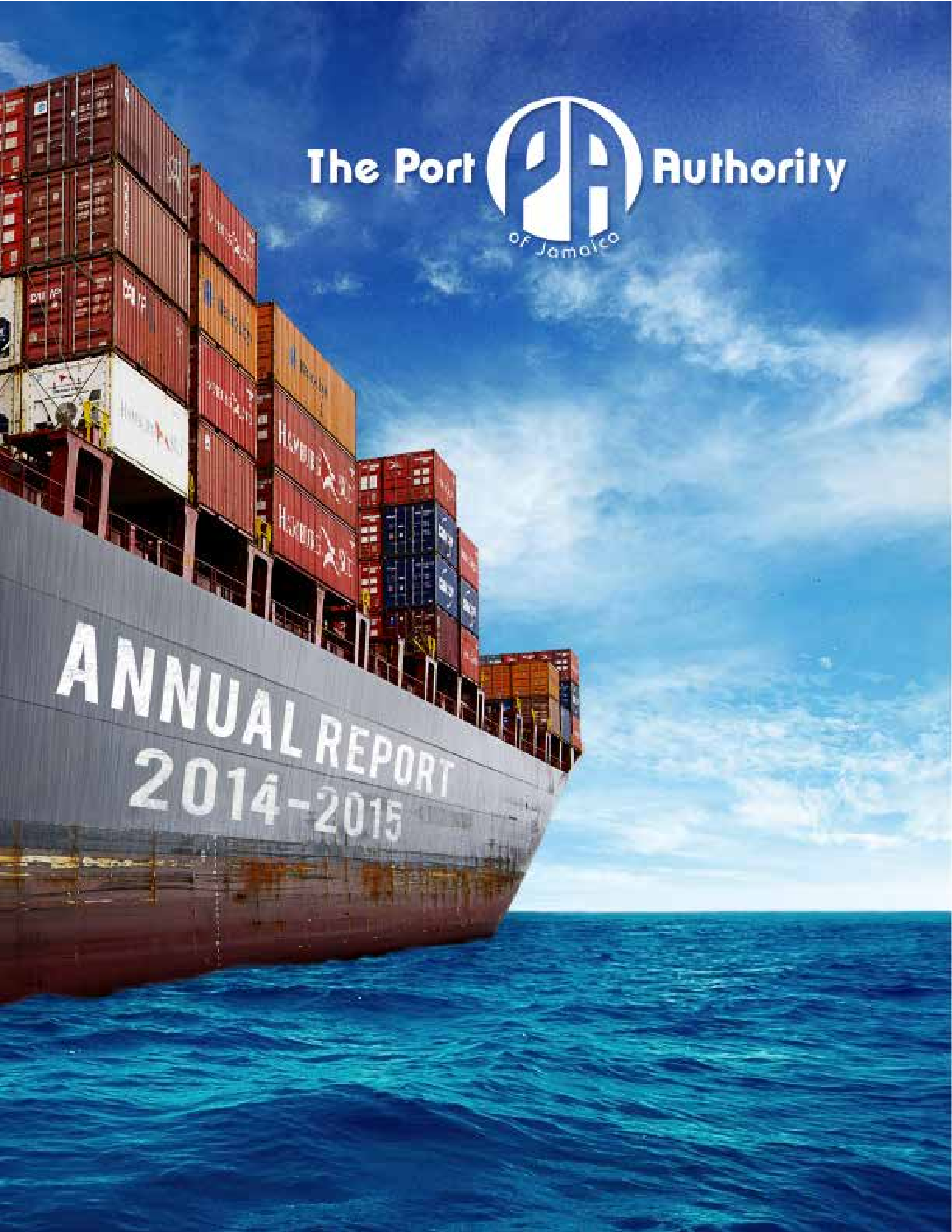

The Port Authority
of Jamaica
ANNUAL REPORT
2014-2015

MISSION STATEMENT

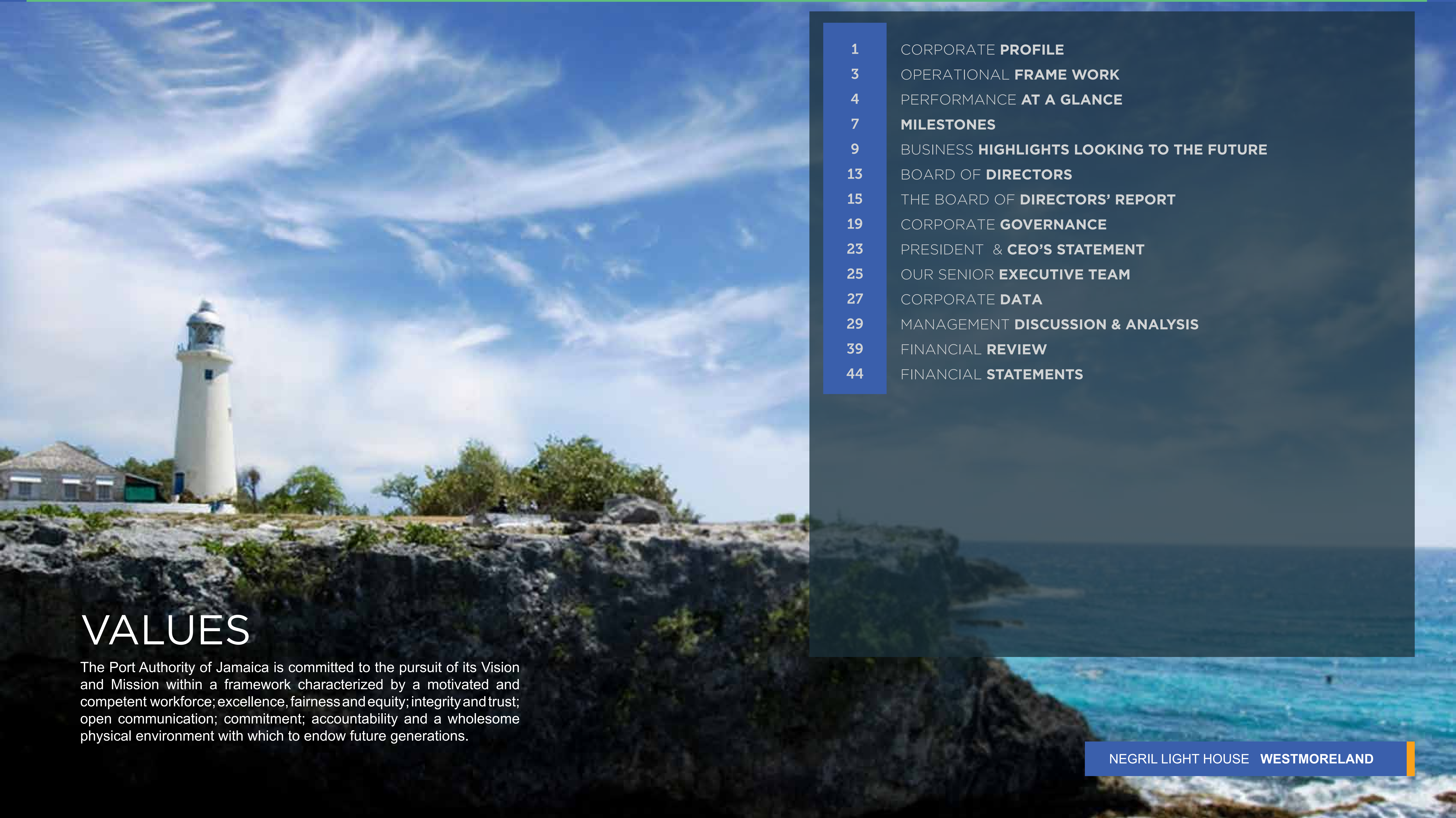
The Port Authority of Jamaica

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

VISION

The Western Hemisphere's Beacon of Maritime Excellence

WHAT'S INSIDE



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.

NEGRIL LIGHT HOUSE **WESTMORELAND**

CORPORATE PROFILE

WHO WE ARE

The Port Authority of Jamaica (The Authority or PAJ) is a statutory corporation established by the Port Authority Act of 1972 and falls within the remit of the Ministry of Transport, Works & Housing. It is the principal maritime agency responsible for the regulation and development of Jamaica's seaports.

WHAT WE DO

In its development role the Port Authority develops port infrastructure required to support Jamaica's International Trade, Tourism, Commerce and other Industries.

The Port Authority of Jamaica is mandated to ensure that security systems, standards and procedures at Jamaica's maritime and port facilities comply with the International Maritime Organization/ International Ship and Port Facility Security (IMO/ISPS) Code.

As the maritime agency with responsibility for the harbours, ports and port facilities, the PAJ is required to ensure that its operations are executed in accordance with the requisite local laws and relevant International Maritime Conventions.

The PAJ is accountable for the safety of all vessels navigating the ports and harbours and the regulation of tariffs charged on goods passing through the public wharves.

OUR BUSINESS IN BRIEF

The operations of the Port Authority of Jamaica are primarily driven by two business lines, Containerized Cargo and Cruise Shipping, supported by Harbours and Port Srvices.

Containerized Cargo activities are undertaken at the Kingston Container Terminal (KCT) and the Port of Montego Bay.

Cruise Shipping activities are undertaken at four ports namely: Port of Montego Bay, the Historic Falmouth Port, Port of Ocho Rios and the Ken Wright Pier. All marketing initiatives for the Cruise Shipping line of business is executed under the 'Cruise Jamaica' brand.

SUBSIDIARIES, JOINT VENTURE & ASSOCIATED COMPANIES

The subsidiaries and other related companies of the Authority as at March 31, 2015 reflected combined net assets of $2.85B and net profit $958.7M, inclusive of $660M gain on the revaluation of investment properties.

SUBSIDIARY / RELATED COMPANY	ROLE/BUSINESS UNIT MANAGED
MONTEGO BAY FREE ZONE LTD.	A subsidiary of the Port Authority which was established to manage and operate the Montego Bay Free Zone. The PAJ has 50% ownership and the Government of Jamaica 50%.
KINGSTON FREE ZONE CO. LTD.	A subsidiary of Port Authority, established to manage and operate the Kingston Free Zone and Portmore Informatics Park. The PAJ has 72% ownership and the Government of Jamaica 28%.
PORTS MANAGEMENT & SECURITY LTD.	Established to manage the maintenance of international security standards at the Ports of Kingston and Montego Bay as well as the cruise ship ports (The company is owned by PAJ, Kingston Wharves and Shipping Association of Jamaica, with PAJ being the majority shareholder with 51% ownership)
JAMAICA INTERNATIONAL FREE ZONE DEVELOPMENT LTD.	A subsidiary company set up to acquire, develop and lease property for logistics/distribution and related activities. (PAJ owns 75% of the shares and ZIM Integrated Shipping Services 25%)
PORT AUTHORITY MANAGEMENT SERVICES LTD.	A wholly-owned subsidiary of the Port Authority, this company was established to offer management services to agents of Government entities involved in transportation.
KCT SERVICES LIMITED	A wholly-owned subsidiary of the Port Authority, this company was established to provide personnel services and management of the operations of the Kingston Container Terminal.
BOUNDBROOK WHARVES DEVELOPMENT CO. LTD.	This is a joint venture company established between the Port Authority and Banana Export Company (BECO) to refurbish and subsequently lease Boundbrook Wharf. The Port Authority has 51% ownership in this company and BECO 49%. (The company is in the process of being wound up)
SECURITY ADMINISTRATORS LTD.	A 33% associate company whose primary activity is the provision of security and other related services.
MONTEGO COLD STORAGE LTD.	A 33% associate company whose primary activity is the rental of refrigerated warehouses.

OPERATIONAL FRAMEWORK

INFRASTRUCTURE DEVELOPMENT

Create and deliver value to stakeholders through highly developed and well maintained port facilities and related infrastructure.

PRODUCTIVE AND EFFICIENT OPERATIONS

Create and sustain high levels of productivity in all operations. Consistently train and develop a workforce to meet the needs of the evolving business environment.

Leverage information technology to improve and sustain high levels of productivity.

SECURITY AND SAFETY

Regulate existing systems to ensure that internationally acceptable levels of safety and security are maintained at the ports and other private facilities.

FINANCIAL VIABILTY

Maintain long-term financial viability which enables the Port Authority to achieve its objectives and fulfill its mandate.

Pursue strategic partnerships with other public and selected private entities to finance the development of port and related infrastructure.

STRATEGIC MARKETING

Implement a dynamic strategic marketing programme to position and promote all business segments.

Strengthen market research and intelligence capabilities to identify and capitalise on opportunities and manage threats.

HUMAN RESOURCE DEVELOPMENT

Ensure an efficient organizational structure powered by talented, competent and highly skilled employees to drive value and deliver operational excellence.

