |
|  | <b>\$'000</b>    | <b>\$'000</b> | <b>\$'000</b>        | <b>\$'000</b> |
| <u>Loans and receivable</u>              |                  |               |                      |               |
| Deposits (See 9(a) below)                | 1,492,899        | 1,322,085     | 1,484,148            | 1,313,126     |
| Staff mortgage deposits (See 9(b) below) | 37,786           | 36,927        | 32,716               | 31,997        |
|  | 1,530,685        | 1,359,012     | 1,516,864            | 1,345,123     |

(a) This amount includes:

- i) Approximately US\$6,288,000 (2017: US\$6,270,000) 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(d)). 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 0.02343% to 0.4530% (2017: 0.02343% to 0.4530%) per annum. At March 31, 2018, interest receivable amounted to \$1.263 million (2017: \$0.543 million) for the Group and the Authority.
- ii) US\$4 million (J\$498.6 million) (2017: US\$4 million (J\$509.7 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(e)). At March 31, 2018 interest receivable amounted to \$0.142 million (2017: \$0.048) million for the Group and the Authority.
- iii) A fixed deposit of US\$1.4 million (J\$179 million) hypothecated in respect of the National Commercial Bank and Sagicor Life Jamaica Limited Loan of \$2.5 billion disbursed on March 31, 2014 and is repayable by 2053/2054 (Note 19(h)(v)). At March 31, 2018 interest receivable amounted to \$0.078 million (2017: \$Nil) for the Group and the Authority.

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**9 OTHER INVESTMENTS (CONTINUED)**

(a) (continued)

iv) A fixed deposit of US\$70,180 (J\$8.751million) (2017: US\$69,839 (J\$8.959 million)) hypothecated to secure a long-term loan by a subsidiary company (See Note 19(f)) and held at an interest rate of 0.125% (2017: 0.65%). At March 31, 2018, interest receivable amounted to \$0.003 million (2017: \$0.360 million) for the Group.

(b) This represents savings account balances held at Victoria Mutual Building Society at a rate of approximately 0.10% - 3% (2017: 0.20% - 8%) per annum for the Group and approximately 0.10% - 3% (2017: 0.20% - 3%) per annum for the Authority. At March 31 2018, interest receivable amounted to \$0.209 million (2017: \$0.252 million) for the Group and \$0.181 million (2017: \$0.180 million) for the Authority.

**10 LONG-TERM RECEIVABLES**

|   | <b>The Group</b> |               | <b>The Authority</b> |               |
|---|------------------|---------------|----------------------|---------------|
|   | <b>2018</b>      | <b>2017</b>   | <b>2018</b>          | <b>2017</b>   |
|   | <b>\$'000</b>    | <b>\$'000</b> | <b>\$'000</b>        | <b>\$'000</b> |
| Staff housing assistance fund (Note 10(a))                        | 13,757           | 13,912        | 13,757               | 13,912        |
| Motor car staff loan facility (Note 10(b))                        | 4,891            | -             | 4,891                | -             |
| Deposit – Jamaica Public Service Co. Ltd.                         | 5,475            | 5,475         | 5,475                | 5,475         |
| Advances to related companies (net ) (Note 10(c))                 | -                | -             | 76,226               | 76,226        |
| Other   | 9,453            | 506           | 9,453                | 506           |
|   | <b>33,576</b>    | <b>19,893</b> | <b>109,802</b>       | <b>96,119</b> |
| Current portion included in trade and other receivables (Note 14) |                  |               |                      |               |
| - other   | (5,230)          | (4,044)       | (5,230)              | (4,044)       |
|   | <b>28,346</b>    | <b>15,849</b> | <b>104,572</b>       | <b>92,075</b> |

(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) Motor car staff loan facility

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

(c) Advances to related companies (net)

These comprise the following:

|   | <b>The Authority</b> |               |
|---|----------------------|---------------|
|   | <b>2018</b>          | <b>2017</b>   |
|   | <b>\$'000</b>        | <b>\$'000</b> |
| Montego Bay Free Zone Company Limited               | (4,500)              | (4,500)       |
| Jamaica International Free Zone Development Limited | 80,726               | 80,726        |
|   | <b>76,226</b>        | <b>76,226</b> |

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

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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, 2018, the Authority contributed at a rate of 10% (2017: 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 18, 2018 (2017: April 13, 2017) by Duggan Consulting Limited, Fellow of the Institute of Actuaries. This valuation was in respect of extrapolated balances at March 31, 2018 (2017: March 31, 2017). The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method.

##### Retiree medical and group life plan

The Group provides health benefits to retired employees.

The most recent actuarial valuation of the retiree medical plan assets and the present values of the obligations were carried out at May 3, 2018 by Eckler Partners Limited (Consulting Actuaries) in respect of extrapolated obligations as at March 31, 2018. 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<br>The Authority |      |
|--------------------------|--------------------------------|------|
|                          | 2018                           | 2017 |
|                          | %                              | %    |
| Discount rate            | 7.5                            | 9.5  |
| Future salary increases  | 4.5                            | 6.5  |
| Future pension increases | Nil                            | Nil  |
| Health cost inflation    | 6.75                           | 9.75 |

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**11 POST EMPLOYMENT BENEFITS (CONTINUED)**

(a) Key assumptions used: (Continued)

|  | 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   | 26.53 | 26.91 |
| Female   | 18.71 | 18.86 |

(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     |
|   |                             |           | Restated             |           |           | Restated  |
|   | 2018                        | 2017      | 2018                 | 2017      | 2018      | 2017      |
|   | \$'000                      | \$'000    | \$'000               | \$'000    | \$'000    | \$'000    |
| Present value of obligation   | (152,115)                   | (105,707) | (546,735)            | (425,537) | (698,850) | (531,244) |
| Fair value of plan assets   | 204,619                     | 165,192   | -                    | -         | 204,619   | 165,192   |
| Net asset (liability) recognised in statement of financial position | 52,504                      | 59,485    | (546,735)            | (425,537) | (494,231) | (366,052) |

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

|  | The Group and The Authority |         |                      |           |           |           |
|--|-----------------------------|---------|----------------------|-----------|-----------|-----------|
|  | Defined Benefit Plan        |         | Retiree Medical Plan |           | Total     | Total     |
|  |                             |         | Restated             |           |           | Restated  |
|  | 2018                        | 2017    | 2018                 | 2017      | 2018      | 2017      |
|  | \$'000                      | \$'000  | \$'000               | \$'000    | \$'000    | \$'000    |
| Balance, beginning of the period                   | 59,485                      | 38,331  | (425,537)            | (305,115) | (366,052) | (266,784) |
| Net expense to profit and loss                     | (768)                       | (1,750) | (43,711)             | (128,706) | (44,479)  | (130,456) |
| Total re-measurement to other comprehensive income | (35,904)                    | (7,929) | (91,259)             | (2,791)   | (127,163) | (10,720)  |
| Contributions by employer:                         |                             |         |                      |           |           |           |
| - Regular  | 11,691                      | 12,833  | 13,772               | 11,075    | 25,463    | 23,908    |
| - supplemental (*)                                 | 18,000                      | 18,000  | -                    | -         | 18,000    | 18,000    |
| Balance, end of the period                         | 52,504                      | 59,485  | (546,735)            | (425,537) | (494,231) | (366,052) |

(\*) During the year, \$18 million (2017: \$18 million) was paid in respect of supplemental pension due for the defined contribution plan.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

11 POST EMPLOYMENT BENEFITS (CONTINUED)

(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     |
|  | 2018                        | 2017    | Restated             |           | 2018      | Restated  |
|  |                             | 2018    | 2017                 | 2018      | 2017      |           |
|  | \$'000                      | \$'000  | \$'000               | \$'000    | \$'000    | \$'000    |
| Current service cost                               | (4,959)                     | (3,401) | (13,348)             | (13,445)  | (18,307)  | (16,846)  |
| Past service cost                                  | -                           | -       | 9,475                | (88,494)  | 9,475     | (88,494)  |
| Interest obligation                                | (10,797)                    | (8,587) | (39,838)             | (26,767)  | (50,635)  | (35,354)  |
| Interest income on plan asset                      | 17,042                      | 12,746  | -                    | -         | 17,042    | 12,746    |
| Administrative expenses                            | (2,054)                     | (2,508) | -                    | -         | (2,054)   | (2,508)   |
| Net costs for year included in profit and loss     | (768)                       | (1,750) | (43,711)             | (128,706) | (44,479)  | (130,456) |
| Items in other comprehensive income:               |                             |         |                      |           |           |           |
| Remeasurement loss on obligation                   | (29,891)                    | (3,056) | (91,259)             | (2,791)   | (121,150) | (5,847)   |
| Remeasurement loss on assets                       | (6,013)                     | (4,873) | -                    | -         | (6,013)   | (4,873)   |
| Total remeasurement for other comprehensive income | (35,904)                    | (7,929) | (91,259)             | (2,791)   | (127,163) | (10,720)  |
| Total  | (36,672)                    | (9,679) | (134,970)            | (131,497) | (171,642) | (14,176)  |

(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     |
|   | 2018                        | 2017      | Restated             |           | 2018      | Restated  |
|   |                             | 2018      | 2017                 | 2018      | 2017      |           |
|   | \$'000                      | \$'000    | \$'000               | \$'000    | \$'000    | \$'000    |
| Opening defined benefit obligation                              | (105,707)                   | (87,591)  | (425,537)            | (305,115) | (531,244) | (392,706) |
| Current service cost  | (4,959)                     | (3,401)   | (13,348)             | (13,445)  | (18,307)  | (16,846)  |
| Past service cost   | -                           | -         | 9,475                | (88,494)  | 9,475     | (88,494)  |
| Interest cost   | (10,797)                    | (8,587)   | (39,838)             | (26,767)  | (50,635)  | (35,354)  |
| Contributions from plan participants                            |                             |           |                      |           |           |           |
| - compulsory  | (5,221)                     | (5,759)   | -                    | -         | (5,221)   | (5,759)   |
| - voluntary   | (3,152)                     | (3,182)   | -                    | -         | (3,152)   | (3,182)   |
| Benefits paid   | 7,612                       | 5,869     | 13,772               | 11,075    | 21,384    | 16,944    |
| Remeasurement loss on obligation for Other Comprehensive Income | (29,891)                    | (3,056)   | (91,259)             | (2,791)   | (121,150) | (5,847)   |
| Closing defined benefit obligation                              | (152,115)                   | (105,707) | (546,735)            | (425,537) | (698,850) | (531,244) |



**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**11 POST EMPLOYMENT BENEFITS (CONTINUED)**

The remeasurement loss comprises:

|                                      | <b>The Group and The Authority</b> |                |                             |                |                  |                 |
|--------------------------------------|------------------------------------|----------------|-----------------------------|----------------|------------------|-----------------|
|                                      | <b>Defined Benefit Plan</b>        |                | <b>Retiree Medical Plan</b> |                | <b>Total</b>     | <b>Total</b>    |
|                                      |                                    |                | <b>Restated</b>             |                |                  | <b>Restated</b> |
|                                      | <b>2018</b>                        | <b>2017</b>    | <b>2018</b>                 | <b>2017</b>    | <b>2018</b>      | <b>2017</b>     |
|                                      | <b>\$'000</b>                      | <b>\$000</b>   | <b>\$'000</b>               | <b>\$000</b>   | <b>\$'000</b>    | <b>\$000</b>    |
| - changes in financial assumptions   | (43,198)                           | 3,154          | (7,116)                     | (26,649)       | (50,314)         | (23,495)        |
| - changes in demographic assumptions | -                                  | -              | (73,550)                    | 20,284         | (73,550)         | 20,284          |
| - experience adjustment              | 13,307                             | (6,210)        | (10,593)                    | 3,574          | 2,714            | (2,636)         |
|                                      | <b>(29,891)</b>                    | <b>(3,056)</b> | <b>(91,259)</b>             | <b>(2,791)</b> | <b>(121,150)</b> | <b>(5,847)</b>  |

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

|   | <b>The Group and The Authority</b> |                |                             |               |                |                |
|---|------------------------------------|----------------|-----------------------------|---------------|----------------|----------------|
|   | <b>Defined Benefit Plan</b>        |                | <b>Retiree Medical Plan</b> |               | <b>Total</b>   | <b>Total</b>   |
|   | <b>2018</b>                        | <b>2017</b>    | <b>2018</b>                 | <b>2017</b>   | <b>2018</b>    | <b>2017</b>    |
|   | <b>\$000</b>                       | <b>\$000</b>   | <b>\$'000</b>               | <b>\$'000</b> | <b>\$'000</b>  | <b>\$'000</b>  |
| Opening fair value of plan assets                               | 165,192                            | 125,922        | -                           | -             | 165,192        | 125,922        |
| Interest income on plan assets                                  | 17,042                             | 12,746         | -                           | -             | 17,042         | 12,746         |
| Contributions (employer and employees)                          | 38,064                             | 39,774         | -                           | -             | 38,064         | 39,774         |
| Benefits paid   | (7,612)                            | (5,869)        | -                           | -             | (7,612)        | (5,869)        |
| Administrative expenses   | (2,054)                            | (2,508)        | -                           | -             | (2,054)        | (2,508)        |
| Remeasurement loss on obligation for Other Comprehensive Income | (6,013)                            | (4,873)        | -                           | -             | (6,013)        | (4,873)        |
| Closing fair value of the plan assets                           | <b>204,619</b>                     | <b>165,192</b> | <b>-</b>                    | <b>-</b>      | <b>204,619</b> | <b>165,192</b> |