2014 - 2015 ANNUAL REPORT

PERFORMANCE AT A GLANCE

REVENUE SOURCES

	TERMINAL AND WHARVES	CRUISE SHIPPING	HARBOURS & PORT SERVICE	SUBSIDIARIES	SUPPORT SERVICES	
	Container Moves	Falmouth	Pilotage	Free Zone	Regulatory	
	Receival and Delivery	Ocho Rios	Tugs	*Warehousing*	Engineering	
	Reefer Charges	Montego Bay	**Harbour**	*Manufacturing*	Security	
	Wharfage	Port Antonio	Dredging and Maintenance	*ICT and Office*	Financial Management	
	Container Storage		Navigational Aids	*Factory and Paved Land*	Information Technology	
	All other		Light Houses	Ports Mangement and Security		
2015 $M	**10.479**	**3.025**	**1.723**	**2.411**	**445**	**18,093**
2015%	**57.9 %**	**16.7 %**	**9.5 %**	**13.3 %**	**2.5 %**	**100.00%**
2014%	**60.0%**	**14.5 %**	**9.3 %**	**13.6 %**	**2.70 %**	**100.00%**

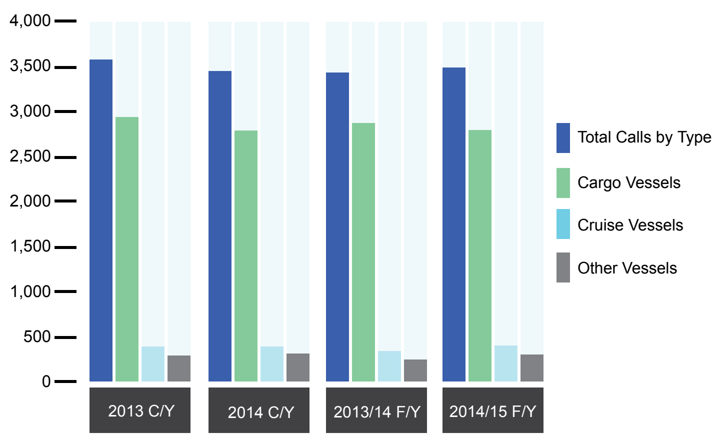
BUSINESS PROCESS OUTSOURCING

BUSINESS PROCESS OUTSOURCING & OTHER FREEZONE OPERATIONS 2015							2014		CHANGE 2015 / 2014	
Available Space	Office Sq feet	Factory Sq feet	Paved Area Sq feet	Total Sq feet	Occupancy		Total Sq feet	Occupancy Sq feet	Total Sq feet	Occupancy Sq feet
					Sq feet	%				
MBZ	352,966	249,000		601,966	549,966	91.4	601,966	579,967		(30,001)
KFZ	59,000	295,000		354,000	337,000	95.2	304,000	304,000	50,000	33,000
JIFZ	68,791	34,801	346,352	449,944	349,950	77.8	498,282	398,252	(48,338)	(48,302)
Total	**480,757**	**578,801**	**346,352**	**1,405,910**	**1,236,916**	**88.0**	**1,404,248**	**1,282,219**	**1,662**	**(45,303)**

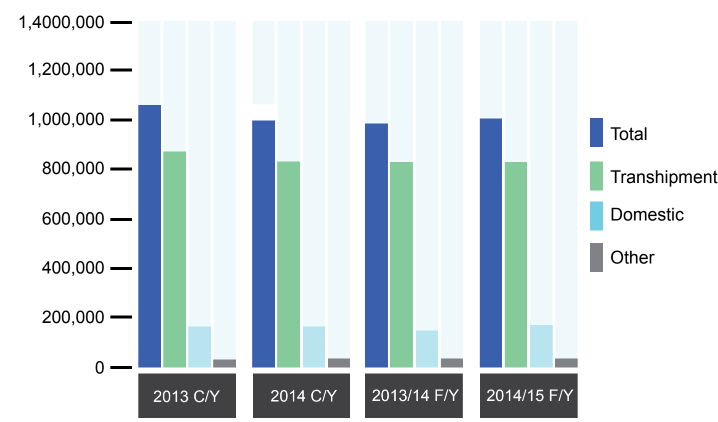
Number of Entities				Direct Employment	FOREX Earnings	Entities	Employment	Entities	Employment
	Freezones	Non Free Zone	Total	No.	US $m	No.	No.	No.	No.
MBZ	19	19	38	7,114	127.97	16	7,202	22	(88)
KFZ	13	20	33	1,382	5.87	35	869	(2)	513
JIFZ	3		3	681	6.43	4	621	(1)	60
Total	**35**	**39**	**74**	**9,177**	**140.3**	**55**	**8,692**	**19**	**485**

TERMINAL OPERATIONS

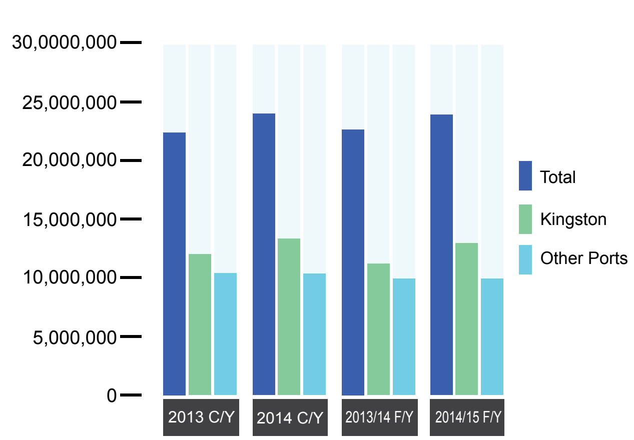
Vessel Calls



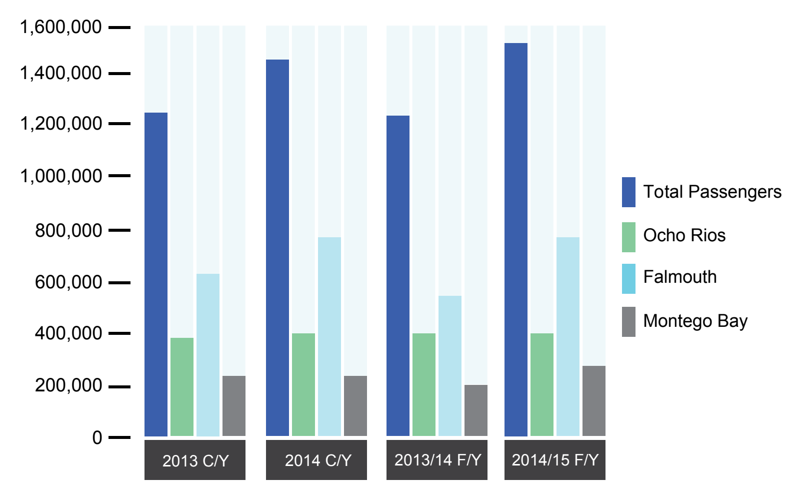
Container Traffic



Cargo Volumes

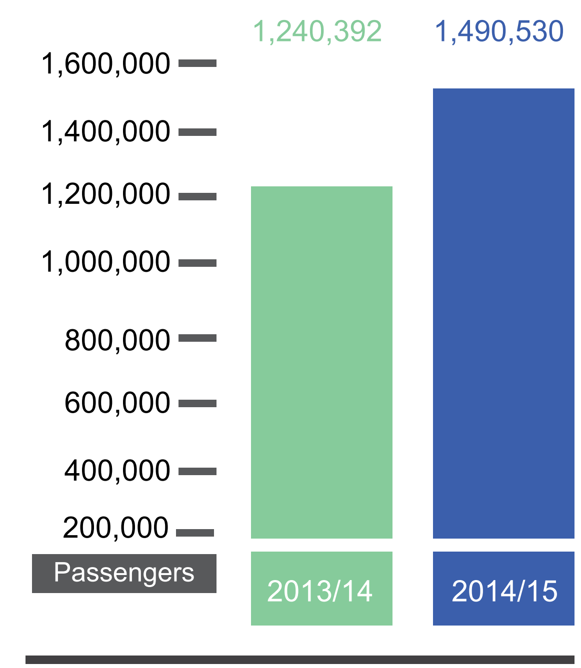


Cruise Passengers Arrivals by Port



CRUISE SHIPPING

Cruise Visitor Arrivals



PORTS SECURITY MANAGEMENT

Non- Intrusive Inspection Equipment Deployment

Location	Mobile VACIS	Pallet VACIS	NUCTECH	Rapiscan PALLET
Kingston Container Terminal (KCT)	2	1	1	0
Kingston Wharves Limited (KWL)	2	3	0	0
Port of Montego Bay	1	1	0	0
Universal Freight Handlers Limited	0	1	0	0
Adolph Levy & Brothers Limited	0	1	0	0
Kingston Logistics Center (KCL)	0	0	0	1
Seaboard Warehouse - Montego Bay	0	0	0	1
Total	5	7	1	2

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MILESTONES

"Taking stock of the past…looking into the future"

1975-1984

1975-Kingston Container Terminal (KCT) is opened. KCT serves 59 ships from 2 shipping lines, and handles 12,113 TEUs.

Kingston Free Zone is established.

1978-The Port Authority of Jamaica (PAJ) assumes responsibility for the Ocho Rios Cruise Ship Pier.

1979-KCT welcomes 559 vessels from 4 shipping lines. KCT handles 147,061 TEUs, an increase of 1,114% relative to 1975.

1980-A second cruise pier is constructed in Ocho Rios.

The power source for the island's navigational aids is upgraded from gas to solar.

1985-1994

1985-Montego Bay Free Zone is established.

1986-PAJ acquired the Port of Montego.

1987-Business Process Outsourcing operations commence in Montego Bay with CFL Limited.

1991-The Port of Montego Bay is dredged to widen the entrance channel

1994-KCT 2 - the first major expansion of KCT, gets underway.

1995-2004

1995-The ships' channel and basin of the Kingston Harbour are dredged to a depth of 13m.

1996-PAJ undertakes a major development at Ocho Rios Cruise Ship Pier.

1997-PAJ redevelops the Boundbrook Wharf in Port Antonio to allow for the export of bananas.

2001-KCT 3 is completed.

2002-The Marina in Port Antonio officially opened and the Ken Wright Pier is refurbished.

The Authority acquires Navy Island.

APM Terminals (Jamaica) Ltd., a subsidiary of A.P. Moller Group took over management of KCT.

CMA CGM opens full services in Jamaica.

2003-Jamaica welcomes 1 million cruise passengers.

2004-GOJ appoints the PAJ as the 'Designated Authority' responsible for ensuring that Jamaica's ports meet international security standards.

Port Antonio Marina receives two of five Blue Certification awards given to Jamaica.

PAJ signs five-year contract with Carnival Corporation, in which Carnival guarantees that it will bring a minimum of 2.5 million passengers to Jamaica over 5 years.

2005-2009

2005-Accepts delivery of 6 ZPMC Super Post-Panamax cranes.

Jamaica International Free Zone Development Limited (JIFZDL) is established.

KCT 4 is completed.

2006-Commences development of KCT 5.

The Marina is renamed The Errol Flynn Marina.

Maersk makes KCT its regional hub.

2009-PAJ assumes direct management of KCT, formerly managed by APM Terminals (Jamaica).

Commences negotiations and development with Royal Caribbean Cruise Lines (RCCL) for the development of the Port of Falmouth.

Commences development of the Historic Falmouth Port.

2010-2012

2010-Zim Shipping Lines' Antwerp makes inaugural call at KCT.

2011-The Historic Falmouth Port opens; and the Oasis of the Seas the largest cruise ship in service, makes its inaugural call. The port wins impressive international awards during its initial year of operation:

World Travel Awards 2011 - Caribbean's Leading Tourism Development Project.

World Travel Awards 2011 - World's Leading Tourism Development Project.

Seatrade Insider 2011 Port of the Year.

Cruise Insight Magazine's 2011 Best Local Initiative.

2012-PAJ signs agreement with Mediterranean Shipping Company (MSC) for the commencement of operations at KCT.

2013-2015

2013-The prestigious Disney Cruise Lines makes its inaugural call to the Historic Falmouth Port.

PAJ assumes full ownership of Boundbrook Wharves.

2014-The island welcomes an historic 1,420,744 passengers.

Caribbean's Leading Cruise Port 2014 is awarded to Ocho Rios.

Caribbean's Leading Heritage Attraction 2014 is awarded to Falmouth.

Ocho Rios Streetscape Enhancement Project completed.

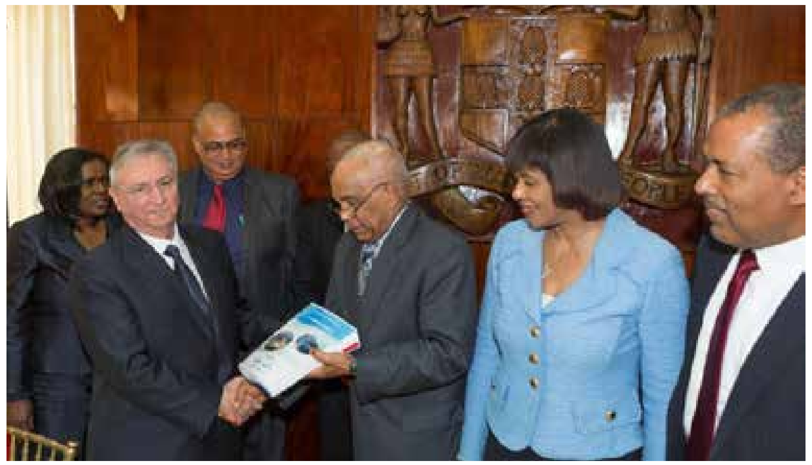
The historic Morant Point Lighthouse is refurbished.

2015-Signing of MOU with CHEC.

The start of a new era – Signing of Concession Agreement with Terminal Link CMA-CGM Consortium

BUSINESS HIGHLIGHTS
LOOKING TO THE FUTURE

SIGNING: CONCESSION AGREEMENT April 7, 2015 TERMINAL LINK & CMA CGM WITH GOVERNMENT OF JAMAICA



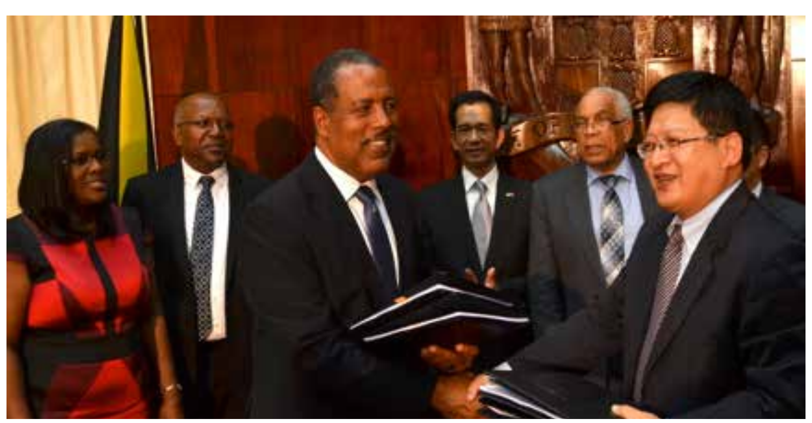
President of Terminal Link and Executive Officer of CMA CGM Group, Farid Salem (left) makes a presentation to Dr. the Honourable Omar Davies (second left), Minister of Transport, Works & Housing, Honourable Prime Minister of Jamaica Portia Simpson Miller, and President /CEO of the Port Authority of Jamaica, Professor Gordon Shirley. Sharing in the occassion are (from left) Audrey Sewell, Permanent Secretary, MTWH, Richard Azan, Minister of State, Transport, Works & Housing, and partially hidden is Honourable Dr. Morais Guy, Minister without Portfolio in the Ministry of Transport, Works & Housing.

OPPORTUNITY FOR GROWTH

Expansion of the Panama Canal is expected to be a game-changer within the regional industry and a growth opportunity for the Port of Kingston, which has the seventh largest natural harbour in the world, just 32 miles from the trade routes that traverse the Panama Canal. Its proximity to these routes facilitates faster and more cost effective transshipment to North and South America and the Caribbean, as well as Asia and Europe,

The concession agreement for partnership with Terminal Link CMA CGM will facilitate further development and expansion of the Kingston Container Terminal through (i) the provision of capital financing; (ii) improved efficiency through appropriate technology and best practices and (iii) networking with international counterparts to attract business to Jamaica. This will enable Jamaica to benefit meaningfully from the Panama Canal expansion.

SIGNING: NON BINDING FRAMEWORK AGREEMENT BETWEEN CHINA HARBOUR ENGINEERING COMPANY LIMITED (CHEC) AND THE GOVERNMENT OF JAMAICA



Professor Gordon Shirley (centre), President & CEO, PAJ exchange pleasantries with Zhongdong Tang, CEO of CHEC after the signing of a non-binding agreement between CHEC and GOJ. L-R: Also present are Audrey Sewell, Permanent Secretary, MTWH, Honourable Dr. Morais Guy, Minister without Portfolio in the MTWH, Wenhe Mo, Chairman of CHEC, and Dr. the Honourable Omar Davies Minister of Transport, Works & Housing.

POTENTIAL FOR ECONOMIC GROWTH

The Framework Agreement signed on August 5 2014 for development of an industrial park and transhipment hub at Portland Bight in Southern Clarendon promises substantial capital investment in Jamaica over the life of the project

CHEC has since provided for review and discussion a concept document entitled “Master Plan of Portland Bight Industrial Park Jamaica” Discussions for the completion in 2016 of a bankable project document for implementation are ongoing.

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OCHO RIOS – ENHANCEMENT PROJECT– Bridge Pier

CRUISE SHIPPING-ENGINE OF GROWTH

The Caribbean is presently the major region for cruise shipping. The region’s share of the global cruise market increased from 39.5% in 2014 to 42.2% in 2015. Cruise ship arrivals and passengers to Jamaica grew by 20% approximately in 2015. Particular emphasis is being given to the improvement of cruise infrastructure and the cruise product through public private partnership in order to position Jamaica for continued growth ahead of the competition.

BUSINESS PROCESS OUTSOURCING MONTEGO BAY FREEZONE

UNSATISFIED DEMAND FOR BPO

The raison d'etre of the three free zones in Kingston and Montego Bay is the creation of employment, transfer of technology and the generation of foreign currency earnings. Employment grew by 6% and foreign currency earnings by 12% during the period.

Satisfying the growing demand for space requires capital investment through public private partnership. Bringing capital and entrepreneurs together will be a major initiative in 2016.

PROPOSED SITE FOR LOGISTICS CENTER

Facility	Hectare
Tinson Pen	40
Kingston Logistics Centre	2
Kingston Free Zone	5
Jamaica Intl Free Zone	4
Terminal Development Area	30

BUSINESS AND INVESTMENT OPPORTUNITY

As the direction and expansion plans for the privatized port become known by international investors it is expected that the pace of concrete development in logistics activities will quicken.

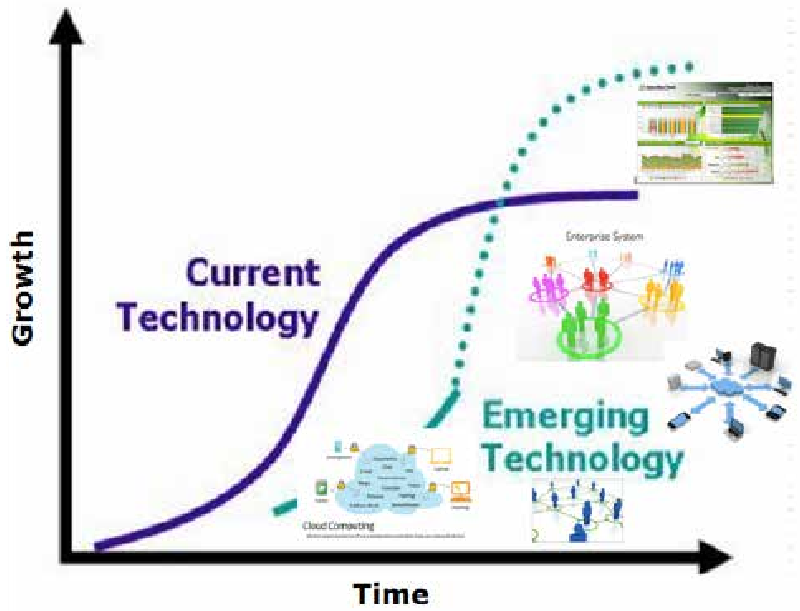
The provision of approximately 80 hectares of land in close proximity to the port, constitutes a business opportunity for local and overseas investors to develop these lands and provide facilities for value-added logistics activities and services.

HARBOUR AND PORT SERVICES AND INFORMATION TECHNOLOGY CATALYSTS FOR GROWTH

PLATFORM AND CATALYST FOR GROWTH

Harbours and Port Services

Attention will be given to upgrading of tugs, pilotage and harbour services through capital investment in equipment, navigational aids and maintenance dredging. Technology will be used for shared services and improvement in the level of service, safety and access to all harbours. This will constitute a business investment for public private partnership as appropriate.



Information Technology

Appropriate technology serves as a platform for growth and competitiveness. The strategy being pursued ensures high availability, increased capacity and performance; replaces multiple data centers, facilitates shared services and more efficient labour force management across multiple entities and improves mobility and security among other things in a cost effective and efficient manner. Emphasis will be placed on seamless integration with the Port Community System. It will change the way the Authority does business in 2016 and beyond.

PLUMB POINT LIGHT HOUSE **KINGSTON**

BOARD OF DIRECTORS

Our Board of Directors is responsible for the Corporate Governance of the Port Authority of Jamaica and its subsidiaries. The Board is dedicated to the delivery of high governance standards in order to ensure regulatory compliance, enhanced stakeholder value, corporate social responsibility and sustained business growth. It also promotes a culture of integrity, transparency and accountability while protecting the interests of employees, customers and the wider community.

MR. BYRON MCDONALD
Chief Position: Financial Consultant

AMBASSADOR A. B. STEWART STEPHENSON
Chief Position: Attorney- at- Law

MAJOR (RET'D) RICHARD REESE
Chief Position: Commissioner Of Customs

MRS. MAUREEN STEPHENSON VERNON
Chief Position: Advisor – Ministry of Transport, Works & Housing

MR. GARY PEART
Chief Position: CEO, Mayberry Investment Limited.

PROFESSOR THE HON. GORDON SHIRLEY, OJ. CHAIRMAN
Chief Position: President & CEO, The Port Authority of Jamaica

MR. HORACE REID
Chief Position: President, Carilinks Trading Network Ltd.

DR. JANINE DAWKINS
Chief Position: Chief Technical Director, Ministry of Transport, Works and Housing.

MR. PETER K. MELHADO
Chief Position: President & CEO, ICD Group.

MR. ROBERT KINLOCKE
Chief Position: Chairman, Gateway Shipping International Ltd.

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THE BOARD OF DIRECTORS' REPORT

OVERVIEW OF PERFORMANCE

The Fiscal Year ended March 31, 2015 was one in which The Port Authority of Jamaica (The Authority or PAJ) and its subsidiaries witnessed significant development in its core business. The key strategic imperative, the privatization of the Kingston Container Terminal (KCT) was realized, culminating in the signing of a long term Concession Agreement on April 7, 2015, with the Terminal Link/CMA CGM consortium. Concurrent with the privatization process, The Authority implemented comprehensive strategies to strengthen its regulatory functions, improve efficiency and advance its commercial interests in all major areas of business namely container handling, cargo, port services cruise shipping, harbours, and business process outsourcing. In addition, focus remained on deepening understanding and pursing opportunities in near shore logistics operations, an area of strategic importance for the Authority.

The Authority and its subsidiaries (The Group) earned after tax profit of $1.74 billion compared to $1.42 billion at March 31, 2014. Total revenue of $18.68 billion, less fair value gains of $589 million (2014 $4.27 billion) reflect an increase of $1.98 billion. The main sources of revenue and their contribution to total revenue continue to be container terminal revenue $10.99 billion (59%) and facility fees from cruise shipping $2.57 billion (14%), accounting for 73% of total revenue. The asset base of the Group was $57.7 billion, a decrease of 1% over $58.19 billion at March 31, 2014. Equity increased by $1.9 billion (13%) to $15.9 billion at March 2015. Included in fixed assets is $17.0 billion of investment properties. Net cash from operations increased by 22% and EBITDA by 6%. Long term debt to equity in turn declined by 17%.

Actual group revenue compared to budget for 2015 (excluding revaluation gains of $0.6 billion) declined by $0.5 billion (2.4%) to $19.4 billion compared to budgeted revenue of $19.9 billion and actual expenses by $0.8 billion (4.3%) to $18.2 billion compared to budget of $19.0 billion. Actual surplus increased by $0.3 billion (36.3%) over budgeted surplus of $0.9 billion to $1.2 billion for the year. A detailed analysis of financial performance is presented in the management discussion and analysis section of this annual report. The challenges and successes in the period as well as the plans and prospects for the future are considered hereunder.

PRIVATIZATION

Privatization is to facilitate the further development and expansion of the Kingston Container Terminal through (i) the provision of capital financing without increasing GOJ debt; (ii) improved efficiency through the use of available technology and best practices and (iii) the potential for networking with international counterparts to attract business to Jamaica.

The Request for Proposal phase which was initiated among three (3) prequalified entities at the end of FY2013/14 returned one proposal from the Terminal Link/CMA CGM consortium. Following an evaluation process, Terminal Link/ CMA CGM was declared the Provisional Preferred Bidder and Cabinet approval obtained to negotiate with this global terminal operator.

As timing and the desired outcome of negotiations are never certain, appropriate measures were identified and implemented by staff simultaneously to maintain viability and improve competitiveness through operational efficiencies. The objective was to enable the terminal to meet the demands of the Panama Canal expansion on time and deliver competitive service irrespective of the outcome of negotiations.

On April 7, 2015 an agreement was signed with the preferred bidder Terminal Link which is owned by China Merchant Holdings and CMA CGM a major customer of the KCT. The terms of this Agreement are incorporated in a 30 year Concession Agreement with Kingston Freeport Terminal Ltd (KFTL), a special purpose vehicle owned 60% by CMA CGM and 40% by Terminal Link. The concessionaire will purchase designated equipment with a net book value of $5.1 billion approximately and will be provided a lease for certain lands and buildings. The Agreement provides a reasonable return by international standards to the investors and in turn places specific obligations on the concessionaire for levels of service, growth in throughput and timely expansion to accommodate larger vessels expected from the Canal expansion and facilitate economic growth. Financial close is expected to occur within six to eight months of signing and handover within three months of financial close.

Concluding the agreement for privatization is part of a much broader national objective requiring effective supervision and contract administration by the Authority for the duration of the contract to ensure that the promised benefits to the country are realized within the agreed timelines.

KINGSTON CONTAINER TERMINAL

The Industry

General improvement in macroeconomic conditions among advanced economies resulted in increased demand for containerized cargo service. The United States economy, a key driver of global growth in container shipping, grew by an estimated 2.4% resulting in an increase in inbound traffic in all the sub regions of the US containerized cargo market. Decline in growth of the Chinese economy reduced shipping demand in the Far East. Global containerized cargo volumes as a result increased by an estimated 4% for the 2014 calendar year.

The major challenge that confronted industry stakeholders was the need to continually reduce operating costs in the face of overcapacity and depressed freight rates, increased competition and increasingly thin margins. Success in meeting these objectives varied across the spectrum of shipping lines, with a clear bias towards scale, as larger carriers such as Maersk and CMA CGM outperformed smaller lines. The sustained decline in oil prices was welcome news for many shipping and port interests.

The imperative to control operating costs led to a sustained thrust towards consolidation among shipping lines and the formation of alliances and mergers. It also led to calls on the Authority by major shipping lines for greater discounts on rates charged. The consolidations brought into sharp focus the need to maintain high levels of productivity and cost effectiveness at the Terminal in order to ensure financial viability and improve financial returns.

PERFORMANCE

The Authority's containerized cargo business in 2014-2015 performed creditably in the context of an unsettled global industry. TEU's handled at the port increased by 72,552 (5.3%) to 1,440,851 in 2015 compared to 1,368,299 in 2014. When compared to the 2015 budget of 1,495,606 there was a decline of 54,755 TEU's. Three shipping lines accounted for 84% of the container moves. Total cargo ship calls to Jamaica increased by 21 calls (1%) from 2,833 in 2014 to 2,854 in 2015. Cargo volume handled increased by 1 million (4%) metric tonnes from 22.4 in 2014 to 23.4 million in 2015.