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

|                             | <b>The Group and the Authority</b> |                |
|-----------------------------|------------------------------------|----------------|
|                             | <b>2018</b>                        | <b>2017</b>    |
|                             | <b>\$'000</b>                      | <b>\$'000</b>  |
| Deposit Administration Fund | 180,316                            | 145,827        |
| Pooled Investment Fund      | 15,644                             | 11,965         |
| Pooled Money Market Fund    | 8,659                              | 7,400          |
|                             | <b>204,619</b>                     | <b>165,192</b> |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

11 POST EMPLOYMENT BENEFITS (CONTINUED)

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

| <u>Assumptions</u>            | 2018                        |  |                   |   |
|-------------------------------|-----------------------------|--|-------------------|---|
|                               | The Group and The Authority |  |                   |   |
|                               | Sensitivity level           | Impact on defined benefits obligation \$'000 | Sensitivity level | Impact on defined benefits obligations \$'000 |
| <i>Financial</i>              |                             |  |                   |   |
| Discount rate                 | +1%                         | 116,439                                      | -1%               | 222,272                                       |
| Future salary increase        | +1%                         | 171,597                                      | -1%               | 139,891                                       |
| <i>Demographic</i>            |                             |  |                   |   |
| Life expectancy of pensioners | +1 year                     | 157,076                                      | -1 year           | 147,747                                       |

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

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.

(i) The Authority expects to make a contribution of \$12 million (2017: \$12 million) to the health benefit scheme and \$18 million (2017: \$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 (2017: 19 years). The average liability duration of the retiree medical plan was 11.6 years (2017: 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 \$86.931 million and \$68.067 million (2017: \$85.843 million and \$66.637 million) respectively.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

12 DEFERRED TAX ASSETS (LIABILITIES)

This comprises:

|                            | <u>The Group</u> |                 |
|----------------------------|------------------|-----------------|
|                            | <u>2018</u>      | <u>2017</u>     |
|                            | <u>\$'000</u>    | <u>\$'000</u>   |
| <u>By transaction type</u> |                  |                 |
| Deferred tax assets        | 12,758           | 4,946           |
| Deferred tax liabilities   | <u>(12,186)</u>  | <u>(22,676)</u> |
|                            | <u>572</u>       | <u>(17,730)</u> |
| <u>By entities</u>         |                  |                 |
| Deferred tax assets        | 8,390            | 548             |
| Deferred tax liabilities   | <u>(7,818)</u>   | <u>(18,278)</u> |
|                            | <u>572</u>       | <u>(17,730)</u> |

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

|  | <u>The Group</u> |                 |
|--|------------------|-----------------|
|  | <u>2018</u>      | <u>2017</u>     |
|  | <u>\$'000</u>    | <u>\$'000</u>   |
| Balance at beginning of the year                       | (17,730)         | (16,859)        |
| Credited (Charged) to income for the year (Note 26(a)) | <u>18,302</u>    | <u>(871)</u>    |
| Balance at end of the year                             | <u>572</u>       | <u>(17,730)</u> |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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, 2016 (Charged) Credited to income for the year  | 6<br>(1)                | 906<br>(287)  | 53,274<br>(49,120)            | 341<br>(173)                            | 54,527<br>(49,581) | (7,241)   | (3,856)                    | (9,755)                                 | (50,534)                     | (71,386)     |
| At March 31, 2017 Credited (Charged) to income for the year | 5<br>408                | 619<br>204  | 4,154<br>(1,096)              | 168<br>8,296                            | 4,946<br>7,812     | (8,060)   | (4,626)                    | (9,990)                                 | -                            | (22,676)     |
| At March 31, 2018   | 413                     | 823   | 3,058                         | 8,464                                   | 12,758             | (8,684)   | (3,502)                    | -                                       | -                            | (12,186)     |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

12 DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

By Entities

|   | Entities                           |                                    |                                       |                                       |   | Total    |
|---|------------------------------------|------------------------------------|---------------------------------------|---------------------------------------|---|----------|
|   | Boundbrook Wharves Ltd (Note 8(b)) | Kingston Free Zone Company Limited | Montego Bay Free Zone Company Limited | Ports Management and Security Limited | Jamaica International Free Zone Development Limited |          |
|   | \$'000                             | \$'000                             | \$'000                                | \$'000                                | \$'000  | \$'000   |
| At April 1, 2016                          | 548                                | (2,179)                            | (6,269)                               | (2,345)                               | (6,614)   | (16,859) |
| (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)   | (17,730) |
| (Charged) credited to income for the year | (548)                              | 6,387                              | 6,214                                 | 5,378                                 | 871   | 18,302   |
| At March 31, 2018                         | -                                  | 3,361                              | (1,163)                               | 5,029                                 | (6,655)   | 572      |
| Classified as:                            |                                    |                                    |                                       |                                       |   |          |
|   |                                    |                                    |                                       |                                       | 2018  | 2017     |
|   |                                    |                                    |                                       |                                       | \$'000  | \$'000   |
|   |                                    |                                    |                                       |                                       | 8,390   | 548      |
|   |                                    |                                    |                                       |                                       | (7,818)   | (18,278) |
|   |                                    |                                    |                                       |                                       | 572   | (17,730) |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

13 INVENTORIES

|                  | <b>The Group and<br/>The Authority</b> |               |
|------------------|--|---------------|
|                  | <b>2018</b>                            | <b>2017</b>   |
|                  | <b>\$'000</b>                          | <b>\$'000</b> |
| Spares           | 58,382                                 | 53,553        |
| Fuel             | 26,309                                 | 29,400        |
| Other            | 7,315                                  | 8,189         |
| Goods in transit | -                                      | 3,828         |
|                  | <u>92,006</u>                          | <u>94,970</u> |

The cost of inventories recognised as an expense during the year was \$100 million (2017: \$259 million).

Inventories amounting to \$Nil (2017: \$1.159 billion) was transferred to assets held for sale in accordance with the terms of the privatisation of Kingston Container Terminal concession agreement.

14 TRADE AND OTHER RECEIVABLES

|  | <b>The Group</b> |                  | <b>The Authority</b> |                  |
|--|------------------|------------------|----------------------|------------------|
|  | <b>2018</b>      | <b>2017</b>      | <b>2018</b>          | <b>2017</b>      |
|  | <b>\$'000</b>    | <b>\$'000</b>    | <b>\$'000</b>        | <b>\$'000</b>    |
| Trade  | 2,839,168        | 1,691,727        | 1,417,321            | 1,009,526        |
| Provision for bad debts                                    | (163,574)        | (212,782)        | (28,430)             | (64,057)         |
|  | <u>2,675,594</u> | <u>1,478,945</u> | <u>1,388,891</u>     | <u>945,469</u>   |
| Deposits and prepayments                                   | 23,062           | 86,339           | 17,524               | 82,730           |
| Staff receivables  | 51,958           | 37,530           | 51,024               | 36,747           |
| GCT recoverable  | 6,440            | 8,285            | -                    | -                |
| Advances to subsidiaries<br>and joint venture (Note 14(a)) | -                | -                | 7,075                | 14,988           |
| Current portion of long-term receivables (Note 10)         | 5,230            | 4,044            | 5,230                | 4,044            |
| Sundry receivables   | 145,301          | 149,926          | 119,808              | 137,543          |
|  | <u>2,907,585</u> | <u>1,765,069</u> | <u>1,589,552</u>     | <u>1,221,521</u> |

The average credit period on services rendered is 30 days.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

#### 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, 2018, trade and other receivables of \$1.105 billion (2017: \$0.780 billion) for the Group and \$0.233 billion (2017: \$0.466 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 67 days (2017: 49 days).

#### Ageing of past due but not impaired

|              | The Group        |                | The Authority  |                |
|--------------|------------------|----------------|----------------|----------------|
|              | 2018<br>\$'000   | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| 31-60 days   | 350,448          | 462,610        | 110,273        | 261,605        |
| 61-90 days   | 167,733          | 154,266        | 46,342         | 49,876         |
| Over 90 days | 586,640          | 163,204        | 76,616         | 154,267        |
|              | <u>1,104,821</u> | <u>780,080</u> | <u>233,231</u> | <u>465,748</u> |

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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impaired receivables

|                                    | The Group      |                | The Authority  |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Balance at beginning of the year   | 212,782        | 217,139        | 64,057         | 79,773         |
| Impairment losses recognised       | 2,396          | 387,386        | 449            | 376,695        |
| Impairment losses reversed         | (1,422)        | (393,021)      | (496)          | (392,411)      |
| Amount written off during the year | (47,343)       | -              | (33,249)       | -              |
| Foreign exchange adjustment        | (2,839)        | 1,278          | (2,331)        | -              |
| Balance at end of the year         | 163,574        | 212,782        | 28,430         | 64,057         |

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  |                |
|--------------|----------------|----------------|----------------|----------------|
|              | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Over 90 days | 163,574        | 212,782        | 28,430         | 64,057         |

(a) Advances to subsidiaries and joint venture

These comprise the following:

|   | The Authority  |                |
|---|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 |
| Kingston Free Zone Company Limited              | 2,818          | 4,287          |
| Montego Bay Free Zone Company Limited           | 2,484          | 3,696          |
| Ports Management and Security Limited           | 1,438          | 3,481          |
| Jamaica International Free Zone Company Limited | -              | 758            |
| Port Authority Management Services Limited      | 124,607        | 127,038        |
| Boundbrook Wharves Development Company Limited  | -              | 12,334         |
|   | 131,347        | 151,594        |
| Provision for impairment losses (Note 30)       | (124,272)      | (136,606)      |
|   | 7,075          | 14,988         |

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



THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

|  | The Authority  |                |
|--|----------------|----------------|
|  | 2018<br>\$'000 | 2017<br>\$'000 |
| Movement in the allowance for impairment |                |                |
| Balance at the beginning of the year     | 136,606        | 106,277        |
| Impairment losses (reversed) recognised  | (12,334)       | 30,329         |
| Balance at the end of the year           | 124,272        | 136,606        |

15 CASH AND SHORT-TERM DEPOSITS

|                           | The Group |           | The Authority |            |
|---------------------------|-----------|-----------|---------------|------------|
|                           | 2018      |           | 2017          |            |
|                           | US\$'000  | J\$'000   | US\$'000      | J\$'000    |
| Cash                      | -         | 52,313    | -             | 37,516     |
|                           | -         | 645,774   | 7,693         | 447,974    |
| Short-term deposits - J\$ | -         | 673,918   | -             | 151,761    |
|                           | 65,963    | 8,222,658 | 98,976        | 6,714,515  |
|                           | 71,142    | 9,594,663 | 106,669       | 14,348,325 |
|                           |           |           | 57,459        | 7,351,766  |
|                           |           |           | 88,701        | 11,333,013 |
|                           |           |           | 95,042        | 12,602,245 |

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 totalling \$573.661 million (2017: \$524.639 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 0.10% - 3% (2017: 0.20% - 7.05%) per annum for the Group and 0.10% - 3% (2017: 0.20% - 7.05%) per annum for the Authority. The United States dollar deposits are at interest rates ranging from 0.60% - 2.65%. (2017: 0.23% - 3%) per annum for the Group and 0.60% - 2.65% (2017: 0.23% - 3%) per annum for the Authority.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

16 RESERVES

|  | The Group        |                  | The Authority    |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2018<br>\$'000   | 2017<br>\$'000   | 2018<br>\$'000   | 2017<br>\$'000   |
| General (Note 16(a))                     | 359,450          | 359,450          | 359,450          | 359,450          |
| Capital (Note 16(b))                     | 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<br>(Note 16(f)) | 657,333          | 611,900          | 657,333          | 611,900          |
| Insurance (Note 16(g))                   | 151,766          | 147,107          | 151,766          | 147,107          |
| Wharfage (Note 16(h))                    | 183,088          | 184,379          | 183,088          | 184,379          |
|  | <b>6,747,779</b> | <b>6,698,978</b> | <b>6,741,786</b> | <b>6,692,985</b> |

(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.

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**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 \$277.987 million (2017: \$232.553 million) (Note 15).