Despite the limitations in investment in new equipment, a substantial overhaul of the business processes resulted in marked improvement in productivity, availability and reliability of equipment. As a result of these initiatives there were notable improvements in turnaround time of vessels at the port and in operational efficiency as evidenced in the Key Performance Indicators.

CRUISE SHIPPING

According to Cruise Lines International Association (CLIA), global cruise passengers totaled an estimated 21.7 million in calendar 2014, up 1.9% relative to 21.3 million in 2013. The Caribbean cruise region grew by 12% over 2013. One of the most significant developments in the industry was the shift in cruise line capacity deployed to the Caribbean from Europe, where cruise lines in recent years have had trouble filling ships. The increase in global capacity deployed to the Caribbean from 39.5% in 2013 to 42.2% in 2014 created opportunities for growth in the region.

Cruise passenger arrivals of 1.5 million were the highest ever achieved in Jamaica, reflecting an increase of 20% above the 1.2 million in March 2014 and marginally above budget for 2015. The number of cruise ship calls increased by 70 (19%) to 433 compared to 363 in 2014. The Ports of Falmouth and Ocho Rios were the primary ports of call, accounting for 44% and 32%, respectively, of ship calls and 52% and 30% of passenger arrivals. Royal Caribbean accounted for 53% of total passengers, up by 24.5%. Carnival's contribution accounted for 34% of throughput, down by 4.7%. The contraction in passenger contribution by Carnival was far exceeded by additional passengers from all other cruise lines.

During the year 2015 investment in cruise infrastructure development was undertaken in the ports of Ocho Rios and Falmouth and included enhancement of the facilities to improve passenger experience. There are plans for further development in all cruise port facilities.

FREEZONES: BUSINESS PROCESS OUTSOURCING

As the main driver of the local Business Process Outsourcing (BPO) Sector in Jamaica, the Authority remained focused on improving its property at the Montego Bay Free Zone (MBFZ), and expanding the capacity to respond to the demand from new and existing BPO operators. Accordingly, activities were pursued for the provision of a new 63,000 sq. ft. building on Free Zone lands. This includes the development of business and financing plans. Discussions are far advanced in the negotiation for project financing. Development is expected to commence in quarter 1 financial year 2015/16.

The commitment to facilitating long-term growth in the sector was evidenced by MBFZ's strong support to the Business Process Industry Association of Jamaica (BPIAJ) in securing funding from the Inter-American Development Bank (IDB) to develop a Cluster Competitiveness Project. The MBFZ will house the 200 seat incubator, while Columbus Communications Jamaica Limited (CCJL) will provide the technology solution.

The three freezones together increased employment and foreign currency earnings by 6% and 9%, respectively, over 2014.

PORT SECURITY

As the Designated Authority with respect to the International Ship and Port Facility Security (ISPS) Code, the PAJ executed a strategic programme to ensure that ports engaging in international trade are in compliance. Procurement of the Integrated Port Security System (IPSS) is far advanced, with completion of the tender process and the necessary approvals obtained. Implementation of Phase 1 of the project is scheduled for quarter1 of 2015/16.

PORT COMMUNITY SYSTEM

During the fiscal year the Authority worked closely with the Jamaica Customs Agency (JCA), Shipping Association and other stake holders to implement the Port Community System (PCS). The implementation time line for the project was extended from June 2014 to August 2015. This was due to the decision by Customs to adopt the Asycuda World systems and its deployment to process all transactions by Government Agencies. This resulted in a reduction in the scope of the project and this in turn resulted in a retendering in February 2015. A substantially more cost efficient but equally effective system is expected as a result of the changes. The bids were received in April 2015 and the project is on track for implementation of Phase 1 in August 2015.

LOGISTICS

The provision of approximately 80 hectares of non-operational port lands in close proximity to KCT and at Tinson Pen is expected to increase throughput at the Terminal and lay the foundation for long term stability of containerized cargo at KCT. A market sounding exercise was undertaken during the year which yielded Expressions of Interest from several firms seeking to pursue business opportunities in this area. The Authority participated in industry trade shows and prepared promotional materials as part of a marketing initiative.

INFORMATION TECHNOLOGY

An integrated portfolio of enterprise systems was identified for implementation to facilitate operating efficiencies at the port, workforce management and the generation of financial statements in dual currencies. These systems will facilitate integration with the Port Community System and the Integrated Port Security System being implemented. The strategy is designed to provide cutting edge technology in internet communications and protection from physical damage to the infrastructure at an economic cost.

PORTLAND BIGHT

The Authority has signed a non-binding Agreement with China Harbour Engineering Company (CHEC) which sets out a concept for development. The focus of the Authority in the coming months will be to conclude a binding Agreement for development of the industrial park and related facilities within a time certain.

LEGAL AND REGULATORY

The Authority placed emphasis during the year on aligning its policies with those of the Government's economic programme and strengthening its corporate governance systems. Work also commenced on the development of a Governance Charter which seeks to provide guidance to the Board of Directors in the discharge of its fiduciary responsibilities.

The Authority's regulatory mandate remains paramount and unchanged with privatization. Working closely with the Ministry of Transport Works and Housing (The Ministry) attention was given to enabling the legislative and regulatory environment to facilitate Public Private Partnership arrangements and regulation of privatized activities. A revised draft of the Port Authority Bill was prepared by the Office of the Chief Parliamentary Counsel and submitted for further review by the PAJ, the Ministry and other stakeholders.

OUTLOOK

2015 Performance Against Targets: The Authority improved productivity and operating efficiencies in all business units in the past year. Revenue (excluding revaluation gain) grew by 12% and net profit by 22%.Througput on cargo increased by 5.3%, passenger arrivals by 20% and ship calls by 19%. Net cash from operations increased by 22% and EBITDA by 6%. Excess of current assets over current liabilities declined by 2% and long term debt to equity by 17%. Actual surplus exceeded budget by 36%. An agreement has been reached for privatization of terminal operations. The foregoing confirms the appropriateness of the strategies employed in the past year. Transformation for improved and sustainable profitability and a more significant impact on the national economy, however, is still a work in progress.

Improving Organization Effectiveness: In anticipation of business model changes, which will arise from privatization of the Container Terminal, the Authority will establish an appropriate organizational structure to facilitate the execution of its functions in the post KCT privatization period. A comprehensive assessment of all aspects of its business will be undertaken, including statutory and commercial operations, with a view to formulating an appropriate plan to reorganize its operations. Areas of focus include the organizational structure, business processes, policies and procedures, human resource development as well as the management arrangements for the commercial operations.

Terminal Operations will assume even greater significance as a pillar for growth post privatization. The Authority will still have responsibility for service, delivery and expansion in this area of its business. Its role will change, however, from implementing the measures necessary for increased productivity, targeted growth and expansion of the Port to ensuring timely discharge by the private operator of its contractual obligations under the Concession Agreement. Special attention and support will be given to this business unit to facilitate the transition and ensure success. Privatization is expected to release technical and financial resources for development, expansion and sustainability of other areas of business opportunity.

Harbour and Port Services

Attention will be given to the upgrading of tugs, pilotage and harbour services through capital investment in equipment, navigational aids, technology and maintenance dredging in anticipation of larger ships and increased activity at ports across Jamaica. Opportunities for public private participation as appropriate in these business areas will be actively explored.

Business Process Outsourcing may be expected to benefit from continued improvement in Jamaica's profile as a place for doing business and add to the already unfilled demand for office and factory space within the freezones and beyond. This growth area requires capital to realize the potential for increased economic activity, profitability, jobs and foreign currency earnings. Through appropriate marketing and seminars private capital entrepreneurs will be brought together at appropriate venues and encouraged to revisit the merits of investing in physical capacity through partnerships and other appropriate vehicles that facilitate the sharing of risk. The Authority will also contemplate efficient ways of using limited financial resources to catalyze requisite investment.

Cruise Shipping has substantial scope for growth and profitability and will benefit in many ways from a destination that is more attractive to visitors and from an economic environment that is more conducive to business. The Authority will continue in partnership with stakeholders to improve related infrastructure, ensure ready access to the ports and reduced tourist harassment. Particular attention will be given to identifying opportunities for private partnership, equity financing and other reliable sources of funding to develop and maintain requisite capacity at all harbours through technology and infrastructural investment. Improved systems and facilities are expected to encourage growth in cruise and cargo operations.

Logistics: The pace of development of the Logistics Centre is expected to quicken with clarity on the operation of the Terminal. The prospects for a range of new business activities and economic growth are exciting but demand meticulous planning, targeted marketing and networking of access to available resources. A greater thrust will be made to realize the potential for economic growth and jobs under the framework agreement with CHEC.

Information Technology: Full implementation of the initiative which commenced in 2015 to facilitate shared services, systems integration, and timely access to changing technology is expected to have a transformative impact on the way the Authority carries out its functions and ultimately on its financial performance.

The Authority is on the threshold of a new era for growth and contribution to national development. The prospects for transformation are encouraging and implementation achievable with our committed staff and critical support of our shareholders. We therefore look forward to an exciting year of challenges overcome.

PROFESSOR THE HON GORDON SHIRLEY, O.J.
CHAIRMAN

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CORPORATE GOVERNANCE

The Board of Directors of the Port Authority of Jamaica has responsibility for corporate governance matters and is the prime policy decision-maker of the Authority. The Board ensures the Authority's sustained growth and development by collectively directing the organization's affairs and maintaining the highest standards of governance whilst meeting the interests of its stakeholders. In its advisory role it provides strategic guidance and oversight of management.

ROLE OF THE BOARD OF DIRECTORS

The Authority executes a range of functions that includes the development and marketing of ports and port facilities, regulation of ports, security and operations. The Board of Directors in this regard, provides guidance and oversight on policy direction and strategy in all business operations.

Specifically the Board of Directors fulfills the following functions:

- Ensures the presentation of the Corporate Plan to the relevant publics.
- Ensures the efficient and effective management of the Authority and ensures the accountability of all persons who manage the resources of the public body.
- Advises the Minister of Transport, Works and Housing on matters of general policy relating to the management of the Authority.

COMPOSITION OF THE BOARD

During the period under review, the Authority benefitted from the stewardship of a Board of Directors which comprised of 10 members.

BOARD COMMITTEES

The Board assigned specific responsibilities to Board Committees in order to effectively manage the work of the Board, provide emphasis on specific strategic initiatives and strengthen its governance role.

The role of the Committees is foremost to review and monitor policies, with the guidance and ratification of the Board of Directors. The Board acts on the recommendations of the Committees following their review and advice on proposals submitted by PAJ's Management.

Each Committee has its own Terms of Reference which defines the roles and duties of the respective Committees.

The Committees enhance the decision-making process of the Authority and facilitate the efficient flow of information and implementation of policies between the Board and the Management.

PROJECTS COMMITTEE

THE MEMBERS OF THE PROJECTS COMMITTEE ARE:

Mr. Horace Reid – Chairman

Mrs. Maureen Stephenson Vernon

Dr. Janine Dawkins

Mr. Robert Kinlocke

The Projects Committee oversees all development projects of the PAJ and its subsidiaries. Its specific roles are outlined below:

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

FINANCE COMMITTEE

THE MEMBERS OF THE FINANCE COMMITTEE ARE:

Mr. Gary Peart – Chairman

Mr. Peter Melhado

Major (Ret'd) Richard Reese

The Finance Committee functions as follows:

- Performs an advisory role in the Authority's financial operations. Makes recommendations to the Board on matters of finance and accounting in general.
- Highlights any perceived weaknesses in the accounting and financial system, with suitable recommendations to strengthen the system.
- Reviews and makes recommendations to the Board on the following:
  - Financial Management Policies and Strategies
  - Cost Management
  - Cash Flow Management
  - Capital Investment
  - Budget Administration
  - Financial Plans

PILOTAGE **COMMITTEE**

THE PILOTAGE COMMITTEE IS CHAIRED BY

Dr. Janine Dawkins - Chairperson

Mr. Robert Kinlocke

The Terms of Reference for the Pilotage Committee are as follows:

- Examines the disciplinary procedures as established in the Pilotage Act and makes recommendations on changes, if any, that are required to harmonize with conventional industrial relations practices.
- 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 to enhance operations.
- Reviews any other areas relating to the provision of Pilotage services which are considered critical to the provision of an efficient service.
- Examines reports of incidents/accidents involving vessels under the Pilotage charge and advises if an enquiry should be scheduled in accordance with the Pilotage Act.

AUDIT **COMMITTEE**

THE MEMBERS OF THE AUDIT COMMITTEE ARE:

Ambassador A. B. Stewart Stephenson - Chairman

Mrs. Maureen Stephenson Vernon

Mr. Byron McDonald

The role of the Audit Committee includes:

Advises the Board on:

- Practices and procedures which will promote productivity and the quality and volume of service.
- The extent to which the objectives of the the Authority are being achieved.
- The adequacy, efficiency and effectiveness of the accounting and internal controls of the Authority.
- Reviews and advises the Board on the financial statements that are to be included in the annual report of the Authority.
- Oversees internal audits of the Authority.
- Reviews and advises the Board on the annual auditor's report.

BOARD AND **COMMITTEE** MEETINGS

During the year under review the Board of the Port Authority had nine (9) regular monthly meetings and one (1) retreat. The Committees met on a monthly basis, responded to matters within their remit and advised the Board accordingly.

FOLLY POINT LIGHT HOUSE **PORTLAND**

PRESIDENT & CEO'S STATEMENT

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Dear Stakeholders,

The past year has seen notable strides towards stability in the Jamaican economy that are beginning to engender confidence by local and international stakeholders in the country's will and prospects for improved and sustainable economic growth. The hedge against sharp fluctuations in the price of oil, treasury management, consolidation of administrative functions and greater use of technology across all sectors are encouraging initiatives at the national level to improve efficiencies and reduce costs. Credible management of the economy in compliance with obligations under the IMF facility, commitment to staying the course and improvements in the country's sovereign ratings underpin the emerging but still fragile confidence. Growth of 3.3 percent in the global economy in 2014 augurs well for the domestic economy.

Successful finalization without a Government guarantee of the Concession Agreement with the Terminal Operating Arm of the third largest shipping line will not go unnoticed by international players and should underscore the country's openness to partnership with international investors. The local banking community and potential investors were in the past year systematically introduced to opportunities for investment in credible projects in our major business segments namely Cruise Shipping, Harbour and Port Services, Business Process Outsourcing and Logistics. The prospects therefore for bringing capital and business together for meaningful discussions have improved and will be pursued aggressively in 2016.

The PAJ's group of capable employees have adjusted to changes in the past year and rose to the occasion as circumstances demanded. Training was provided during the year at all levels of the organization and will continue as we change our processes and adjust to new challenges. We are confident that our staff will, with continuing education and training, be equal to the challenges that lie ahead and convert opportunities to viable projects.

The Boards of Directors across all our service areas have delivered and remain committed to the task. Our colleagues in all branches of the shipping industry, suppliers and service providers including customs, financial institutions and security have been equally supportive. The Ministry of Transport, Works and Housing provided timely regulatory support.

The support of the Government and that of our portfolio Minister, Dr Omar Davies Minister of Transport, Works and Housing and his team, in resolving difficult issues as they arise, is legendary.

The Port Authority remains steadfast in its commitment to making a meaningful contribution to the economic growth and development of Jamaica. My sincere thanks to each and everyone for your invaluable contribution and support as we look forward to a brighter future together.

PROFESSOR THE HON. GORDON SHIRLEY,
OJ CHAIRMAN, PRESIDENT & CEO

SENIOR EXECUTIVE TEAM

FROM LEFT:

MRS. BEVERLEY WILLIAMSON: SVP, Business Management & Special Projects

MR. MERVIS EDGHILLL: SVP, Engineering & Port Development

DR. CARROL PICKERSGILL: SVP, Legal, Regulatory & Corporate Affairs

MRS. ELVA WILLIAMS-RICHARDS: SVP, Finance, Corporate Planning, Information Services and Materials Management

MS. ROSALIE DONALDSON: SVP, International Marketing & Client Services

PROFESSOR GORDON SHIRLEY: President & Chief Executive Officer

Directors & Corporate Data

DIRECTORS

Professor Gordon Shirley
Chairman

Janine Dawkins

Peter k. Melhado

Gary Peart

Byron McDonald

Robert Kinlocke

Major (Ret'd) Richard Reese

Horace Reid

Ambassador A.B. Stewart Stephenson

Maureen Vernon

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 & WEBSITE

Email: paj@portjam.com
Website: www.portjam.com

Senior Management

CORPORATE HEAD OFFICE

Professor Gordon Shirley
President & Chief Executive Officer

Rosalie Donaldson
SVP, International Marketing & Client Services

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

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

Mervis Edghill
SVP, Engineering & Port Development

Beverley Williamson
SVP, Business Mgmt. & Special Projects

Belinda Ward
VP, Human Resource & Admin.

Capt. Hopeton DeLisser
VP, Harbours & Port Services

Richard Roberts
VP, Legal Services

Gary Lawrence
VP, Engineering

Wilburn Pottinger
VP, Information Systems

Paul Rousseau
VP, Engineering

Almondo Jones
VP Finance & Accounting

Edmond Marsh
VP, Business Development

William Tatham
VP, Cruise Shipping & Marina Operations

DCP Linval Bailey
VP, Security

Flora Garth
VP, Materials Management

David Powell
Chief Group Internal Auditor

Dr. Paul Robertson
Director, Government Relations

Hortense Ross-Innerarity
Superintendent of Pilotage

Christopher Hamilton
Project Manager

Capt. Gimen Mendes
Port Captain

Raquel Forbes
AVP Legal Services

Merl Dundas
AVP, Compliance, Secretary Subsidiary Company

Candice Bonjoko
AVP, Management Accounting

Libya Andrade
AVP, Financial Accounting

Nadine Gordon
AVP, Subsidiaries

Sharnakae Stewart
AVP, Corporate Planning & Research

Karla Huie
AVP, Business Operations

Ewart Henry
AVP, Business System & Support

Paul Dadd
General Manager Errol Flynn Marina

Errol Grant
AVP, Security

Keisha Holness-Feanny
AVP, Group Internal Audit

Kimberley Stiff
AVP, Marketing Communications

Francine Williams
AVP, Internal Audit - Risk & Compliance

TERMINAL OPERATIONS

Dwane Forrester
Acting General Manager

Adrian Brown
Corporate Communications Manager

Ishmael Leon
Chief Financial Officer

Michelle Smith-Cooke
Finance Manager

Kathleen Watson
Accounting Manager

Kennesha Thomas
Cost Accountant

Marilyn Hayre
Administrative Manager

Winston Hart
Claims Manager

Nelson Barton
HR & Industrial Relations -Acting

Andrea Lothian
Manager, HR Services

Val Meeks
Employee Relations Manager

Ronald Salmon
Quality Assurance Manager

Grace Miller
Risk & Compliance Manager

Norman Williams
Acting Operations Manager

Johnathan Chin
Planning Manager

Clifford Anglin
Logistics Manager

Cecil Maragh
Manager, Domestic Operations

Glenroy Levy
Engineering Manager

Christopher Soltau
Acting Assistant Engineering Manager

Mark Harley
Manager, Quay Cranes

Neville Walker
Acting Special Projects & Maintenance Manager

Wayne Johnson
Assistant Engineering Manager

Francine Staple
Security and Safety Manager

Norman Lindo
VP, Special Advisor IT

Courtney Bennett
IT Manager

Duane Wittaker
Assistant Manager, IT

SUBSIDIARIES

KCT Services Limited
Chairman: Peter K. Melhado

Kingston Free Zone Limited
Chairman: Clive Fagan
Operations and Customer Relations
Manager: Beverley Lee

Ports Management and Security Limited
Chairman: Major (Ret'd) Richard Reese
Chief Operating Officer: DCP Linval Bailey

Montego Bay Free Zone Limited
Chairman: Andral Shirley
Manager: Gloria Henry, AVP Operations

Jamaica International Free Zone Development Limited
Chairman: Ambassador A.B. Stewart Stephenson
Operations and Customer Relations
Manager: Beverley Lee

Port Authority Management Services
Chairman: Horace Reid
Administrative and Technical Services
Manager: Laurel Robinson

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MANAGEMENT DISCUSSION & ANALYSIS

The information presented in the Management Discussion and Analysis (MD&A) highlights the results, changes, developmets and achievements of the Port Authority of Jamaica (PAJ) against previous years and analyses financial performance as reflected in its 2015 audited financial statements.

OPERATIONAL PLAN HIGHLIGHTS

Set out hereunder are highlights of the Authority's work plan and objectives for the fiscal year ended March 31,2015,

AREAS OF FOCUS	OBJECTIVES
PRIVATIZATION	Conclude negotiations and sign concession agreement Develop alternative strategy to continue as operator if required.
KINGSTON CONTAINER TERMINAL (KCT)	Improve operational efficiency, competitiveness and revenue.
CRUISE SHIPPING	Increase traffic, market share, passenger spend and experience.
BUSINESS PROCESS OUTSOURCING	Expand rentable area, increase employment and grow revenues.
SECURITY	Integrated port security system to reduce illicit activities.
INFORMATION TECHNOLOGY	Improve technology for greater efficiency.
PORT COMMUNITY SYSTEM	Finalize RFP to establish system to link relevant agencies.
REGULATORY	Revisit tariff regime for appropriateness.
LOGISTICS	Develop framework to attract major international players in logistics.
PORTLAND BIGHT	Formulate and sign implementation agreement.

PRIVATIZATION

The Management Team of the Authority and its consultants provided Technical support as appropriate to the Enterprise Team in the evaluation of the proposal received, facilitating due diligence and negotiations with the preferred bidder of the technical aspects of the concession agreement and related obligations as operator of the Kingston Container Terminal (KCT). A detailed operational plan was developed to maintain and improve value at the Terminal and for continuing as operator in the event that the parties are unable to conclude an agreement beneficial to the country and in a time frame consistent with the country being able to take advantage of the opportunities to be created by the opening of the expanded Panama Canal.

KINGSTON CONTAINER TERMINAL

PERFORMANCE: ALL VESSELS

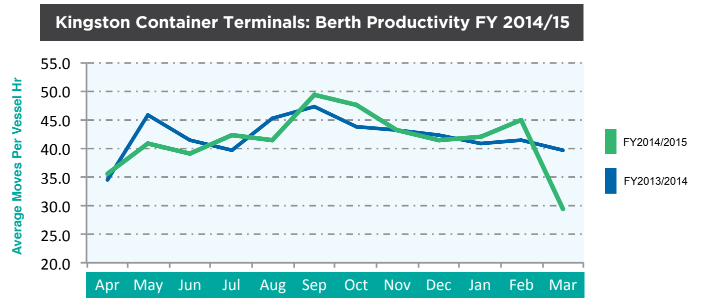
Management has worked to re-establish a preventive maintenance programme designed to bring the condition of the Terminal Handling Equipment back to the standards required to achieve the performance levels specified in the contracts with the main shipping lines. Set out hereunder for the fiscal year ended March 2015 are the targets and actual performance for all vessels including major lines to achieve this objective.

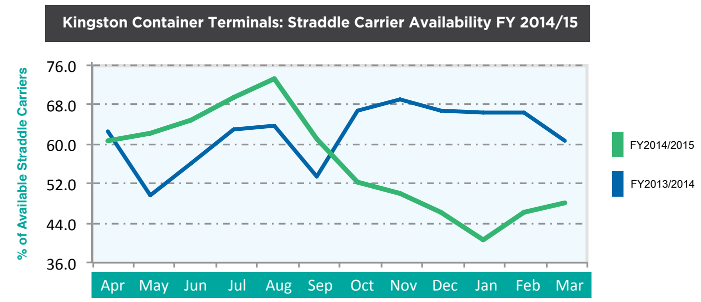
	TARGET	ACTUAL
Berth Productivity- moves per vessel hour	50	41.4
Productivity Moves per crane hour (gross)	≥ 27	28.2
Crane Reliability (%)	98	97.7
Truck Turn-around-time (Mins)	≤ 24 min	28 min
Straddle Carrier Availability (%)	88	55.7
Safety at the Port (Loss Time Accident (LTA)	7 injury related workdays per month	7

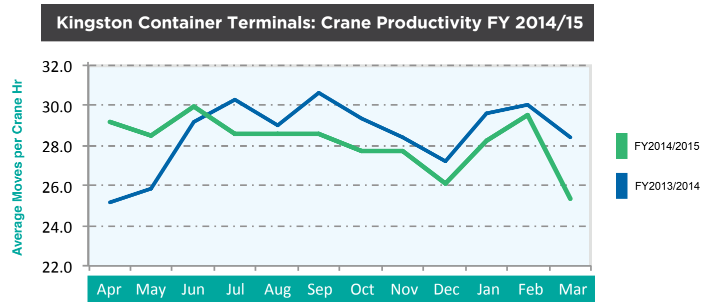
A key undertaking for the Terminal during the year was the implementation of a programme to improve operational efficiency and productivity. The following elements of the Terminal's operations were targeted:

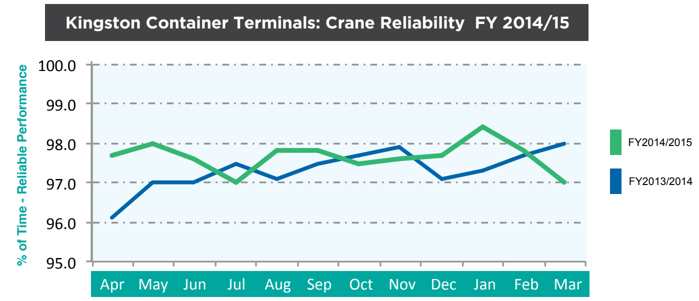
- Equipment availability - Revised Maintenance Plans for all major equipment were designed and implemented.
- Training and development - Based on the findings of a skill requirement assessment for the maintenance program a training programme was developed and implemented. As at March 31, 2015 a total of 148 technicians have been trained.
- Systems - Initiated the procurement process to acquire a new Terminal Operating System (TOS) and Digital Global Positioning System (DGPS) and Wi-Fi network.
- Tools - Based on the findings of a requirements assessment, the relevant procurement processes were initiated for critical tools and spares.

The overarching objective is to minimize vessel turnaround time at the berth. Decline in berth productivity increases vessel time at the berth. The most significant contributor to adverse performance was unavailability of the appropriate fleet of equipment due in large part to financial constraints that did not allow for acquisitions as required. Priority was given in the deployment of equipment and other resources to mainliners. March 2015 performance was adversely affected by environmental challenges associated with fire at the city dump. Set out hereunder for each area of operation are the actual average performances for all vessels compared to target. While berth productivity of 41.4 moves per hour for all vessels was less than the target, berth productivity of 65.9 moves per hour for mainliners exceeded the target.