This comprises:

|  | <b>The Group and The Authority</b> |                |
|--|------------------------------------|----------------|
|  | <b>2018</b>                        | <b>2017</b>    |
|  | <b>\$'000</b>                      | <b>\$'000</b>  |
| Transfer from retained earnings  | 861,860                            | 816,427        |
| 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)      |
|  | <u>657,333</u>                     | <u>611,900</u> |

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 \$94.99 million (2017: \$109.608 million) for future claims against employer's insurance liability for the Authority's Container Terminal Operations which is funded by bank deposits of \$114.266 million (2017: \$109.607 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% (2017: 16%) of total direct gross wharfage revenue. It is partially funded by bank deposits totaling \$181.408 million (2017: \$182.479 million) (Note 15).

This comprises:

|   | <b>The Group and The Authority</b> |                |
|---|------------------------------------|----------------|
|   | <b>2018</b>                        | <b>2017</b>    |
|   | <b>\$'000</b>                      | <b>\$'000</b>  |
| Transfers from retained earnings        | 327,296                            | 328,587        |
| Amount drawn down for property purchase | (144,208)                          | (144,208)      |
|   | <u>183,088</u>                     | <u>184,379</u> |

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**17 RETAINED EARNINGS**

This comprises accumulated surplus as follows:

|                  | <b>The Group</b>  |                   |
|------------------|-------------------|-------------------|
|                  | <b>2018</b>       | <b>2017</b>       |
|                  | <b>\$'000</b>     | <b>\$'000</b>     |
| The Authority    | 17,012,323        | 13,167,888        |
| Its Subsidiaries | 3,193,533         | 2,574,236         |
| Its Associates   | 172,236           | 146,485           |
|                  | <u>20,378,092</u> | <u>15,888,609</u> |

**18 NON-CONTROLLING INTEREST IN SUBSIDIARY COMPANIES**

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

|  | <b>The Group</b> |                  |
|--|------------------|------------------|
|  | <b>2018</b>      | <b>2017</b>      |
|  | <b>\$'000</b>    | <b>\$'000</b>    |
| 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            |
|  | <u>138,140</u>   | <u>138,140</u>   |
| Share of profits in subsidiary companies<br>attributable to minority shareholders' interest: |                  |                  |
| Opening balance  | 1,413,113        | 1,165,385        |
| Movement for the year  | 476,513          | 247,728          |
|  | <u>1,889,626</u> | <u>1,413,113</u> |
| Closing balance  | 2,027,766        | 1,551,253        |
| Share of capital reserve   | 2,331            | 2,331            |
| Share of pre-acquisition profits   | 1,257            | 1,257            |
|  | <u>2,031,354</u> | <u>1,554,841</u> |

\* 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.

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**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**

| These comprise:                          | The Group          |                    | The Authority      |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | 2018<br>\$'000     | 2017<br>\$'000     | 2018<br>\$'000     | 2017<br>\$'000     |
| (a) Non-government loans                 |                    |                    |                    |                    |
| Foreign currency loans (Note 19(c)(i))   | 7,440,629          | 11,345,571         | 7,302,945          | 11,180,142         |
| Local currency loan (Note 19(c)(ii))     | 5,198,038          | 5,203,651          | 5,198,038          | 5,203,651          |
|  | <u>12,638,667</u>  | <u>16,549,222</u>  | <u>12,500,983</u>  | <u>16,383,793</u>  |
| (b) Government loans (Note 19(g))        |                    |                    |                    |                    |
| Foreign currency loans                   | 15,536,233         | 16,273,735         | 15,536,233         | 16,273,735         |
| Local currency loans                     | 2,050,750          | 557,171            | 2,043,581          | 550,002            |
|  | <u>17,586,983</u>  | <u>16,830,906</u>  | <u>17,579,814</u>  | <u>16,823,737</u>  |
|  | 30,225,650         | 33,380,128         | 30,080,797         | 33,207,530         |
| Loan interest payable                    | 331,425            | 342,110            | 329,775            | 342,088            |
| Prepaid credit insurance (Note 19(j))    | (33,871)           | (83,533)           | (33,871)           | (83,533)           |
| Loan fees                                | (73,233)           | (74,722)           | (72,954)           | (74,376)           |
|  | <u>30,449,971</u>  | <u>33,563,983</u>  | <u>30,303,747</u>  | <u>33,391,709</u>  |
| Current portion:                         |                    |                    |                    |                    |
| Long-term liabilities                    | (7,127,564)        | (4,525,499)        | (7,085,419)        | (4,492,391)        |
| Prepaid credit insurance                 | 27,195             | 49,961             | 27,195             | 49,961             |
| Amortised loan fees                      | 1,524              | 1,490              | 1,456              | 1,422              |
|  | <u>(7,098,845)</u> | <u>(4,474,048)</u> | <u>(7,056,768)</u> | <u>(4,441,008)</u> |
| Current portion of long-term liabilities | <u>(7,098,845)</u> | <u>(4,474,048)</u> | <u>(7,056,768)</u> | <u>(4,441,008)</u> |
|  | <u>23,351,126</u>  | <u>29,089,935</u>  | <u>23,246,979</u>  | <u>28,950,701</u>  |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

19 LONG-TERM LIABILITIES (CONTINUED)

(c) Non-government loans

|                            | Interest<br>Rate<br>% | Lender   | Repayment Instalments         | The Group                     |               |                               |               |           |
|----------------------------|-----------------------|--|-------------------------------|-------------------------------|---------------|-------------------------------|---------------|-----------|
|                            |                       |  |                               | 2018                          |               | 2017                          |               |           |
|                            |                       |  |                               | Foreign<br>Currency<br>\$'000 | JMD<br>\$'000 | Foreign<br>Currency<br>\$'000 | JMD<br>\$'000 |           |
| (i) Foreign currency loans |                       |  |                               |                               |               |                               |               |           |
| LIBOR + 1.50               |                       | HSBC US\$121.65M (Falmouth Cruise Ship Development)                          | Semi-annually until 2020/2021 | US\$                          | 18,234        | 2,297,160                     | 30,609        | 3,938,376 |
| 3.00                       |                       | European Investment Bank Loan #20.729 (KCT 3 Western Expansion) (Note 19(d)) | Annually until 2020/2021      | EURO                          | 2,843         | 452,525                       | 3,736         | 514,902   |
| 3.56                       |                       | European Investment Bank Loan #20.553 (KCT 3 Western Expansion) (Note 19(d)) | Semi-annually until 2019/2020 | US\$                          | 4,786         | 602,922                       | 7,062         | 908,684   |
|                            |                       | Carried forward  |                               |                               |               | 3,352,607                     |               | 5,361,962 |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

19 LONG-TERM LIABILITIES (CONTINUED)

(c) Non-government loans (continued)

|  | Interest Rate % | Lender | Repayment Instalments     | The Group               |            |                         |                   |
|--|-----------------|--------|---------------------------|-------------------------|------------|-------------------------|-------------------|
|  |                 |        |                           | 2018                    |            | 2017                    |                   |
|  |                 |        |                           | Foreign Currency \$'000 | JMD \$'000 | Foreign Currency \$'000 | JMD \$'000        |
| (i) Foreign currency loans (continued)   |                 |        |                           |                         |            |                         |                   |
| Brought forward  |                 |        |                           | 3,352,607               |            |                         | 5,361,962         |
| Bank of Nova Scotia (US\$44M) refinanced (Note 19(h)(i))*                                    | 8.755           |        | Quarterly until 2020/2021 | 10,715                  | 1,349,879  | 14,979                  | 1,927,363         |
| Bank of Nova Scotia – Europe (US\$48.65M)  | 5.97            |        | Quarterly until 2017/2018 | -                       | -          | 3,648                   | 469,358           |
| Bank of Nova Scotia – (US\$39.4M) refinanced (Note 19(h)(ii))*                               | 8.95            |        | Quarterly until 2021/2022 | 15,735                  | 1,982,372  | 19,664                  | 2,530,105         |
| FirstCaribbean International Bank (Note 19(e))   | LIBOR+0.35      |        | Quarterly until 2021/2022 | 4,906                   | 618,087    | 6,928                   | 891,354           |
| FirstCaribbean International Bank (Note 19(f))   | LIBOR+2.62      |        | Quarterly until 2020/2021 | 1,092                   | 137,684    | 1,285                   | 165,429           |
|  |                 |        |                           | 7,440,629               |            |                         | 11,345,571        |
| (ii) Local currency loan   |                 |        |                           |                         |            |                         |                   |
| FirstCaribbean International Securities Limited (Note 19(h)(vi))                             | 7.99            |        | In full June 2018         |                         | 2,696,855  |                         | 2,703,879         |
| NCB Insurance Company Limited (\$2B) & Sagikor Life Jamaica Limited (\$500M) (Note 19(h)(v)) | 14.50           |        | In full March 2054        |                         | 2,501,183  |                         | 2,499,772         |
|  |                 |        |                           | 5,198,038               |            |                         | 5,203,651         |
| <b>TOTAL</b>   |                 |        |                           | <b>12,638,667</b>       |            |                         | <b>16,549,222</b> |
| Secured  |                 |        |                           |                         |            |                         |                   |
| Guaranteed by the Government of Jamaica  |                 |        |                           |                         | 6,684,858  |                         | 10,288,788        |
| Charge on the assets (Note 5(c))   |                 |        |                           |                         | 2,638,867  |                         | 2,665,201         |
| Unsecured - Evidenced by Promissory Notes  |                 |        |                           |                         | 3,314,942  |                         | 3,595,233         |
|  |                 |        |                           |                         | 12,638,667 |                         | 16,549,222        |

Three months LIBOR at March 31, 2018 was 2.31175% (2017: 1.14956%)  
Six months LIBOR at March 31, 2018 was 2.45240% (2017: 1.42322%)  
Prime at March 31, 2018 was 4.75% (2017: 4%).

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

19 LONG-TERM LIABILITIES (CONTINUED)

(c) Non-government loans (continued)

|                            | Interest Rate %  | Lender | Repayment Instalments         | The Authority           |            |        |           |
|----------------------------|--|--------|-------------------------------|-------------------------|------------|--------|-----------|
|                            |  |        |                               | 2018                    | 2017       |        |           |
| (i) Foreign currency loans |  |        |                               | Foreign Currency \$'000 | JMD \$'000 |        |           |
| LIBOR + 1.50               | HSBC US\$121.65M (Falmouth Cruise Ship Development)                          | US\$   | Semi-annually until 2020/2021 | 18,234                  | 2,297,160  | 30,609 | 3,938,376 |
| 3.00                       | European Investment Bank Loan #20.729 (KCT 3 Western Expansion) (Note 19(d)) | EURO   | Annually until 2020/2021      | 2,843                   | 452,525    | 3,736  | 514,902   |
| 3.56                       | European Investment Bank Loan #20.553 (KCT 3 Western Expansion) (Note 19(d)) | US\$   | Semi-annually until 2019/2020 | 4,786                   | 602,922    | 7,062  | 908,684   |
|                            | Carried forward  |        |                               |                         | 3,352,607  |        | 5,361,962 |



THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

19 LONG-TERM LIABILITIES (CONTINUED)

(c) Non-government loans (continued)

|                            | Interest Rate % | Lender  | Repayment Instalments     | The Authority           |                   |                         |                   |
|----------------------------|-----------------|---|---------------------------|-------------------------|-------------------|-------------------------|-------------------|
|                            |                 |   |                           | 2017                    |                   | 2016                    |                   |
|                            |                 |   |                           | Foreign Currency \$'000 | JMD \$'000        | Foreign Currency \$'000 | JMD \$'000        |
| (i) Foreign currency loans |                 |   |                           |                         |                   |                         |                   |
|                            |                 | Brought forward   |                           | 3,352,607               |                   |                         | 5,361,962         |
|                            | 8.755           | Bank of Nova Scotia (US\$44M) refinanced (Note 19(h)(i))*                                     | Quarterly until 2020/2021 | 10,715                  | 1,349,879         | 14,979                  | 1,927,363         |
|                            | 5.97            | Bank of Nova Scotia – Europe (US\$48.65M)   | Quarterly until 2017/2018 | -                       | -                 | 3,648                   | 469,358           |
|                            | 8.95            | Bank of Nova Scotia – (US\$39.4M) refinanced (Note 19(h)(ii))*                                | Quarterly until 2021/2022 | 15,735                  | 1,982,372         | 19,664                  | 2,530,105         |
|                            | LIBOR+0.35      | FirstCaribbean International Bank (Note 19(e))  | Quarterly until 2021/2022 | 4,906                   | 618,087           | 6,928                   | 891,354           |
|                            |                 |   |                           |                         | 7,302,945         |                         | 11,180,142        |
| (ii) Local currency loan   |                 |   |                           |                         |                   |                         |                   |
|                            | 7.99            | FirstCaribbean International Securities Limited (Note 19(h)(vi))                              | In full June 2018         |                         | 2,696,855         |                         | 2,703,879         |
|                            | 14.5            | NCB Insurance Company Limited (\$2B) & Sagicoor Life Jamaica Limited (\$500M) (Note 19(h)(v)) | In full March 2054        |                         | 2,501,183         |                         | 2,499,772         |
|                            |                 |   |                           |                         | 5,198,038         |                         | 5,203,651         |
| <b>TOTAL</b>               |                 |   |                           |                         | <b>12,500,983</b> |                         | <b>16,383,793</b> |
| Secured                    |                 |   |                           |                         |                   |                         |                   |
|                            |                 | Guaranteed by the Government of Jamaica   |                           |                         | 6,684,858         |                         | 10,288,788        |
|                            |                 | Charge on the assets (Note 5(c))  |                           |                         | 2,501,183         |                         | 2,499,772         |
|                            |                 | Unsecured - Evidenced by Promissory Notes   |                           |                         | 3,314,942         |                         | 3,595,233         |
|                            |                 |   |                           |                         | 12,500,983        |                         | 16,383,793        |

Three months LIBOR at March 31, 2018 was 2.31175% (2017: 1.14956%)  
Six months LIBOR at March 31, 2018 was 2.45240% (2017: 1.42322%)  
Prime at March 31, 2018 was 4.75% (2017: 4%).

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

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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

- (d) 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)).
- (e) 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)).
- (f) 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 2018 the rate was 5.16% (2016:4.79%) 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:

- i) Promissory note for US\$3,600,000.
- ii) 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)).
- iii) Fire & Peril Insurance over subject properties with Bank's interest noted.
- iv) Hypothecation of fixed deposits in the amount of US\$70,180 (2017: US\$68,405) (excluding interest receivable with the Bank (Note 9(a)(iv)) 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

19 LONG-TERM LIABILITIES (CONTINUED)

(g) Government of Jamaica (GOJ) - Loans

| Interest<br>Rate %  | The Group      |                | The Authority  |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| (i) Development of Montego Bay Free Zone Company Limited  | 7,169          | 7,169          | -              | -              |
| (ii) Ministry of Finance Fixed Interest Rate at 7.5% repayable quarterly until 2036 (Note 19 (h)(iv))   | 2,043,581      | 550,002        | 2,043,581      | 550,002        |
|   | 2,050,750      | 557,171        | 2,043,581      | 550,002        |
| (iii) Foreign currency loans:<br>GOJ Petrocaribe 5% payable<br>semi-annually in arrears<br>2012 - 2037 (US\$126.513 million)<br>(evidenced by promissory notes (Note 19(h)(iii))) | 15,536,233     | 16,273,735     | 15,536,233     | 16,273,735     |
|   | 17,586,983     | 16,830,906     | 17,579,814     | 16,823,737     |

h) 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) Effective June 30, 2012, the Petrocaribe Loans (See Note 19(g)(iii)) 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.
- iv) Ministry of Finance loan facility totalling US\$30 million, disbursed in tranches in Jamaican dollars, with an amount of \$1.49 billion was received during 2016/2017. 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.
- v) 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. Loan security includes hypothecation of fixed deposit of US\$1.4 million (Note 9(a)(iii)).
- vi) FirstCaribbean International Securities Limited loan is for a period of 24 months with principal being repaid in full on June 26, 2018. Interest is repayable semi-annually and commenced December 2016 at a fixed rate of 7.99% per annum.

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

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

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

- (j) 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.

- (k) Breach of loan agreements

As at March 31, 2018, the Authority did not meet the debt service covenant ratios for certain loans and a negative covenant in respect of certain loans. Based on the loan agreements, these breaches did not result in the loans becoming callable by the lenders. As at March 31, 2018, the Authority has obtained waivers in respect of these breaches for the period up to March 31, 2019.

**20 DEFERRED INCOME**

|                                      | <b>The Group and The Authority</b> |                |
|--------------------------------------|------------------------------------|----------------|
|                                      | <b>2018</b>                        | <b>2017</b>    |
|                                      | <b>\$'000</b>                      | <b>\$'000</b>  |
| Balance at the beginning of the year | 543,076                            | 598,194        |
| Amortised during the year            | (47,902)                           | (55,118)       |
| Balance at the end of the year       | <u>495,174</u>                     | <u>543,076</u> |
| Comprising:                          |                                    |                |
| Government grants (Note 20(a))       | 38,958                             | 38,958         |
| Assets transferred (Note 20(b))      | <u>456,216</u>                     | <u>504,118</u> |
|                                      | <u>495,174</u>                     | <u>543,076</u> |

- (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.

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

#### 20 DEFERRED INCOME (CONTINUED)

(b) This represents: (continued)

- (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.
- (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  |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| At April 1               | 111,944        | 271,097        | 92,465         | 56,219         |
| Provision for the year   | 90,789         | 91,639         | 74,394         | 73,794         |
| Utilised during the year | (100,865)      | (250,792)      | (79,511)       | (37,548)       |
| At March 31              | 101,868        | 111,944        | 87,348         | 92,465         |

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

#### 22 TRADE AND OTHER PAYABLES

|   | The Group      |                | The Authority  |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| Trade   | 1,147,455      | 891,713        | 901,216        | 805,622        |
| Amounts to be disbursed in respect of specific projects | 299,464        | 158,324        | 299,464        | 158,324        |
| Accruals  | 901,613        | 421,114        | 807,711        | 352,672        |
| Rental deposits   | 224,228        | 188,434        | -              | -              |
| Related company (Note 22(a))                            | 28,795         | 28,795         | -              | -              |
| Advances from subsidiary companies (Note 22(b))         | -              | -              | 158,740        | 175,880        |
| Income tax payable                                      | 198,004        | 111,554        | -              | -              |
| Deposits on lands and projects                          | 217,742        | 243,733        | 217,742        | 243,733        |
| Others  | 541,658        | 555,257        | 459,508        | 422,429        |
|   | 3,558,959      | 2,598,924      | 2,844,381      | 2,158,660      |

(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.

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**22 TRADE AND OTHER PAYABLES (CONTINUED)**

| (b)   | <b>The Authority</b> |                |
|---|----------------------|----------------|
|   | <b>2018</b>          | <b>2017</b>    |
|   | <b>\$'000</b>        | <b>\$'000</b>  |
| Montego Bay Free Zone Company Limited (Note 22(b)(i)) | 120,014              | 115,014        |
| KCT Services Limited (Note 22(b)(ii))                 | 13,855               | 36,907         |
| Ports Management & Security Limited (Note 22(b)(ii))  | 24,871               | 23,959         |
|   | <u>158,740</u>       | <u>175,880</u> |

(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**

|                                    | <b>The Group</b>  |                   | <b>The Authority</b> |                   |
|------------------------------------|-------------------|-------------------|----------------------|-------------------|
|                                    | <b>2018</b>       | <b>2017</b>       | <b>2018</b>          | <b>2017</b>       |
|                                    | <b>\$'000</b>     | <b>\$'000</b>     | <b>\$'000</b>        | <b>\$'000</b>     |
| Cargo                              | 3,487,805         | 4,763,967         | 3,487,805            | 4,763,967         |
| Cruise                             | 3,614,284         | 3,181,383         | 3,614,284            | 3,181,383         |
| Wharfage                           | 862,283           | 831,262           | 862,283              | 831,262           |
| Marine                             | 1,913,953         | 1,955,080         | 1,913,953            | 1,955,080         |
| Land, building and equipment lease | 1,151,535         | 1,053,979         | 879,795              | 1,197,623         |
| Port Antonio Marina                | 125,274           | 92,394            | 125,274              | 92,394            |
| Security services                  | 2,558,709         | 2,315,035         | 7,463                | 8,600             |
| Other                              | 200,552           | 397,535           | 118,342              | 330,212           |
|                                    | <u>13,914,395</u> | <u>14,590,635</u> | <u>11,009,199</u>    | <u>12,360,521</u> |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

24 EXPENSES

a) Direct operating

|  | The Group        |                            | The Authority    |                            |
|--|------------------|----------------------------|------------------|----------------------------|
|  | 2018<br>\$'000   | Restated<br>2017<br>\$'000 | 2018<br>\$'000   | Restated<br>2017<br>\$'000 |
| Personnel emoluments and allowances<br>(including contracted services) | 711,320          | 1,387,277                  | 682,015          | 1,359,864                  |
| Training and staff welfare   | 12,485           | 13,245                     | 12,485           | 13,245                     |
| Legal and professional fees  | 46,969           | 32,117                     | 46,879           | 32,117                     |
| Electricity, water and telephone                                       | 235,847          | 290,738                    | 204,131          | 264,447                    |
| Repairs and maintenance  | 292,818          | 522,981                    | 227,205          | 460,786                    |
| Janitorial expense   | 4,288            | 3,564                      | -                | -                          |
| Garbage disposal   | 12,091           | 7,045                      | -                | -                          |
| Tug hire   | 689,995          | 571,512                    | 689,995          | 571,512                    |
| Security   | 980,190          | 993,813                    | 97,864           | 86,450                     |
| Insurance  | 124,001          | 269,266                    | 88,738           | 243,321                    |
| Fuel   | 84,620           | 177,277                    | 84,620           | 177,277                    |
| Claims   | 7,876            | 96,833                     | 7,876            | 96,833                     |
| Collection fees  | 7,536            | 38,990                     | -                | -                          |
| Audit fees   | 754              | 705                        | -                | -                          |
| Travelling   | 23,423           | 21,567                     | 23,423           | 21,567                     |
| Bad debt recognised (reversed)   | 882              | 24,790                     | (47)             | 32,094                     |
| Depreciation   | 945,344          | 944,148                    | 945,344          | 944,148                    |
| Miscellaneous  | 60,534           | 19,077                     | 60,524           | 18,876                     |
| Equipment rental   | 10,990           | 9,255                      | -                | 9,255                      |
| Taxes – property and asset   | 23,078           | 12,528                     | 22,918           | 12,318                     |
| Management fees  | 68,390           | 81,636                     | 68,390           | 87,698                     |
| Marina Falmouth and Porthandlers<br>costs                              | 150,333          | 64,434                     | 150,333          | 64,434                     |
| Maintenance – dredging   | 61,398           | -                          | 61,398           | -                          |
| Permit and Certification   | 2,777            | 3,328                      | 2,777            | 3,328                      |
| Materials and supplies   | 16,101           | 1,034                      | 16,101           | 1,034                      |
| Subscriptions and periodicals  | 6,827            | 5,968                      | 6,827            | 5,968                      |
| Public relations and promotions  | 31,915           | 46,997                     | 31,915           | 46,997                     |
| Cruise expenses  | 24,613           | 8,847                      | 24,613           | 8,847                      |
| Office and general   | 20,442           | 45,158                     | 20,442           | 45,158                     |
| Project expense  | -                | 68,170                     | -                | 68,170                     |
| Inventory provision (reversed)   | -                | (177,987)                  | -                | (177,987)                  |
|  | <u>4,657,837</u> | <u>5,584,313</u>           | <u>3,576,766</u> | <u>4,497,757</u>           |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

24 EXPENSES (CONTINUED)

b) Administrative

|   | The Group        |                  | The Authority    |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2018             | Restated<br>2017 | 2018             | Restated<br>2017 |
|   | \$'000           | \$'000           | \$'000           | \$'000           |
| Personnel emoluments and allowances     | 1,099,973        | 1,085,299        | 794,765          | 845,833          |
| Statutory deductions                    | 103,428          | 97,265           | 74,815           | 71,912           |
| Pension contributions employer          | 39,833           | 41,619           | 22,830           | 23,731           |
| Health scheme - employer                | 99,043           | 164,901          | 80,377           | 149,298          |
| Office and general                      | 83,689           | 64,316           | 79,732           | 61,299           |
| Local travel and motor vehicle expense  | 11,113           | 13,526           | 8,842            | 11,288           |
| Foreign travel                          | 34,868           | 19,607           | 31,676           | 15,053           |
| Insurance                               | 82,358           | 136,907          | 78,506           | 134,936          |
| Electricity and telephone               | 59,653           | 48,825           | 51,958           | 43,560           |
| Water charges                           | 6,248            | 2,908            | 3,737            | 1,794            |
| Public relations and promotions         | 22,106           | 33,352           | 16,641           | 26,690           |
| Legal and professional fees             | 115,939          | 76,741           | 113,075          | 68,073           |
| Miscellaneous                           | 669              | 4,554            | 7,058            | 9,272            |
| Security expenses                       | 12,842           | 12,839           | 12,006           | 12,627           |
| Printing and stationery                 | 14,985           | 15,681           | 11,887           | 13,084           |
| Repairs and maintenance                 | 255,242          | 248,444          | 253,347          | 246,972          |
| Computer expense                        | 121,205          | 52,785           | 117,804          | 52,401           |
| Training and staff welfare              | 93,199           | 73,880           | 34,466           | 17,643           |
| Board fees and expenses                 | 5,858            | 3,118            | 4,647            | 1,856            |
| Bad debts (including direct write offs) | 20,276           | 45,516           | 7,850            | 58,460           |
| Audit fees                              | 17,199           | 18,394           | 13,023           | 13,609           |
| Depreciation                            | 67,339           | 57,545           | 53,241           | 45,732           |
| Project expenses- non-capital           | 57,761           | 24,787           | 57,761           | 24,787           |
| Non-capitalised fixed assets            | 3,283            | 1,367            | 1,029            | 686              |
| Annual report                           | 1,689            | 2,347            | 827              | 1,264            |
| ID Card                                 | 273              | 318              | -                | -                |
| Asset and minimum business tax          | 800              | 800              | -                | -                |
| Donation and subscriptions              | 664              | 740              | -                | -                |
| Relocation of x-ray machines            | 45,521           | -                | -                | -                |
| Bank charges and amortisation           | 2,094            | 1,622            | -                | -                |
| Sanitation                              | 1,952            | 1,487            | -                | -                |
| Penalties & interest and withholdings   | 41,795           | 35,811           | 41,730           | 35,783           |
| Property taxes                          | 46,537           | 2,508            | 44,668           | 2,508            |
| Preliminary expenses                    | 143,371          | 33,496           | 143,371          | 33,496           |
|   | <b>2,712,805</b> | <b>2,423,305</b> | <b>2,161,669</b> | <b>2,023,647</b> |