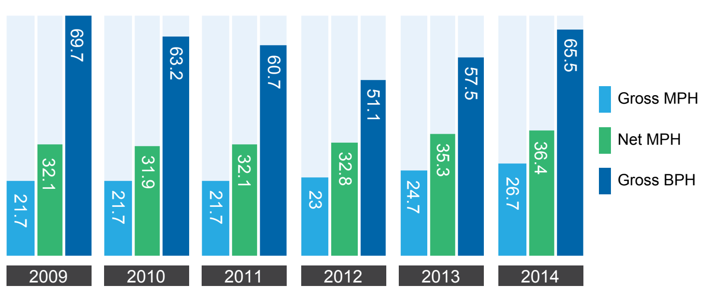




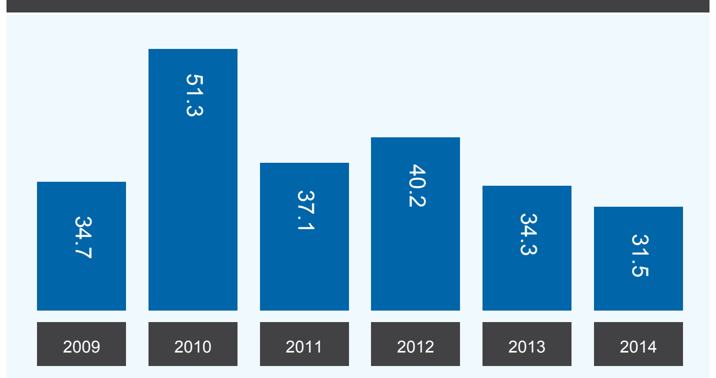
PERFORMANCE MAINLINERS

Set out hereunder are charts reflecting performance over the last 23 months to December 2014 and six years from 2009 in respect of the performance targets.

Graph 1 BERTH MOVES per HOUR, ZIM MAINLINERS, Moves >=1200



Graph 2 MAINLINER BERTHING TIME (HOURS), ZIM, MAINLINERS, Moves >=1200



The decline in berth productivity and the increase in vessel berth time were a direct result of the decrease in the number of available cranes and straddle carriers. This downward trend continued to middle 2013. Set out hereunder is comparative equipment availability.

Comparative Equipment Availability

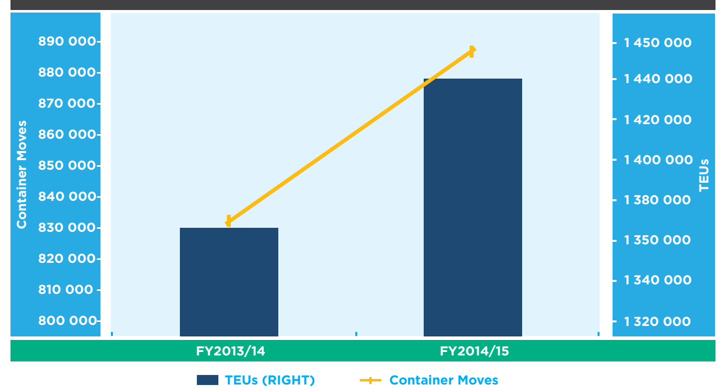
January 2009	November 2014
10 Functional Gordon Cay cranes	6 Functional Gordon Cay cranes
72 Straddle carriers in fleet	65 Straddle carriers in the fleet
1300 meters of operational berth at Gordon Cay	700 meters of operational berth at Gordon Cay

Since June 2013 there has been a positive trend for both berth productivity and vessel berth time. The vessel berth time results for 2013 and 2014 were 34.3 hours and 31.5 hours, respectively, both bettering the previous four years results. Performance has improved substantially and vessels are spending less time in port due to a 23% increase in crane productivity. The terminal is currently doing more with far less equipment compared to six years ago.

CONTAINER MOVES AND TEU'S

Despite the over-supply of shipping capacity and volatile freight rates, growth in terminal throughput as measured by container moves and TEUs was in line with the projected average annual growth rate of 5.3% for Central America/ Caribbean region.

Kingston Container Terminals: Container Moves and TEUs for FY 2014/15

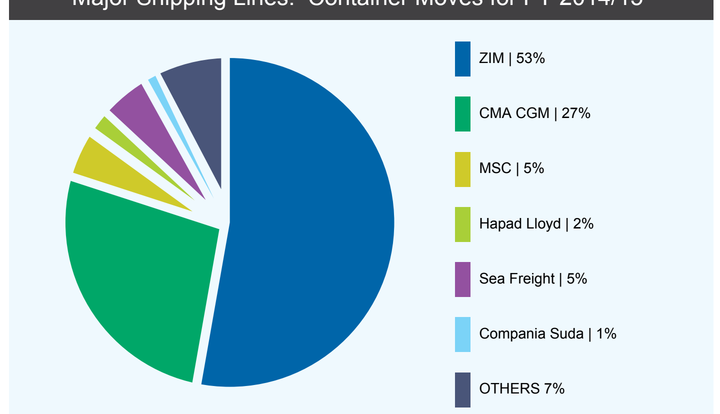


THROUGHPUT

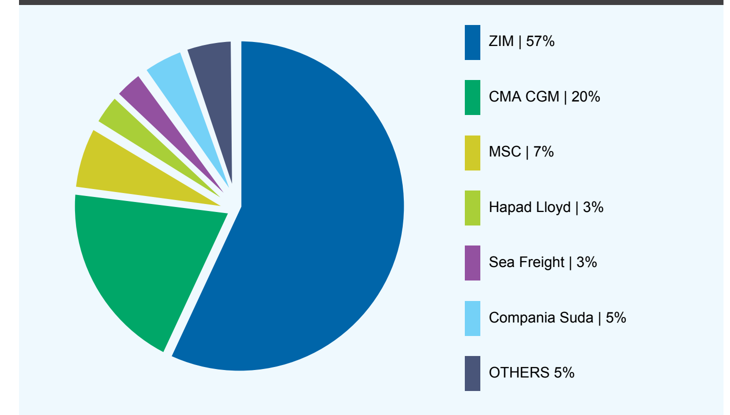
Container moves increased by 50,472 (6%) to 883,735 in 2015 up from 830,019 in 2014. TEUs increased by 72,547 (5%) to 1,440,848 in 2015 up from 1,368,301 in 2014.

This compares favorably with the projected average annual growth rate of 5.3 %t (2013 to 2018) for the container port market of Central America and the Caribbean. The percentage contributions of transshipment (87%) and domestic (11%) of total TEU's were the same in 2015 and 2014. TEU throughput in 2015 represented 51% of the 2.8 million plant capacity up from 49% in 2014.
Three shipping lines, ZIM, CMA CGM and MSC accounted for 84% of container moves in 2015 and 2014.

Major Shipping Lines: Container Moves for FY 2014/15



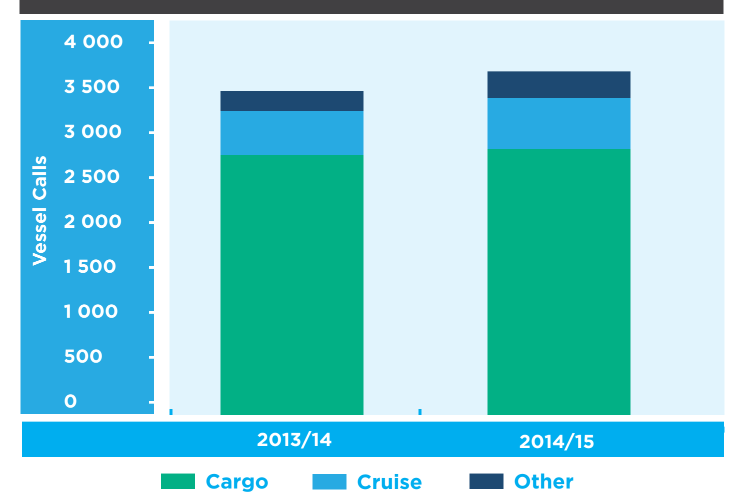
Major Shipping Lines: Container Moves for FY 2013/14



CARGO OPERATIONS

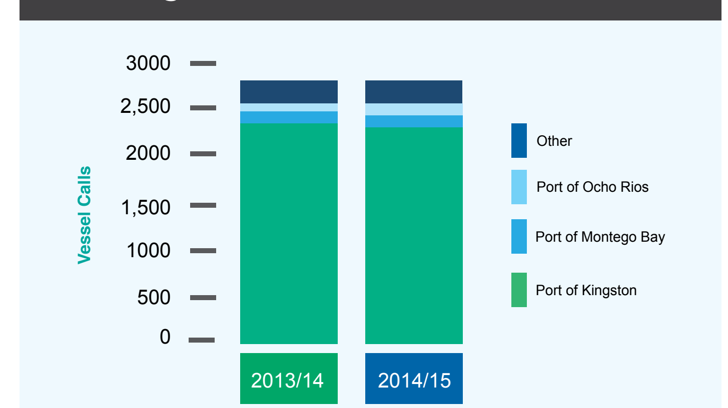
The total number of vessels arriving at Jamaican ports in 2015 increased by 72 (2%) from 3,448 to 3,520. Cruise and cargo vessels increased by 70 and 21 respectively while other vessels declined by 19.

Vessel Calls by Type

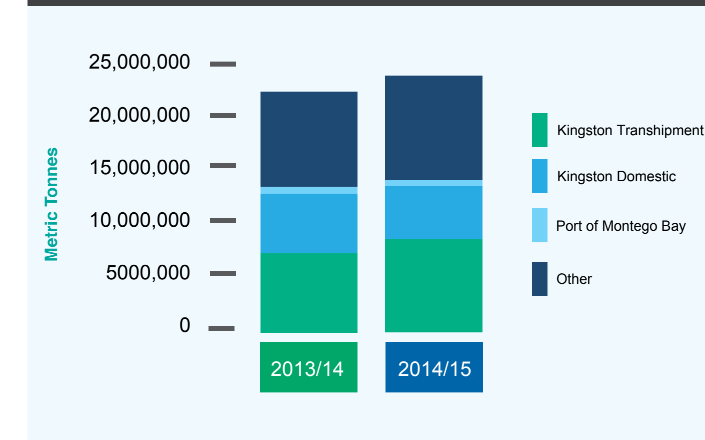


Kingston remained the dominant port of call for cargo in 2015 accounting for 2284 calls (80%) down from 2,326 (82%) in 2014. Montego Bay experienced a 13% increase from 142 to 180 calls and Port Antonio a 41% increase from 58 to 82 calls.

Cargo Vessel Calls at Jamaica's Ports



Cargo Volumes by Major Ports of Call



Cargo volumes increased by 951,286 metric tonnes (4%) to 23,380,215 in 2015 from 22,429,529 in 2014. Kingston accounted for 56% of all cargo in 2015, Montego Bay 3% and all other ports 41%. The distribution across ports was marginally different from 2014. Kingston accounted for 800,231 (84%) of the increase. Transshipment cargo through Kingston increased by 10% over 2014 and accounted for 81% of the total increase and 96% of the increased volumes through the ports in Kingston. Domestic cargo accounted for 4% of the increase in Kingston.

CRUISE SHIPPING

INDUSTRY

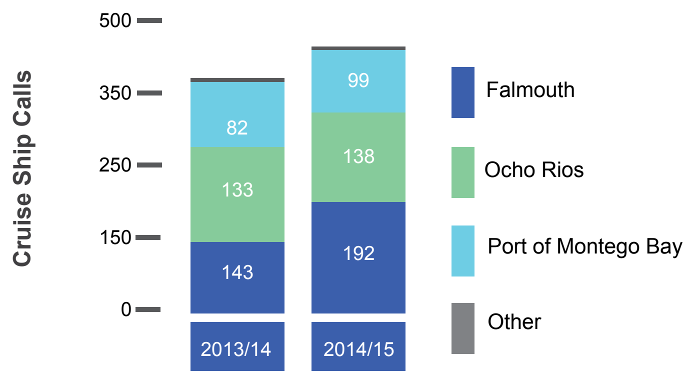
The Caribbean is presently the major region for cruise shipping. The region's share of the global cruise market increased from 39.5% in 2014 to 42.2 % in 2015.This growth in market share reflects the impact of an improved global economy as well as higher consumer demand. In particular, demand for cruise products from North American and European consumers continue to expand at a moderate pace, influenced by higher value-for-money offerings in terms of on-board food and entertainment. In this context major cruise lines have undertaken significant marketing initiatives, to complement their deployment of more innovatively designed cruise vessels with larger passenger capacities.

HIGHLIGHTS

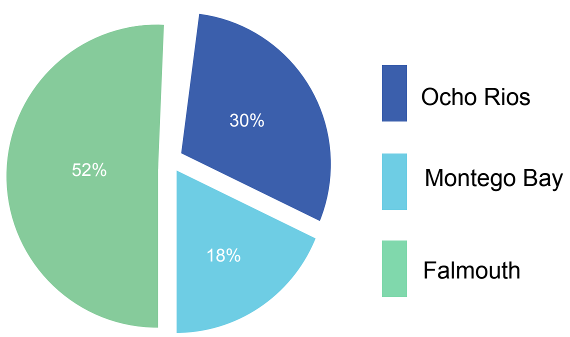
Cruise ship calls and cruise passenger arrivals to the island increased markedly during the 2015 fiscal year, reflecting greater buoyancy in the global cruise market, and a growing share for the Caribbean. Concurrently, the Port Authority's strategic investments in port infrastructure and aesthetics enabled Jamaica to accommodate higher levels of cruise traffic. The Port of Falmouth was awarded the World's Leading Heritage Attraction by the World Travel Awards, one of five awards given to Jamaica in the year. There were also modest gains in home porting. The number of cruise ship calls to Jamaica in 2015 increased by 70 (19%) to 433 up from 363 in 2014. Calls to the Port of Falmouth increased by 49 (34%) to 192 up from 143 in 2014. Calls to Montego Bay increased by 17 (20%) to 99 up from 82 in 2014. Ocho Rios experienced a marginal increase of (4%) to 138 calls.