**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**24 EXPENSES (CONTINUED)**

c) Finance charges and interest on loans

|                                   | <b>The Group</b> |                  | <b>The Authority</b> |                  |
|-----------------------------------|------------------|------------------|----------------------|------------------|
|                                   | <b>2018</b>      | <b>2017</b>      | <b>2018</b>          | <b>2017</b>      |
|                                   | <b>\$'000</b>    | <b>\$'000</b>    | <b>\$'000</b>        | <b>\$'000</b>    |
| Interest on long-term liabilities | 1,699,850        | 1,946,282        | 1,697,417            | 1,942,853        |
| Interest on overdrafts and other  | 19,507           | 73,620           | 19,507               | 73,620           |
| Amortised cost on loans           | (54,555)         | (96,618)         | (54,623)             | (96,685)         |
|                                   | <u>1,664,802</u> | <u>1,923,284</u> | <u>1,662,301</u>     | <u>1,919,788</u> |

**25 OTHER GAINS AND LOSSES**

|   | <b>The Group</b> |                  | <b>The Authority</b> |                  |
|---|------------------|------------------|----------------------|------------------|
|   | <b>2018</b>      | <b>2017</b>      | <b>2018</b>          | <b>2017</b>      |
|   | <b>\$'000</b>    | <b>\$'000</b>    | <b>\$'000</b>        | <b>\$'000</b>    |
| Foreign exchange gains (losses) (net) (Note 25(a))                                    | 133,172          | (1,010,224)      | 169,485              | (1,038,320)      |
| Investment property fair value adjustment (Note 6)                                    | 372,100          | 656,094          | 342,530              | 691,289          |
| Gains (losses) on disposal of property, plant and equipment and investment properties | 4,342            | (296,033)        | 4,342                | (296,033)        |
|   | <u>509,614</u>   | <u>(650,163)</u> | <u>516,357</u>       | <u>(643,064)</u> |
| Classified as:  |                  |                  |                      |                  |
| - Foreign exchange gains (losses) on loans  | 446,607          | (1,585,693)      | 443,524              | (1,575,678)      |
| - Other   | 63,007           | 935,530          | 72,833               | 932,614          |
|   | <u>509,614</u>   | <u>(650,163)</u> | <u>516,357</u>       | <u>(643,064)</u> |

(a) This includes a foreign exchange gains of \$0.447 billion (2017: loss of \$1.586 billion) for the Group and gains of \$0.443 billion (2017: loss of \$1.576 billion) for the Authority arising on retranslation of foreign currency loans.

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**26 TAXATION**

Current and deferred tax have been calculated using the tax rate of 25% (2017: 25%), except for one of subsidiary company, (MBFZ), which acquired Special Economic Zone status under the Special Economic Zone Act, 2016. Under this Act, taxable income (excluding revenues from rentals of properties in the zone) is subject to a tax rate of 12.5%.

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

|                                    | <b>The Group</b> |                |
|------------------------------------|------------------|----------------|
|                                    | <b>2018</b>      | <b>2017</b>    |
|                                    | <b>\$'000</b>    | <b>\$'000</b>  |
| Current taxation                   | 271,938          | 169,835        |
| Prior year taxation                | (11,712)         | (1,250)        |
| Deferred tax adjustments (Note 12) | (18,302)         | 871            |
|                                    | <u>241,924</u>   | <u>169,456</u> |

(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:

|   | <b>The Group</b> |                  |
|---|------------------|------------------|
|   | <b>2018</b>      | <b>2017</b>      |
|   | <b>\$'000</b>    | <b>\$'000</b>    |
| Profit before taxation  | <u>5,636,802</u> | <u>5,725,033</u> |
| Tax at the domestic income tax rate of 25%  | 1,409,200        | 1,431,258        |
| Tax effect of expenses not deductible for tax purposes                            | 641              | 3,122            |
| Tax effect of income not subject to tax   | (1,102,731)      | (1,272,141)      |
| Tax effect of expenses not subject to tax   | (3,675)          | 27,675           |
| Tax effect of unused tax losses   | 536              | 2,475            |
| Tax effect of income not subject to tax under the Special Economic Zone Act, 2016 | (9,251)          | -                |
| Tax effect of change in tax rate from 25% to 12.5%                                | (1,163)          | -                |
| Tax effect of employment tax credit   | (36,537)         | (22,201)         |
| Tax effect of expenses deductible for tax purposes                                | (332)            | 239              |
| Tax effect of other adjustments   | (3,052)          | 279              |
| Prior year tax adjustments  | (11,712)         | (1,250)          |
|   | <u>241,924</u>   | <u>169,456</u>   |

(c) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses of subsidiary companies aggregating approximately \$130.797 million (2017: \$128.682 million) are available to be set off against future taxable profits of those companies. At March 31, 2018 and 2017, no deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future taxable profits.



## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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        |                  |
|--------------------------|------------------|------------------|
|                          | 2018<br>\$'000   | 2017<br>\$'000   |
| The Authority            | 4,146,154        | 4,928,507        |
| The subsidiary companies | 619,297          | 347,145          |
| The associated companies | 25,751           | 21,477           |
|                          | <u>4,791,202</u> | <u>5,297,129</u> |

#### 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 proceedings. 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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:

|   | Lease rental   |                | The Authority  |                         |                | Balance due from (to) |  |
|---|----------------|----------------|----------------|-------------------------|----------------|-----------------------|--|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | Other<br>2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000        |  |
| Subsidiaries  |                |                |                |                         |                |                       |  |
| Jamaica International Free Zone Development Limited | -              | -              | 5,095          | 5,065                   | 80,726         | 81,484                |  |
| Kingston Free Zone Company Limited                  | 43,638         | 43,412         | 3,500          | 3,500                   | 2,818          | 4,288                 |  |
| Montego Bay Free Zone Company Limited               | 195,682        | 194,671        | 3,500          | 3,500                   | (122,030)      | (115,818)             |  |
| Ports Management and Security Limited               | 315,118        | 635,239        | 27,000         | 20,250                  | (23,433)       | (20,479)              |  |
| Port Authority Management Services Limited          | -              | -              | 1,494          | 6,722                   | 124,607        | 127,038               |  |
| KCT Services Limited                                | -              | -              | -              | -                       | (13,855)       | (36,907)              |  |
| Ports Management & Security Ltd. - Collection fees  | -              | -              | -              | 4,500                   | -              | -                     |  |
|   | 554,438        | 873,322        | 40,589         | 43,537                  | 48,833         | 39,606                |  |
| Provision for impairment (Note 14(a))               | -              | -              | -              | -                       | (124,272)      | (136,606)             |  |
|   | -              | -              | -              | -                       | -              | -                     |  |
| Joint venture                                       | -              | -              | -              | -                       | -              | -                     |  |
| Boundbrook Wharves Development Limited              | -              | -              | -              | -                       | -              | 12,334                |  |
|   | 554,438        | 873,322        | 40,589         | 43,537                  | (75,439)       | (84,666)              |  |
| Included in the following balances:                 |                |                |                |                         |                |                       |  |
| Long-term receivables (Note 10(c))                  | -              | -              | -              | -                       | 76,226         | 76,226                |  |
| Trade and other receivables (Note 14(a))            | -              | -              | -              | -                       | 7,075          | 14,988                |  |
| Trade and other payables (Note 22(b))               | -              | -              | -              | -                       | (158,740)      | (175,880)             |  |
|   | -              | -              | -              | -                       | (75,439)       | (84,666)              |  |
| Key management personnel                            | -              | -              | 43,939         | 19,981                  | 43,942         | 29,362                |  |

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**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*

|                     | <b>The Group</b> |                | <b>The Authority</b> |                |
|---------------------|------------------|----------------|----------------------|----------------|
|                     | <b>2018</b>      | <b>2017</b>    | <b>2018</b>          | <b>2017</b>    |
|                     | <b>\$'000</b>    | <b>\$'000</b>  | <b>\$'000</b>        | <b>\$'000</b>  |
| Short-term benefits | 291,155          | 305,203        | 270,587              | 270,776        |
| Pension             | 5,091            | 6,586          | 3,653                | 4,381          |
|                     | <b>296,246</b>   | <b>311,789</b> | <b>274,240</b>       | <b>275,157</b> |

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*

|                                 | <b>The Group</b> |               | <b>The Authority</b> |               |
|---------------------------------|------------------|---------------|----------------------|---------------|
|                                 | <b>2018</b>      | <b>2017</b>   | <b>2018</b>          | <b>2017</b>   |
|                                 | <b>\$'000</b>    | <b>\$'000</b> | <b>\$'000</b>        | <b>\$'000</b> |
| Short-term benefits             |                  |               |                      |               |
| - (directors fees and expenses) | 2,936            | 2,069         | 1,725                | 807           |

**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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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  |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Financial assets</b>                                   |                |                |                |                |
| <i>Available-for-sale (at cost)</i>                       |                |                |                |                |
| Investments in subsidiaries, joint venture and associates | 184,940        | 159,189        | 30,508         | 30,508         |
| Loans and receivables<br><i>-(at amortised cost)</i>      |                |                |                |                |
| Other investments   | 1,530,685      | 1,359,012      | 1,516,864      | 1,345,123      |
| Long-term receivables                                     | 28,346         | 15,849         | 104,572        | 92,075         |
| Trade and other receivables                               | 2,878,083      | 1,670,445      | 1,572,028      | 1,138,791      |
| Cash and short-term deposits                              | 9,594,663      | 14,348,325     | 7,351,766      | 12,602,245     |
|   | 14,031,777     | 17,393,631     | 10,545,230     | 15,178,234     |
| Total financial assets                                    | 14,216,717     | 17,552,820     | 10,575,738     | 15,208,742     |
| <b>Financial liabilities<br/>- (at amortised cost)</b>    |                |                |                |                |
| Long-term liabilities                                     | 30,449,971     | 33,563,983     | 30,303,747     | 33,391,709     |
| Trade and other payables                                  | 2,452,904      | 2,061,992      | 2,036,670      | 1,805,988      |
| Bank overdrafts   | 26,805         | 38,073         | 22,836         | 36,859         |
| Total financial liabilities                               | 32,929,680     | 35,664,048     | 32,363,253     | 35,234,556     |

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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.



THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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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, 2018, the Group had US\$ denominated balances amounting to US\$82.900 million (2017: US\$117.010 million) of which US\$11.758 million (2017: US\$10.340 million) (Note 9(a)) is held in respect of funding certain loans amounting to US\$10.784 million (2017: US\$15.275 million), €2.843 million (2017: €3.736 million) and \$2.501 billion (2017: \$2.500 billion) (Note 19(d), 19(f)) and 19(h)(v) at the end of the reporting period.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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 |            |
|               | 2018        | 2017       | 2018       | 2017       | 2018            | 2017       |
|               | J\$'000     | J\$'000    | J\$'000    | J\$'000    | J\$'000         | J\$'000    |
| United States |             |            |            |            |                 |            |
| dollar        | 23,973,860  | 28,196,686 | 11,536,726 | 16,192,223 | 12,438,152      | 12,004,463 |
| EURO          | 452,525     | 514,902    | -          | -          | 452,525         | 514,902    |

|               | The Authority |            |           |            |                 |            |
|---------------|---------------|------------|-----------|------------|-----------------|------------|
|               | Liabilities   |            | Assets    |            | Net Liabilities |            |
|               | 2018          | 2017       | 2018      | 2017       | 2018            | 2017       |
|               | J\$'000       | J\$'000    | J\$'000   | J\$'000    | J\$'000         | J\$'000    |
| United States |               |            |           |            |                 |            |
| dollar        | 23,605,524    | 27,791,572 | 9,795,979 | 14,660,590 | 13,809,545      | 13,130,982 |
| EURO          | 452,525       | 514,902    | -         | -          | 452,525         | 514,902    |

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 2% revaluation and 4% devaluation (2017: 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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 2% or weakens by 4% against the relevant currencies (2017: strengthens by 1% or weakens by 6%), the income will increase or (decrease) by:

|                      | The Group                           |         |                                     |           |                                     |         |                                     |           |
|----------------------|-------------------------------------|---------|-------------------------------------|-----------|-------------------------------------|---------|-------------------------------------|-----------|
|                      | Revaluation                         |         | Devaluation                         |           | Revaluation                         |         | Devaluation                         |           |
|                      | 2018                                |         |                                     |           | 2017                                |         |                                     |           |
|                      | Change in<br>Currency<br>Rates<br>% | \$'000  | Change in<br>Currency<br>Rates<br>% | \$'000    | Change in<br>Currency<br>Rates<br>% | \$'000  | Change in<br>Currency<br>Rates<br>% | \$'000    |
| <b>Currency</b>      |                                     |         |                                     |           |                                     |         |                                     |           |
| United States dollar | +2                                  | 248,763 | -4                                  | (497,526) | +1                                  | 120,045 | -6                                  | (720,268) |
| EURO                 | +2                                  | 9,051   | -4                                  | (18,101)  | +1                                  | 5,149   | -6                                  | (30,894)  |

|                      | The Authority                       |         |                                     |           |                                     |         |                                     |           |
|----------------------|-------------------------------------|---------|-------------------------------------|-----------|-------------------------------------|---------|-------------------------------------|-----------|
|                      | Revaluation                         |         | Devaluation                         |           | Revaluation                         |         | Devaluation                         |           |
|                      | 2018                                |         |                                     |           | 2017                                |         |                                     |           |
|                      | Change in<br>Currency<br>Rates<br>% | \$'000  | Change in<br>Currency<br>Rates<br>% | \$'000    | Change in<br>Currency<br>Rates<br>% | \$'000  | Change in<br>Currency<br>Rates<br>% | \$'000    |
| <b>Currency</b>      |                                     |         |                                     |           |                                     |         |                                     |           |
| United States dollar | +2                                  | 276,191 | -4                                  | (552,382) | +1                                  | 131,310 | -6                                  | (787,859) |
| EURO                 | +2                                  | 9,051   | -4                                  | (18,101)  | +1                                  | 5,149   | -6                                  | (30,894)  |

The Group's sensitivity 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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        |                     |                        |                     | Total<br>\$'000     |
|--|------------------|---------------------|------------------------|---------------------|---------------------|
|  | Due within       |                     |                        | Non-Interest        |                     |
|  | 1 Year<br>\$'000 | 1-5 Years<br>\$'000 | Over 5 Years<br>\$'000 | Bearing<br>\$'000   |                     |
| <b>At March 31, 2018</b>                   |                  |                     |                        |                     |                     |
| <b>Assets</b>                              |                  |                     |                        |                     |                     |
| Investment in associates                   | -                | -                   | -                      | 184,940             | 184,940             |
| Other investments                          | -                | 1,515,200           | 13,790                 | 1,695               | 1,530,685           |
| Long-term receivables                      | -                | 12,310              | 1,108                  | 14,928              | 28,346              |
| Trade and other receivables                | -                | -                   | -                      | 2,878,083           | 2,878,083           |
| Cash and short-term deposits               | 9,508,146        | -                   | -                      | 86,517              | 9,594,663           |
| <b>Total assets</b>                        | <b>9,508,146</b> | <b>1,527,510</b>    | <b>14,898</b>          | <b>3,166,163</b>    | <b>14,216,717</b>   |
| <b>Liabilities</b>                         |                  |                     |                        |                     |                     |
| Long-term liabilities                      | 6,803,437        | 7,787,814           | 15,520,126             | 338,594             | 30,449,971          |
| Trade and other payables                   | -                | -                   | -                      | 2,452,904           | 2,452,904           |
| Bank overdraft (unsecured)                 | -                | -                   | -                      | 26,805              | 26,805              |
| <b>Total liabilities</b>                   | <b>6,803,437</b> | <b>7,787,814</b>    | <b>15,520,126</b>      | <b>2,818,303</b>    | <b>32,929,680</b>   |
| <b>Total interest rate sensitivity gap</b> | <b>2,704,709</b> | <b>(6,260,304)</b>  | <b>(15,505,228)</b>    | <b>347,860</b>      | <b>(18,712,963)</b> |
| <b>Cumulative gap</b>                      | <b>2,704,709</b> | <b>(3,555,595)</b>  | <b>(19,060,823)</b>    | <b>(18,712,963)</b> |                     |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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

Financial risk management policies and objectives (continued)

(c) Interest rate risk (continued)

|  | The Group         |                     |                        |                     | Total<br>\$'000     |
|--|-------------------|---------------------|------------------------|---------------------|---------------------|
|  | Due within        |                     |                        | Non-Interest        |                     |
|  | 1 Year<br>\$'000  | 1-5 Years<br>\$'000 | Over 5 Years<br>\$'000 | Bearing<br>\$'000   |                     |
| <b>At March 31, 2017</b>                   |                   |                     |                        |                     |                     |
| <b>Assets</b>                              |                   |                     |                        |                     |                     |
| 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          |
| <b>Total assets</b>                        | <b>14,260,939</b> | <b>1,353,170</b>    | <b>14,831</b>          | <b>1,923,880</b>    | <b>17,552,820</b>   |
| <b>Liabilities</b>                         |                   |                     |                        |                     |                     |
| Long-term liabilities                      | 4,131,787         | 13,611,096          | 15,471,821             | 349,279             | 33,563,983          |
| Trade and other payables                   | -                 | -                   | -                      | 2,061,992           | 2,061,992           |
| Bank overdraft (unsecured)                 | -                 | -                   | -                      | 38,073              | 38,073              |
| <b>Total liabilities</b>                   | <b>4,131,787</b>  | <b>13,611,096</b>   | <b>15,471,821</b>      | <b>2,449,344</b>    | <b>35,664,048</b>   |
| <b>Total interest rate sensitivity gap</b> | <b>10,129,152</b> | <b>(12,257,926)</b> | <b>(15,456,990)</b>    | <b>(525,464)</b>    | <b>(18,111,228)</b> |
| <b>Cumulative gap</b>                      | <b>10,129,152</b> | <b>(2,128,774)</b>  | <b>(17,585,764)</b>    | <b>(18,111,228)</b> |                     |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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    |                     |                        |                                 |                     | Total<br>\$'000     |
|--|------------------|---------------------|------------------------|---------------------------------|---------------------|---------------------|
|  | Due within       |                     |                        | No Specific                     | Non-Interest        |                     |
|  | 1 Year<br>\$'000 | 1-5 Years<br>\$'000 | Over 5 Years<br>\$'000 | Terms of<br>Repayment<br>\$'000 | Bearing<br>\$'000   |                     |
| <b>At March 31, 2018</b>                   |                  |                     |                        |                                 |                     |                     |
| <b>Assets</b>                              |                  |                     |                        |                                 |                     |                     |
| Investment in associates                   | -                | -                   | -                      | -                               | 30,508              | 30,508              |
| Other investments                          | -                | 1,515,200           | -                      | -                               | 1,664               | 1,516,864           |
| Long-term receivables                      | -                | 12,310              | 1,108                  | -                               | 91,154              | 104,572             |
| Trade and other receivables                | -                | -                   | -                      | -                               | 1,572,028           | 1,572,028           |
| Cash and short-term deposits               | 7,333,459        | -                   | -                      | -                               | 18,307              | 7,351,766           |
| <b>Total assets</b>                        | <b>7,333,459</b> | <b>1,527,510</b>    | <b>1,108</b>           | <b>-</b>                        | <b>1,713,661</b>    | <b>10,575,738</b>   |
| <b>Liabilities</b>                         |                  |                     |                        |                                 |                     |                     |
| Long-term liabilities                      | 6,763,010        | 7,690,836           | 15,520,126             | -                               | 329,775             | 30,303,747          |
| Trade and other payables                   | -                | -                   | -                      | 100,000                         | 1,936,670           | 2,036,670           |
| Bank overdraft (unsecured)                 | -                | -                   | -                      | -                               | 22,836              | 22,836              |
| <b>Total liabilities</b>                   | <b>6,763,010</b> | <b>7,690,836</b>    | <b>15,520,126</b>      | <b>100,000</b>                  | <b>2,289,281</b>    | <b>32,363,253</b>   |
| <b>Total interest rate sensitivity gap</b> | <b>570,449</b>   | <b>(6,163,326)</b>  | <b>(15,519,018)</b>    | <b>(100,000)</b>                | <b>(575,620)</b>    | <b>(21,787,515)</b> |
| <b>Cumulative gap</b>                      | <b>570,449</b>   | <b>(5,592,877)</b>  | <b>(21,111,895)</b>    | <b>(21,211,895)</b>             | <b>(21,787,515)</b> |                     |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

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        |                     |                     | No Specific         | Non-Interest        | Total               |
|  | 1 Year            | 1-5 Years           | Over 5 Years        | Terms of            | Bearing             |                     |
| \$'000                                     | \$'000            | \$'000              | Repayment           | \$'000              |                     |                     |
| <b>At March 31, 2017</b>                   |                   |                     |                     |                     |                     |                     |
| <b>Assets</b>                              |                   |                     |                     |                     |                     |                     |
| 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          |
| <b>Total assets</b>                        | <b>12,584,634</b> | <b>1,353,170</b>    | <b>1,050</b>        | <b>-</b>            | <b>1,269,888</b>    | <b>15,208,742</b>   |
| <b>Liabilities</b>                         |                   |                     |                     |                     |                     |                     |
| 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              |
| <b>Total liabilities</b>                   | <b>4,098,769</b>  | <b>13,479,032</b>   | <b>15,471,820</b>   | <b>100,000</b>      | <b>2,084,935</b>    | <b>35,234,556</b>   |
| <b>Total interest rate sensitivity gap</b> | <b>8,485,865</b>  | <b>(12,125,862)</b> | <b>(15,470,770)</b> | <b>(100,000)</b>    | <b>(815,047)</b>    | <b>(20,025,814)</b> |
| <b>Cumulative gap</b>                      | <b>8,485,865</b>  | <b>(3,639,997)</b>  | <b>(19,110,767)</b> | <b>(19,210,767)</b> | <b>(20,025,814)</b> |                     |

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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 and 100 basis points decrease (2017: 100 basis points increase/decrease) for local borrowing and a 50 basis points increase and 50 basis points decrease (2017: 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 50 basis points higher or 50 basis points lower (2017: 100 basis points higher or 50 basis points lower) on its foreign currency borrowings and investments profit for the period would decrease by approximately \$28.507 million or increase by \$28.507 million (2017: profits for the period would decrease by approximately \$85.675 million or increase by \$42.838 million). For the local borrowings and investments if interest rates were 100 basis points higher or lower (2017: 100 basis point higher or lower) and all other variables were held constant, the profit for the year would increase/decrease by approximately \$5.075 million (2017: the profit for the year would increase/decrease by approximately \$5.701 million).

The Group's sensitivity to interest rates has decreased during the current period mainly due to a decrease in the variable rate debt interest bearing 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 \$14.217 billion (2017: \$17.553 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. Three debtors of the Group account for approximately 38% (2017: Four debtors 47%) respectively, whilst two debtor of a subsidiary company accounts for 46% (2017: two debtors 31%) 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.



## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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 6% (2017: 7%) 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(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 liabilities (continued)*

|                                     | The Group                    |                           |                   |                   |
|-------------------------------------|------------------------------|---------------------------|-------------------|-------------------|
|                                     | 2018                         |                           |                   |                   |
|                                     | Term To Maturity /Re-Pricing |                           |                   | Total<br>\$'000   |
| Due Within<br>1 Year<br>\$'000      | 1-5 Years<br>\$'000          | Over<br>5 Years<br>\$'000 |                   |                   |
| <b>Financial Liabilities</b>        |                              |                           |                   |                   |
| <b><i>Interest bearing</i></b>      |                              |                           |                   |                   |
| Variable rate loans                 | 1,896,484                    | 1,260,786                 | -                 | 3,157,270         |
| Fixed rate loans                    | 6,713,419                    | 11,543,593                | 32,128,075        | 50,385,087        |
| Bank overdrafts                     | 26,805                       | -                         | -                 | 26,805            |
| <b><i>Non-interest bearing</i></b>  |                              |                           |                   |                   |
| Trade and other payables            | 2,452,904                    | -                         | -                 | 2,452,904         |
| <b>Total</b>                        | <b>11,089,612</b>            | <b>12,804,379</b>         | <b>32,128,075</b> | <b>56,022,066</b> |
| <b>The Group</b>                    |                              |                           |                   |                   |
| <b>2017</b>                         |                              |                           |                   |                   |
| <b>Term To Maturity /Re-Pricing</b> |                              |                           |                   |                   |
| <b>Due Within</b>                   | <b>1 Year</b>                | <b>1-5 Years</b>          | <b>Over</b>       | <b>Total</b>      |
|                                     | <b>\$'000</b>                | <b>\$'000</b>             | <b>5 Years</b>    | <b>\$'000</b>     |
|                                     |                              |                           | <b>\$'000</b>     | <b>\$'000</b>     |
| <b>Financial Liabilities</b>        |                              |                           |                   |                   |
| <b><i>Interest bearing</i></b>      |                              |                           |                   |                   |
| 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            |
| <b><i>Non-interest bearing</i></b>  |                              |                           |                   |                   |
| Trade and other payables            | 2,061,992                    | -                         | -                 | 2,061,992         |
| <b>Total</b>                        | <b>8,277,101</b>             | <b>18,863,110</b>         | <b>32,439,321</b> | <b>59,579,532</b> |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(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 liabilities (continued)*

|                                    | The Authority<br>2018          |                              |                           |                |  |                   |
|------------------------------------|--------------------------------|------------------------------|---------------------------|----------------|--|-------------------|
|                                    | Due Within<br>1 Year<br>\$'000 | Term To Maturity /Re-Pricing |                           |                | No Specific<br>Repayment<br>Term<br>\$'000 | Total<br>\$'000   |
|                                    |                                | 1-5 Years<br>\$'000          | Over<br>5 Years<br>\$'000 |                |  |                   |
| <b>Financial Liabilities</b>       |                                |                              |                           |                |  |                   |
| <b><i>Interest bearing</i></b>     |                                |                              |                           |                |  |                   |
| Variable rate loans                | 1,848,215                      | 1,155,652                    | -                         | -              | -  | 3,003,867         |
| Fixed rate loans                   | 6,713,419                      | 11,543,593                   | 32,120,906                | -              | -  | 50,377,918        |
| Bank overdraft                     | 22,836                         | -                            | -                         | -              | -  | 22,836            |
| <b><i>Non-interest bearing</i></b> |                                |                              |                           |                |  |                   |
| Trade and other payables           | 1,872,930                      | -                            | -                         | -              | 163,740                                    | 2,036,670         |
| <b>Total</b>                       | <b>10,457,400</b>              | <b>12,699,245</b>            | <b>32,120,906</b>         | <b>163,740</b> | <b>163,740</b>                             | <b>55,441,291</b> |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(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 liabilities (continued)*

|                                    | The Authority<br>2017          |                     |                           |  |                   |
|------------------------------------|--------------------------------|---------------------|---------------------------|--|-------------------|
|                                    | Due Within<br>1 Year<br>\$'000 | 1-5 Years<br>\$'000 | Over<br>5 Years<br>\$'000 | No Specific<br>Repayment<br>Term<br>\$'000 | Total<br>\$'000   |
|                                    |                                |                     |                           |  |                   |
| <b>Financial Liabilities</b>       |                                |                     |                           |  |                   |
| <b><i>Interest bearing</i></b>     |                                |                     |                           |  |                   |
| 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            |
|                                    |                                |                     |                           |  |                   |
| <b><i>Non-interest bearing</i></b> |                                |                     |                           |  |                   |
| Trade and other payables           | 1,630,108                      | -                   | -                         | 175,880                                    | 1,805,988         |
|                                    |                                |                     |                           |  |                   |
| <b>Total</b>                       | <b>7,803,580</b>               | <b>18,717,282</b>   | <b>32,432,152</b>         | <b>175,880</b>                             | <b>59,128,894</b> |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(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*

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                      |                       |                           |                                      |                 |
|------------------------------|--------------------------------|-----------------------|---------------------------|--------------------------------------|-----------------|
|                              | 2018                           |                       |                           |                                      |                 |
|                              | Due Within<br>1 Year<br>\$'000 | 1 - 5 Years<br>\$'000 | Over 5<br>Years<br>\$'000 | No<br>Specific<br>Maturity<br>\$'000 | Total<br>\$'000 |
| <b>Financial Assets</b>      |                                |                       |                           |                                      |                 |
| Investment in associates     | -                              | -                     | -                         | 184,940                              | 184,940         |
| Other investments            | -                              | 1,518,901             | 13,914                    | -                                    | 1,532,815       |
| Long term receivables        | -                              | 12,916                | 1,241                     | 14,928                               | 29,085          |
| Trade and other receivables  | 2,878,083                      | -                     | -                         | -                                    | 2,878,083       |
| Cash and short-term deposits | 9,615,294                      | -                     | -                         | -                                    | 9,615,294       |
| Total Financial Assets       | 12,493,377                     | 1,531,817             | 15,155                    | 199,868                              | 14,240,217      |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(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*

|                              | The Group                  |             |        |          |            |
|------------------------------|----------------------------|-------------|--------|----------|------------|
|                              | 2017                       |             |        |          |            |
|                              | Term To Maturity/Repricing |             |        |          | No         |
|                              | Due Within                 | 1 - 5 Years | Over 5 | Specific | Total      |
|                              | 1 Year                     | Years       | Years  | Maturity | Total      |
|                              | \$'000                     | \$'000      | Years  | \$'000   | \$'000     |
| <b>Financial Assets</b>      |                            |             |        |          |            |
| Investment in associates     | -                          | -           | -      | 159,189  | 159,189    |
| Other investments            | -                          | 1,346,870   | 14,131 | -        | 1,361,001  |
| 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 | 14,368,976                 | -           | -      | -        | 14,368,976 |
| Total Financial Assets       | 16,039,421                 | 1,357,026   | 15,317 | 165,170  | 17,576,934 |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(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<br>2018          |                       |                           |                                      |                   |
|--|--------------------------------|-----------------------|---------------------------|--------------------------------------|-------------------|
|  | Due Within<br>1 Year<br>\$'000 | 1 - 5 Years<br>\$'000 | Over 5<br>Years<br>\$'000 | No<br>Specific<br>Maturity<br>\$'000 | Total<br>\$'000   |
| <b>Financial Assets</b>  |                                |                       |                           |                                      |                   |
| Investments in subsidiary, joint venture<br>and associated companies | -                              | -                     | -                         | 30,508                               | 30,508            |
| Other investments  | -                              | 1,518,901             | -                         | -                                    | 1,518,901         |
| Long term receivables  | -                              | 12,916                | 1,241                     | 91,154                               | 105,311           |
| Trade and other receivables  | 1,564,953                      | -                     | -                         | 7,075                                | 1,572,028         |
| Cash and short-term deposits   | 7,359,942                      | -                     | -                         | -                                    | 7,359,942         |
| <b>Total Financial Assets</b>  | <b>8,924,895</b>               | <b>1,531,817</b>      | <b>1,241</b>              | <b>128,737</b>                       | <b>10,586,690</b> |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(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                  |                       |                           |                                      |                 |
|--|--------------------------------|-----------------------|---------------------------|--------------------------------------|-----------------|
|  | 2017                           |                       |                           |                                      |                 |
|  | Term To Maturity/Repricing     |                       |                           |                                      |                 |
|  | Due Within<br>1 Year<br>\$'000 | 1 - 5 Years<br>\$'000 | Over 5<br>Years<br>\$'000 | No<br>Specific<br>Maturity<br>\$'000 | Total<br>\$'000 |
| <b>Financial Assets</b>  |                                |                       |                           |                                      |                 |
| Investments in subsidiary, joint venture<br>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, 2018  
(Expressed in Jamaican dollars)**

**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:

|   | <b>The Group</b>   |                     | <b>The Authority</b> |                     |
|---|--------------------|---------------------|----------------------|---------------------|
|   | <b>2018</b>        | <b>2017</b>         | <b>2018</b>          | <b>2017</b>         |
|   | <b>\$'000</b>      | <b>\$'000</b>       | <b>\$'000</b>        | <b>\$'000</b>       |
| Debt (long-term liabilities and bank overdraft) | 30,476,776         | 33,602,056          | 30,326,583           | 33,428,568          |
| Cash and short-term deposits                    | <u>(9,594,663)</u> | <u>(14,348,325)</u> | <u>(7,351,766)</u>   | <u>(12,602,245)</u> |
| Net debt  | <u>20,882,113</u>  | <u>19,253,731</u>   | <u>22,974,817</u>    | <u>20,826,323</u>   |
| Equity  | <u>29,157,225</u>  | <u>24,142,428</u>   | <u>23,754,109</u>    | <u>19,860,873</u>   |
| Net debt to equity ratio                        | 72%                | 80%                 | 97%                  | 105%                |

The Group's strategy remains unchanged from the year ended March 31, 2017.

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.

**THE PORT AUTHORITY AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)**

**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 \$3.053 billion (2017: \$4.995 billion) are assumed to approximate the fair values.
- (iv) The fair value of loan in the amount of \$7.169 million (2017: \$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.

|                          | <b>The Group and the Authority</b>   |                                  |                                      |                                  |
|--------------------------|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
|                          | <b>2018</b>                          |                                  | <b>2017</b>                          |                                  |
|                          | <b>Carrying<br/>Value<br/>\$'000</b> | <b>Fair<br/>Value<br/>\$'000</b> | <b>Carrying<br/>Value<br/>\$'000</b> | <b>Fair<br/>Value<br/>\$'000</b> |
| Fixed rate loans         | 10,573,870                           | 15,500,303                       | 10,680,479                           | 13,958,179                       |
| Concessionary rate loans | 16,591,680                           | 15,372,312                       | 17,697,321                           | 14,382,207                       |

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

|  | <b>The Group</b>   |   |   |                         |
|--|--|---|---|-------------------------|
|  | <b>Quoted<br/>Prices in<br/>Active Market<br/>Level 1<br/>\$'000</b> | <b>Significant<br/>Observable<br/>Inputs<br/>Level 2<br/>\$'000</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|  | <b>At March 31, 2018</b>   |   |   |                         |
| Assets measured at fair value:                   |  |   |   |                         |
| - Investment properties                          | -  | -   | 18,769,420  | 18,769,420              |
| - Investment in associates                       | -  | -   | 184,940   | 184,940                 |
| Liabilities for which fair values are disclosed: |  |   |   |                         |
| - Long-term liabilities:                         | -  | 15,500,303  | -   | 15,500,303              |
| Fixed rate loans                                 | -  | 15,372,312  | -   | 15,372,312              |
| Concessionary loans                              | -  | -   | -   | -                       |
| <b>At March 31, 2017</b>                         |  |   |   |                         |
| 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:                         | -  | 13,958,179  | -   | 13,958,179              |
| Fixed rate loans                                 | -  | 13,958,179  | -   | 13,958,179              |
| Concessionary loans                              | -  | 14,382,207  | -   | 14,382,207              |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value measurement (continued)

|   | The Authority   |  |  | Total<br>\$'000 |  |  |
|---|---|--|--|-----------------|--|--|
|   | Quoted<br>Prices in<br>Active Market<br>Level 1<br>\$'000 | Significant<br>Observable<br>Inputs<br>Level 2<br>\$'000 | Significant<br>Unobservable<br>Inputs<br>Level 3<br>\$'000 |                 |  |  |
|   | <b>At March 31, 2018</b>                                  |  |  |                 |  |  |
|   | Assets measured at fair value:                            |  |  |                 |  |  |
| - Investment properties   | -   | -  | 16,242,420   | 16,242,420      |  |  |
| - Investment in subsidiary, joint venture<br>and associated company | -   | -  | 30,508   | 30,508          |  |  |
| Liabilities for which fair values are disclosed:                    |   |  |  |                 |  |  |
| - Long-term liabilities:  |   |  |  |                 |  |  |
| Fixed rate loans  | -   | 15,500,303   | -  | 15,500,303      |  |  |
| Concessionary loans   | -   | 15,372,312   | -  | 15,372,312      |  |  |
| <b>At March 31, 2017</b>  |   |  |  |                 |  |  |
| Assets measured at fair value:                                      |   |  |  |                 |  |  |
| - Investment properties   | -   | -  | 15,369,975   | 15,369,975      |  |  |
| - Investment in subsidiary, joint venture<br>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      |  |  |

33 OTHER DISCLOSURES

Staff costs incurred during the year were:

|                                | The Group        |                  | The Authority    |                  |
|--------------------------------|------------------|------------------|------------------|------------------|
|                                | 2018<br>\$'000   | 2017<br>\$'000   | 2018<br>\$'000   | 2017<br>\$'000   |
| Salaries, wages and allowances | 1,234,745        | 1,740,634        | 929,584          | 977,919          |
| Statutory contributions        | 132,095          | 187,203          | 101,278          | 98,210           |
| Pension contributions          | 60,924           | 56,728           | 42,090           | 37,085           |
| Health scheme contributions    | 82,932           | 68,650           | 63,279           | 52,233           |
| Travelling and other           | 213,824          | 232,658          | 152,787          | 171,513          |
|                                | <b>1,724,520</b> | <b>2,285,873</b> | <b>1,289,018</b> | <b>1,336,960</b> |

## THE PORT AUTHORITY AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018 (Expressed in Jamaican dollars)

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#### 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. During the year, BECO relinquished its interest in the venture to the Authority and the wind up of the joint venture was effected. (See Note 8(b)).