Passenger arrivals to the island's cruise ports for the year grew by 20% to 1,490,532. The Ports of Falmouth and Ocho Rios were the primary ports of call, accounting for 52% and 30%, respectively, of all passenger arrivals.

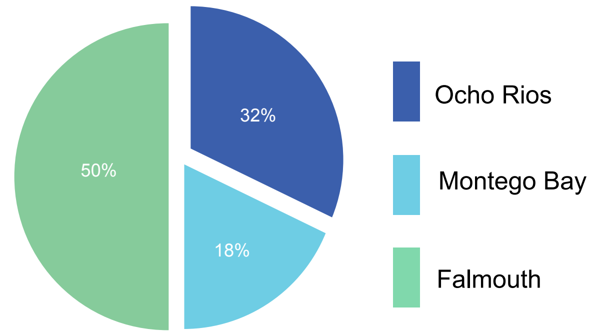
Cruise Ship Call at Jamaica's Ports



Distribution of Cruise Passenger Arrivals by Ports for FY 2014/15

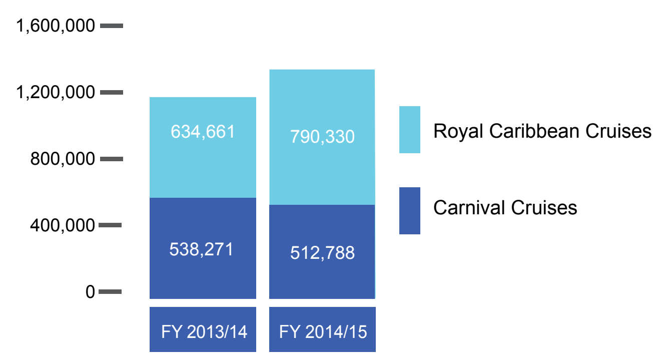


Distribution of Cruise Passenger Arrivals by Ports for FY 2013/14



Major cruise lines continued to highlight the cultural and historic settings of Falmouth. Royal Caribbean Cruises brought an additional 155,569 (24.5%) passengers to the island in 2015.

Cruise Passenger Arrivals by Major Cruise Lines for FY 2014/15



In contrast, passenger arrivals via Carnival Cruises fell by 25,483 (-5%). This decline, however, was far exceeded by the additional 119,954 passengers by other cruise lines.

The Authority in 2015 secured additional business from Disney and MSC Divina Cruises, which called at the Port of Falmouth. The former made 13 calls, accounting for 44,209 passengers arrivals, while the latter made 12 calls, accounting for 45,253.

Implementation of development plans for cruise infrastructure and improvement in the cruise product in 2015 included several investment initiatives to address increased cruise traffic at the ports, and improved passenger experience and aesthetics as follows.

- Completion of aesthetic improvement projects at the ports of Falmouth and Ocho Rios;
- Ground transportation system in order to manage the rotation of tour operators at the Port of Falmouth;
- Collaboration with industry partners – the Tourism Education Fund (TEF), Jamaica Tourist Board (JTB), Tourism Product Development Company (TPDco), and other stakeholders to implement strategies for improved safety, security and comfort of passengers in the town of Ocho Rios.

The aesthetic improvements in Falmouth included the construction of a sheltered dispatching area for buses and pre-booked independent drivers, while in Ocho Rios upgrades were carried out to the Turtle River road, with the construction of a walking promenade enhanced through landscaping and hardscaping. The work in Ocho Rios was undertaken in conjunction with the Tourism Enhancement Fund (TEF) and the Urban Development Corporation (UDC).

The ground transportation area at the Ocho Rios cruise port was reconfigured and 30 kiosks built for craft vendors. The terminal building and pier were refurbished with major landscaping and hardscaping of the entire facility.

Activities were also initiated to develop the Reynolds Pier as a modern multi- purpose cruise vessels facility inclusive of industrial activities. Consultants were engaged accordingly to examine the structural soundness of the facility and develop plans for the redevelopment of the Pier.

The Authority became part of an alliance with a local real estate developer, the Tourism Enhancement Fund (TEF) and the Ministry of Tourism and Entertainment to transform Montego Bay into a 'Complete Resort Destination' with a unique brand identity. Under this development plan, the Authority will redesign the pier and facilitate amenities such as high-end shops fine dining restaurants and entertainment.

Among the awards received by the Authority during the year for improving the Tourism product and destination were the following.

FREEZONES:BUSINESS PROCESS OUTSOURCING

The three free zones in Kingston and Montego Bay are established for the creation of employment, backward linkages to the domestic economy, transfer of technology to employed Jamaicans and generation of foreign currency earnings. Set out hereunder is comparative performance for 2015/14

BUSINESS PROCESS OUTSOURCING & OTHER FREEZONE OPERATIONS 2015							2014		CHANGE 2015 / 2014	
Available Space	Office Sq feet	Factory Sq feet	Paved Area Sq feet	Total Sq feet	Occupancy Sq feet	Occupancy %	Total Sq feet	Occupancy Sq feet	Total Sq feet	Occupancy Sq feet
MBZ	352,966	249,000		601,966	549,966	91.4	601,966	579,967		(30,001)
KFZ	59,000	295,000		354,000	337,000	95.2	304,000	304,000	50,000	33,000
JIFZ	68,791	34,801	346,352	449,944	349,950	77.8	498,282	398,252	(48,338)	(48,302)
Total	480,757	578,801	346,352	1,405,910	1,236,916	88.0	1,404,248	1,282,219	1,662	(45,303)

	Number of Entities			Direct Employment	FOREX Earnings	Entities	Employment	Entities	Employment
	Freezones	Non Free Zone	Total	No.	US $m	No.	No.	No.	No.
MBZ	19	19	38	7,114	127.97	16	7,202	22	(88)
KFZ	13	20	33	1,382	5.87	35	869	(2)	513
JIFZ	3		3	681	6.43	4	621	(1)	60
Total	35	39	74	9,177	140.3	55	8,692	19	485

The freezones together provided 1,405,910 square feet of rentable space in the year with 88% occupancy (2014 - 1,404,248 sq ft with 91% occupancy) by foreign and local businesses. Included in the foregoing are 346,000 square feet of paved area in Kingston with 83% occupancy (2014 - 395,000 square feet with 75% occupancy)

The Port Authority received requests from current and prospective customers for additional office facilities totaling 165,000 square feet. Sixty-six thousand (66,000) sq. feet of factory space was converted in the period to meet this demand. Financing is currently being pursued to add a further 63,000 square feet of office space in 2016. The MBFZ provided strong support to the Business Process Industry Association of Jamaica (BPIAJ) to develop a 200 seat call centre Cluster Competitiveness Project. The first 50-seat unit of the 200-seat incubator was built-out by December 2014. The MBFZ also concluded arrangements with its customer, AllianceOne, to have the Factories Corporation of Jamaica (FCJ), build-out 25,000 sq. ft. of additional space.

Foreign currency earnings of US$140.3 million in 2015 increased by US$12 million (9%) from US$ 128.3 million in 2014. Net employment at all locations increased by 485 (6%) to 9,177 during the year. This is capable of substantial increase over time with the requisite capital investment and engagement of new BPO companies. The Authority commenced the process of seeking to identify requisite project financing and will continue to address the resource challenge, with particular focus on investors including existing tenants who have been apprehensive despite forecasts for increased demand for space.

PORT SECURITY

Pursuant to its mandate as the Designated Authority with respect to the International Ship and Port Facility Security (ISPS) Code, the PAJ executed a strategic programme to ensure that ports engaging in international trade are in compliance with the ISPS Code.

- Re-certification of the ports under the ISPS Code, which became due in 2014.
- Ensuring all ports remain compliant.
- Improving the cohesion of agencies/ports in the Kingston Harbour.
- Improving the assets to enhance the security at ports.
- Developing its human resources to include skills in training in order to have the capability to conduct in-house training.
- Integrated Port Security System (IPSS).

Two meetings of the Multi-agency Threat and Risk Assessment (MATRA) chaired by the Authority were held to discuss the concerns with respect to the threat of EBOLA, and craft a plan to address the challenge. Interim procedures with respect to handling a suspected case at a seaport were developed. During the year, Security Screeners, and some Port Facility Security Officers (PFSOs) benefited from training in several security-related courses being offered by the Caribbean Regional Drug and Law Enforcement Training Centre (REDTRAC). Members of staff attended a range of other security training seminars to increase awareness and improve capability to handle challenges as they arise. Set out hereunder is a profile of equipment deployed.

Non- Intrusive Inspection Equipment Deployment

Location	Mobile VACIS	Pallet VACIS	NUCTECH	Rapiscan PALLET
Kingston Container Terminal (KCT)	2	1	1	0
Kingston Wharves Limited (KWL)	2	3	0	0
Port of Montego Bay	1	1	0	0
Universal Freight Handlers Limited	0	1	0	0
Adolph Levy & Brothers Limited	0	1	0	0
Kingston Logistics Center (KCL)	0	0	0	1
Seaboard Warehouse - Montego Bay	0	0	0	1
Total	5	7	1	2

Emphasis will be placed on full implementation of the IPSS which facilitates more effective surveillance through the use of appropriate technology.

INFORMATION TECHNOLOGY INITIATIVES

The Port Authority operates in a highly competitive environment, and cost efficiency, productivity and ultimately pricing of its services are benchmarked against the best in business. An efficient, relevant and reliable technology enabled business environment is important to the achievement of the Authority's mission of being the port of choice providing excellent and cost efficient service. During the year a major thrust commenced to transform the current ICT environment across the business segments. Set out hereunder are the major initiatives.

(I) TERMINAL SYSTEMS

These comprise a Terminal Operating System (TOS), Data Communications System (Wi-Fi) and Container Positioning Information System (CPIS). All three components are necessary for the efficient and cost effective management of the container operations at the port.

The TOS is an enterprise software that manages all aspects of terminal operations. It tracks vessels and cargo, manages: gates, berths, trucks and container handling equipment and interfaces with customs, agents, shippers, and carriers. The foregoing serves to minimize manual intervention by logical assignment of equipment and manpower and facilitate simulation to avoid bottlenecks. Effective implementation will reduce cost of operations. Timely implementation of these measures is of the essence irrespective of who operates the terminal.

(II) PORT COMMUNITY SYSTEM (PCS)

The PAJ in collaboration with, Jamaica Customs, other government agencies and industry stakeholders is working to implement PCS. The PCS is an electronic platform which connects the multiple systems and processes operated by members (i.e. Shipping Agents, Freight Forwarders, Haulage Contactors, Terminal Operators, Customs, the PAJ and Other Government Agencies, public & private entities and individuals) of a port community.

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The primary goal of the PCS project is to (i) integrate the systems and flow of information towards a more efficient trade service, (ii) reduce the cost/time of doing business and (iii) market/position Jamaica as a global logistic hub. Revision of the original project scope has resulted in a substantially more cost efficient but equally effective system. Evaluation of the bids, selection of the preferred bidder and contract negotiations are expected to be finalized by July 2015. Project implementation with an expected duration of 21 months is to commence in August 2015.

(III) INTEGRATED PORT SECURITY SYSTEM (IPSS)

The PAJ has a statutory responsibility and obligation for the security of all seaports in Jamaica. Implicit in this responsibility is a mandate to secure these ports to internationally recognized standards. The Authority is also the designated authority for security on such ports in accordance with the International Ship and Port Facility Security Code (ISPS Code).

In pursuit of its functions, The Port Authority is in the process of upgrading the physical security systems at the public port facilities. The objective is to replace the existing aged and problematic system with a state of the art Integrated Port Security System. The new system will include Electronic Access Control System (EACS), Internet Protocol Surveillance System (CCTV), Intrusion Detection System and Video Analytical System. It is expected that this system will significantly enhance the capability of the security personnel at the respective locations to detect and prevent the flow of weapons, ammunition and other contrabands into the Island and also to protect the integrity of exports from contamination by contraband.

The procurement process is far advanced and Phase 1 is scheduled to commence implementation in Quarter 1 of fiscal year 2015/2016.

(IV) OTHER INITIATIVES

The ICT "Way Forward" strategy for the Authority and its subsidiaries for 2015 and beyond, is to align its business strategy with current and emerging trends in technology and

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by so doing achieve greater availability and load scalability of ICT services which will add value to business operations. This includes (a) Migration to a Virtualized Environment to address the challenges of replacement, risk of physical damage and limited technical capabilities (b) standardization in use of MS Office 365 across the enterprise under a government licensing agreement which includes emails, unlimited storage and sharing, online document collaboration and video conferencing and (c) support to CHAMPS Web, ORACLE, KRONOS upgrade, C-PIS, IPSS and the new TOS that are currently being implemented.

LOGISTICS UPDATE

The Port Authority will make available, lands in close proximity to KCT, which based on current and future development plans, would not be required as part of its normal operations. The combination of the non-operational port lands and lands at Tinson Pen totalling approximately 80 hectares is adequate to create a viable Port Centric business cluster. Eligible investor(s) will be given the right to develop these lands and provide facilities for value-added logistics and services' activities. As the direction and expansion plans become clear to international investors it is expected that the pace of concrete development as distinct from expressions of interest in logistics activities will quicken.

PORTLAND BIGHT

Signing of the non binding Framework Agreement between the Port Authority and China Harbour Engineering (CHEC) for the development of an industrial park and port in the Portland Bight area triggered the obligation to commence appropriate feasibility studies, geotechnical investigations and economic analyses for development. To date the Port Authority has received from CHEC and reviewed a concept document entitled, **Master Plan of Portland Bight Industrial Park Jamaica.**

LEGAL AND REGULATORY INITIATIVES

CORPORATE GOVERNANCE

One of the most important initiatives pursued during the year was the strengthening of corporate governance systems and risk management framework. Work commenced on the development of a governance charter which seeks to provide guidance to the Board of Directors in the discharge of its fiduciary responsibilities. Measures were also initiated to achieve greater alignment with the policies being pursued under the Government's economic programme.