#### 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.

Transactions during 2016/2017 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                                       | <u>(255,532)</u> |
|   | <u>1,525,993</u> |

During the financial year 2017/2018 and 2016/17, all fees were paid in line with the terms of the agreement.

#### 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 \$252.918 million (2017: \$250 million) from retained earnings was transferred to the Government of Jamaica Consolidated Fund.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

37 FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS

During the year, adjustments in respect of actuarial remeasurements for retirement benefit liabilities in respect of the provision of health benefits to retired employees of the Authority was effected with consequent retrospective adjustments along with other reclassifications as detailed below.

Below are the reconciliations of Equity as at March 31, 2017 and as at April 1, 2016 and the Statement of Profit and Loss and Other Comprehensive Income for the year ended March 31, 2017.

a) Reconciliation of Equity at March 31, 2017

|                                | The Group                                   |                      |                                  | The Authority                               |                      |                                  |
|--------------------------------|---|----------------------|----------------------------------|---|----------------------|----------------------------------|
|                                | 2017<br>As previously<br>reported<br>\$'000 | Adjustment<br>\$'000 | 2017<br>As<br>restated<br>\$'000 | 2017<br>As previously<br>reported<br>\$'000 | Adjustment<br>\$'000 | 2017<br>As<br>restated<br>\$'000 |
| <b>ASSETS</b>                  |   |                      |                                  |   |                      |                                  |
| Total non-current assets       | 45,233,879                                  | -                    | 45,233,879                       | 42,590,443                                  | -                    | 42,590,443                       |
| Total current assets           | 16,208,364                                  | -                    | 16,208,364                       | 13,918,736                                  | -                    | 13,918,736                       |
| Total assets                   | 61,442,243                                  | -                    | 61,442,243                       | 56,509,179                                  | -                    | 56,509,179                       |
| <b>EQUITY AND LIABILITIES</b>  |   |                      |                                  |   |                      |                                  |
| Reserves                       | 6,698,978                                   | -                    | 6,698,978                        | 6,692,985                                   | -                    | 6,692,985                        |
| Retained earnings              | 16,279,108                                  | (390,499)            | 15,888,609                       | 13,558,387                                  | (390,499)            | 13,167,888                       |
| Non-controlling interests      | 22,978,086                                  | (390,499)            | 22,587,587                       | 20,251,372                                  | (390,499)            | 19,860,873                       |
|                                | 1,554,841                                   | -                    | 1,554,841                        | -   | -                    | -                                |
| Total equity                   | 24,532,927                                  | (390,499)            | 24,142,428                       | 20,251,372                                  | (390,499)            | 19,860,873                       |
| <b>Non-current liabilities</b> |   |                      |                                  |   |                      |                                  |
| Retirement benefit liability   | 35,038                                      | 390,499              | 425,537                          | 35,038                                      | 390,499              | 425,537                          |
| Long-term liabilities          | 29,089,935                                  | -                    | 29,089,935                       | 28,950,701                                  | -                    | 28,950,701                       |
| Deferred income                | 543,076                                     | -                    | 543,076                          | 543,076                                     | -                    | 543,076                          |
| Deferred tax liabilities       | 18,278                                      | -                    | 18,278                           | -   | -                    | -                                |
| Total current liabilities      | 29,686,327                                  | 390,499              | 30,076,826                       | 29,528,815                                  | 390,499              | 29,919,314                       |
| Total current liabilities      | 7,222,989                                   | -                    | 7,222,989                        | 6,728,992                                   | -                    | 6,728,992                        |
| Total equity and liabilities   | 61,442,243                                  | -                    | 61,442,243                       | 56,509,179                                  | -                    | 56,509,179                       |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

37 FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS (CONTINUED)

b) Reconciliation of Equity at April 1, 2016

|                                | The Group                                   |                      |       | The Authority                 |                      |       |   |                      |       |                               |
|--------------------------------|---|----------------------|-------|-------------------------------|----------------------|-------|---|----------------------|-------|-------------------------------|
|                                | 2016<br>As previously<br>reported<br>\$'000 | Adjustment<br>\$'000 | Notes | 2016<br>As restated<br>\$'000 | Adjustment<br>\$'000 | Notes | 2016<br>As previously<br>reported<br>\$'000 | Adjustment<br>\$'000 | Notes | 2016<br>As restated<br>\$'000 |
| <b>ASSETS</b>                  |   |                      |       |                               |                      |       |   |                      |       |                               |
| Total non-current assets       | 44,313,960                                  | -                    |       | 44,313,960                    | -                    |       | 41,673,788                                  | -                    |       | 41,673,788                    |
| Total current assets           | 13,992,450                                  | -                    |       | 13,992,450                    | -                    |       | 12,446,262                                  | -                    |       | 12,446,262                    |
| Total assets                   | 58,306,410                                  | -                    |       | 58,306,410                    | -                    |       | 54,120,050                                  | -                    |       | 54,120,050                    |
| <b>EQUITY AND LIABILITIES</b>  |   |                      |       |                               |                      |       |   |                      |       |                               |
| Reserves                       | 6,619,788                                   | -                    |       | 6,619,788                     | -                    |       | 6,613,795                                   | -                    |       | 6,613,795                     |
| Retained earnings              | 11,190,747                                  | (270,077)            | (i)   | 10,920,670                    | (270,077)            | (i)   | 8,838,648                                   | (270,077)            | (i)   | 8,568,571                     |
| Non-controlling interests      | 17,810,535                                  | (270,077)            |       | 17,540,458                    | (270,077)            |       | 15,452,443                                  | (270,077)            |       | 15,182,366                    |
|                                | 1,307,113                                   | -                    |       | 1,307,113                     | -                    |       | -   | -                    |       | -                             |
| Total equity                   | 19,117,648                                  | (270,077)            |       | 18,847,571                    | (270,077)            |       | 15,452,443                                  | (270,077)            |       | 15,182,366                    |
| <b>Non-current liabilities</b> |   |                      |       |                               |                      |       |   |                      |       |                               |
| Retirement benefit liability   | 35,038                                      | 270,077              | (i)   | 305,115                       | 270,077              | (i)   | 35,038                                      | 270,077              | (i)   | 305,115                       |
| Long-term liabilities          | 28,754,473                                  | -                    |       | 28,754,473                    | -                    |       | 28,590,739                                  | -                    |       | 28,590,739                    |
| Deferred income                | 598,194                                     | -                    |       | 598,194                       | -                    |       | 598,194                                     | -                    |       | 598,194                       |
| Deferred tax liabilities       | 17,407                                      | -                    |       | 17,407                        | -                    |       | -   | -                    |       | -                             |
| Total current liabilities      | 29,405,112                                  | 270,077              |       | 29,675,189                    | 270,077              |       | 29,223,971                                  | 270,077              |       | 29,494,048                    |
| Total current liabilities      | 9,783,650                                   | -                    |       | 9,783,650                     | -                    |       | 9,443,636                                   | -                    |       | 9,443,636                     |
| Total equity and liabilities   | 58,306,410                                  | -                    |       | 58,306,410                    | -                    |       | 54,120,050                                  | -                    |       | 54,120,050                    |

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2018  
(Expressed in Jamaican dollars)

37

FINANCIAL EFFECT OF FINANCIAL STATEMENTS RESTATEMENTS AND RECLASSIFICATIONS (CONTINUED)

c) Reconciliation of Statement of Profit and Loss and Other Comprehensive Income for the year ended March 31, 2017

|  | The Group                                   |                      |                  | The Authority                 |                      |           |                               |
|--|---|----------------------|------------------|-------------------------------|----------------------|-----------|-------------------------------|
|  | 2017<br>As previously<br>reported<br>\$'000 | Adjustment<br>\$'000 | Notes            | 2017<br>As restated<br>\$'000 | Adjustment<br>\$'000 | Notes     | 2017<br>As restated<br>\$'000 |
| Revenue  | 14,590,635                                  | -                    |                  | 14,590,635                    | -                    |           | 12,360,521                    |
| Expenses:  |   |                      |                  |                               |                      |           |                               |
| Direct operating   | (5,617,333)                                 | 33,020               | (iii)            | (5,584,313)                   | -                    |           | (4,497,757)                   |
| Administrative   | (2,271,146)                                 | (152,159)            | (i), (ii), (iii) | (2,423,305)                   | (119,139)            | (i), (ii) | (2,023,647)                   |
|  | (7,888,479)                                 | (119,139)            |                  | (8,007,618)                   | (119,139)            |           | (6,521,404)                   |
| Share of associated companies' results                       | 6,702,156                                   | (119,139)            |                  | 6,583,017                     | (119,139)            |           | 5,839,117                     |
| Interest income  | 21,477                                      | -                    |                  | 21,477                        | -                    |           | -                             |
| Gain on privatisation of container terminal operations (net) | 167,993                                     | -                    |                  | 167,993                       | -                    |           | 136,969                       |
| Gains and losses:  | 1,525,993                                   | -                    |                  | 1,525,993                     | -                    |           | 1,525,993                     |
| Foreign exchange losses on loans                             | (1,585,693)                                 | -                    |                  | (1,585,693)                   | -                    |           | (1,575,678)                   |
| Other gains  | 935,530                                     | -                    |                  | 935,530                       | -                    |           | 932,614                       |
| Finance charges and interest on loans                        | (1,923,284)                                 | -                    |                  | (1,923,284)                   | -                    |           | (1,919,788)                   |
| <b>PROFIT BEFORE TAXATION</b>                                | 5,844,172                                   | (119,139)            |                  | 5,725,033                     | (119,139)            |           | 4,939,227                     |
| Taxation   | (169,456)                                   | -                    |                  | (169,456)                     | -                    |           | -                             |
| <b>PROFIT AFTER TAXATION</b>                                 | 5,674,716                                   | (119,139)            |                  | 5,555,577                     | (119,139)            |           | 4,939,227                     |
| Profits attributable to non-controlling interests            | (247,728)                                   | -                    |                  | (247,728)                     | -                    |           | -                             |
| <b>NET PROFIT FOR THE YEAR</b>                               | 5,426,988                                   | (119,139)            |                  | 5,307,849                     | (119,139)            |           | 4,939,227                     |
| <b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>                 | (9,437)                                     | (1,283)              | (i), (ii)        | (10,720)                      | (1,283)              | (i), (ii) | (10,720)                      |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>               | 5,417,551                                   | (120,422)            |                  | 5,297,129                     | (120,422)            |           | 4,928,507                     |

Notes

- (i) Adjustments resulting from actuarial remeasurements for retirement benefit liability relating to retirees medical benefits for the Authority  
(ii) Reclassification of adjustment retirement benefit asset between other comprehensive income and administrative expenses  
(iii) Reclassification adjustments between direct operating and administrative expenses to accord with 2018 presentation.

# RJRGLEANER MAN OF THE YEAR 2017

Awarded to  
**Professor Gordon Shirley**

*"I am entirely honoured to be awarded. I also feel honoured to be in this position. I think that all of my accomplishments are really the effort of a team of persons that are really dedicated in both the education and public sector... In accepting this, I do so, on behalf of them as well."*

Prof. Gordon Shirley, OJ





# LEADING THE CHARGE



“The acquisition of new pilot boats **Kingston 1 and Kingston 2**, signals our commitment to the delivery of world-class port services. This move enables Jamaica to lead the charge in regional trans-shipment and to effectively support our logistics, port and shipping sectors in achieving economic growth and job creation.”

**Professor Gordon Shirley**  
President & CEO, The Port Authority of Jamaica



“The Port of Kingston is on the verge of becoming the biggest trans-shipment hub in the Caribbean ...This acquisition by the **Port Authority of Jamaica** clearly represents the intention of this stellar agency of the state to pursue meaningful improvements to maritime operations at the Kingston Port.”

**Hon. Dr. Horace Chang**  
Minister without Portfolio, Ministry of Economic Growth & Job Creation



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