ORGANIZATIONAL STRUCTURE

In anticipation of business model changes arising from privatization of the Container Terminal, the Authority sought to establish an appropriate organizational structure to facilitate the execution of its functions in the post KCT privatization period. Key issues contemplated were the new roles/functions; establishment of the PCS as well as the business model to discharge its statutory functions and manage commercial operations.

THE PORT AUTHORITY BILL

The Authority worked closely with the Ministry of Transport Works and Housing (The Ministry) to establish the appropriate legal and regulatory framework for public private partnerships and regulation of privatized entities. A revised draft of Port Authority Bill was prepared by the Office of the Chief Parliamentary Counsel and submitted for further review by the PAJ, the Ministry and other stakeholders.

TARIFF REVIEW

A detailed review of the present tariff regime for appropriateness and comparability in all areas with other ports internationally was carried out and recommendations made to The Ministry for consideration.

FINANCIAL PERFORMANCE AGAINST BUDGET

Set out hereunder is performance against budget in respect of all entities for 2015.

	FINANCIAL YEAR ENDED MARCH 31, 2015							
PAJ AND SUBSIDIARIES	REVENUE EXCLUDING REVALUATION GAIN		EXPENSES		SURPLUS		INCREASE (DECREASE/BUDGET)	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual		
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000	%
PAJ AMALGAMATED	17,407,015	17,015,971	16,784,571	16,017,530	622,444	998,441	375,997	60.4 %
KINGSTON FREEZONE	227,442	188,243	180,454	180,454	39,199	46,921	7,722	19.7 %
MONTEGO BAY FREEZONE	397,860	413,383	358,368	355,428	39,492	57,955	18,463	46.8%
JAMAICA INTERNATIONAL FREEZONE	92,939	82,509	50,576	57,202	42,363	25,307	(17,056)	-40.3%
PORT AUTHORITY AND SECURITY	1,799,150	1,699,710	1,623,181	1,564,073	175,969	135,637	(40,332)	-22.9%
PORT AUTHORITY MGT SERVICES	31,414	32,537	31,414	40,825	-	(8,288)	(8,288)	
KCT SERVICES LIMITED	4,623	3,840	814	1,842	3,809	1,998	(1,811)	-47.5%
	19,960,443	19,475,325	19,037,168	18,217,354	923,275	1,257,971	334,696	36.3%

The above numbers exclude revaluation gains over which the entities have no control. Actual combined surplus for the year exceeded budget by 36%.

Results

Actual group revenue compared to budget for 2015 (excluding revaluation gains of $0.6 billion) declined by $0.5 billion (2.4%) to $19.4 billion compared to budgeted revenue of $19.9 billion and actual expenses by $0.8 billion (4.3%) to $18.2 billion compared to budget of $19.0 billion. Actual surplus increased by $0.3 billion (36.3%) over budgeted surplus of $0.9 billion to $1.2 billion for the year.

COMPARATIVE FORECAST FINANCIAL PERFORMANCE

The forecast does not assume privatization of KCT as the closing date is not yet agreed.

SUMMARY OF PROFIT & LOSS 2014/2015 ACTUALS VERSUS FORECAST				
	Actual	F orecast		
	2014/2015	2015/2016	Increase	(Decrease)
	J$M	J$M	J$M	%
Total Income	17,515	18,686	1,171	6.7%
Total Expenses	(10,396)	(11,509)	(1,113)	10.7%
Surplus from Operations	7,119	7,177	58	0.8%
Interest & Finance Charges	(2,313)	(2,394)	(81)	3.5%
Surplus after Interest	4,806	4,783	(23)	-0.5%
Depreciation	(1,762)	(1,747)	15	-0.9%
Profit & Loss after Depreciation	3,044	3,036	(8)	-0.3%
Exchanges Loss	(1,546)	(1,873)	(327)	21.2%
Profit & Loss for the Period	**1,498**	**1,163**	**(335)**	**-22.4%**

Highlights of Forecast

- **Revenue** is forecast to increase by $1.17 billion or 7% in 2015/2016 due mainly to increased box moves at KCT (actual moves 2014/2015 - 883,758, projected moves 921,932).
- **Expenses** are expected to increase by $1.11 billion or 10.7% over 2014/2015 due primarily to the projected increase in box moves.
- **Exchange Loss** is forecast to increase by $327 million (21%) above the 2014/2015 actual of $1.55 billion. The forecast average exchange rate is J$118.72 to US$1 compared to J$113.28 to US$1 for 2014/2015.
- The projected **Net profit** is $335 million or 22.4% below the 2014/2015 actual, due mainly to the depreciation of the Jamaican dollar.

FINANCIAL REVIEW
FOR THE PORT AUTHORITY & ITS SUBSIDIARIES YEAR ENDED MARCH 31, 2015

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

REVENUE

The Port Authority and its subsidiaries (The Group) earned total revenue of $18.68 billion for the year ended March 31, 2015, a decline of $1.7 billion (8%) from $20.38 billion for the year ended March 31, 2014. Operating revenue, which accounted for $18.09M (97%) of total revenue increased by $1.98B (12%). The main sources of revenue and their contribution to total revenue were container terminal revenue $10.99 billion (59%), facility fees $2.57 billion (14%), wharfage $1.05 billion (6%), Tug and Harbour fees $1.61 billion (9%) which together account for 87% of total revenue.

A comparative analysis of revenue is set out hereunder:

Revenue	Mar 2015 $'M	Mar 2014 $'M	Increase over Mar. 2014		% of Mar 2014 Revenue
Container terminal	10,991	10,164	827	8%	59%
Facility fee	2,571	2,031	540	27%	14%
Wharfage	1,054	946	108	11%	6%
Harbour Fees	852	743	109	15%	5%
Tug Fees	756	658	97	15%	4%
Equipment Lease	103	82	21	26%	1%
Land and Building lease	618	531	87	16%	3%
Port Antonio Marina	83	76	7	9%	0.4%
Oil Royalty	129	105	24	23%	1%
Pilotage	114	98	16	17%	1%
Ground lease Falmouth	75	68	7	10%	0.4%
Other	747	605	142	23%	4%
OPERATING REVENUE	15,093	16,108	1,985	12%	97%
Investment properties fair value	589	4,277	(3,688)	(86%)	3%
Total	18,682	20,385	(1,703)	(8%)	100.0%

a) The net decline of $1.7 billion in total revenue was the result of a decrease of $3.69 billion in fair value gains on Investment Properties. This revenue shortfall was substantially offset by increases of $1.37 billion (11%) in revenue earned from container terminal and facility fees. All other revenue sources (net) increased by $0.62 billion (16%).

Total expenses of $13.4 billion for year ended March 31 2015, reflected an increase of $32 million (0.2%) over the $13.37 billion incurred for year ended March 31, 2014. Operating expenses which accounted for $11.1 billion of the total expenses declined by $0.285 billion (3%). The main expense items were salary and wages $4.49 billion, fuel, electricity & other utilities $1.42 billion, security cost $0.786 billion, repairs and maintenance $1.5 billion, and insurance $0.820 billion.

The net increase of $32 million in expenses resulted mainly from the following:

	Increase /(Decrease) $M
Staff costs & pension benefits (a)	17
Insurance(b)	(26)
Maintenance & Operations (c)	100
Professional Fees (d)	311
Tugs and boats (e)	142
Container Terminal (f)	(674)
Other Expenses	(45)
Total PAJ Expenses	(175)
Subsidiaries (g)	207
NET INCREASE	32

a) The increase of $17M in personnel emoluments is due mainly to payment of increments, the attendant increases, other related statutory costs and pension.

b) Net decrease of $26 million in insurance costs is due to a $40M reduction in the insurance risk premium on long term loans on the repayment of 2 loans and increase of $14M on property premium rates.

c) The net increase of $100M in maintenance and operations expenses is accounted for by $46M in building repairs, $63M in cruise shipping expenses (which includes commissions, marketing and foreign travel) and $7M in pilotage expenses. Repairs and maintenance of harbours declined by $16m.

d) The increase in Professional fees by $311M is for the most part in respect of legal and consultancy fees associated with the privatization of the Kingston Container Terminal (KCT).

e) The net increase of $142M in Tug and Boats operation is attributed mainly to an increase in: (a) dry docking repairs of $46M, (b) Tug Hire $36M, (c) Fuel $27M and (d) staff costs and allowances of $33M which includes retroactive increases for the period April 2012 – March 2014.

f) The decline of $674M in Container Terminal expenses is accounted for by a reduction in bad debt expenses of $439.2M relating to GCT and $133.57M in respect of obsolete inventory, and a net reduction of $101.23M in the current year's provision for trade and deferred receivables.

g) The main factors attributable to the increased expenses of $207M from the operations of the PAJ's Subsidiaries are primarily, increased cost of $133M for security operations, equipment relocation cost $16M; bad debt $27M, insurance $19M and other costs of $12M.

SURPLUS FROM OPERATIONS

The year to date Operating Surplus of $5.28 billion for the year ended March 31, 2015 represents a decrease of $1.73 billion (25%) from $7.01 billion for the period ended March 31, 2014. Net Profit before Taxation of $1.95 billion (2014: $1.82 billion) is net of adjustments for exchange losses of $1.56 billion (2014: $3.85 billion) arising from retranslation of foreign currency loans, interest and finance charges of $2.32 billion (2014: $2.11 billion) and other income of $0.55 billion.

EXCHANGE LOSS ON FOREIGN CURRENCY LOANS

The Authority converts its foreign currency loans to Jamaican dollars (JMD) at the year-end exchange rate in compliance with applicable International Financial Reporting Standards (IFRS). Approximately 87% of the Authority's long term loans are denominated in US Dollars. The 5% (2014: 11%) depreciation in the JMD dollar vs. the US dollar at March 31, 2014 (2015: $115.05 vs 2014: $109.57) accounted primarily for $1.56 billion (2014: $3.85 billion) of unrealized exchange losses in 2015. The impact of the devaluation is summarized hereunder:

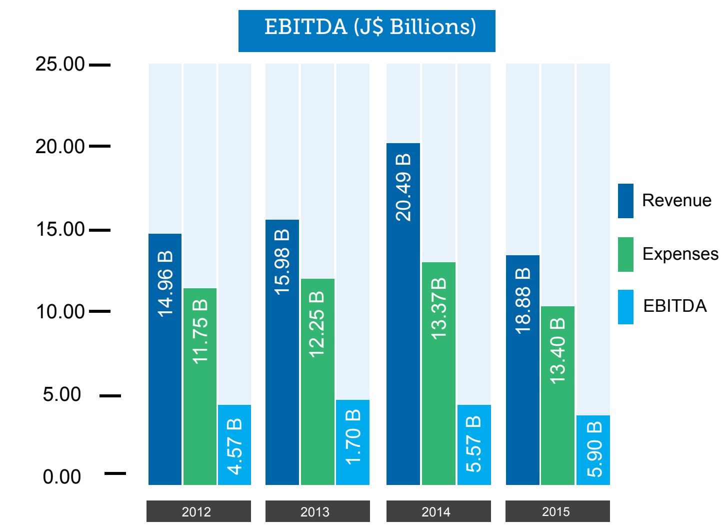
ANALYSIS OF FOREIGN EXCHANGE (FX) LOSSES ON FOREIGN CURRENCY DENOMINATED LOANS

Currency	% (Devaluation) / Appreciation of JMD for 2014/15	2014/2015 FX (Loss)/Gain	% (Devaluation) / Appreciation of JMD for 2013/14	2013/2014 FX (Loss)/Gain
	%	$B	%	$B
USD	(5)	(1,711)	(11)	(3,636)
EURO	17	0.153	(20)	(0.193)
YEN	10	0.0001	(2)	(0.0002)
GBP	6	0.001	(20)	(0.005)
SWISS FRANC	4	0.001	(2)	(0.0002)
TOTAL FX LOSS		(1.56)		(3.85)

Approximately 80% 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.
The Management and Board of Directors as part of its corporate and strategic focus have implemented measures to reduce the exchange rate exposure. This includes refinancing a part of the loan portfolio denominated in foreign currency to the JMD equivalent.

OVERVIEW OF PERFORMANCE INCOME & EXPENSES

The financial performance of the Authority over the last 4 years to 2015 is illustrated in the graph below



The Group's Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of $5.9 billion has remained positive over the four (4) year period, with an increase of $0.34 billion (6%) at March 31, 2015 when compared to March 31, 2014.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

The asset base of the Group at March 2015 was $57.7 billion, a decrease of $0.52 billion (1%) over March 31, 2014. Property, Plant and Equipment (PP&E) continues to be the most significant class of assets, representing 44% of the total assets, despite the reclassification of $5.1B of assets classified as held for sale in light of plans to privatize terminal operations at KCT.

PROPERTY, PLANT AND EQUIPMENT (PP&E) - $25.57 BILLION

The following accounts for the net decrease of approximately $5.87 billion (19%) in PP&E:

- Additions for the year of $974.49 million, relating mainly to the purchase of container handling equipment (KCT) and infrastructure improvements to Ports located in Ocho Rios, Falmouth and Montego Bay.
- Transfer of $6.6 million from Inventory to PP&E in keeping with the revised IAS 16-Property, Plant and Equipment requirements.
- Depreciation charges of $1.76B, and impairment and other adjustments amounting to $1.06 million.
- Net disposal and transfers to Intangible Assets amounting to $0.607 million and $0.794 million, respectively.
- In keeping with the IFRS 5, assets with a net book value of $5.09 billion associated with the planned KCT privatization, reclassified from PPE to current assets

INVESTMENT PROPERTIES - $17.01 BILLION

The increase of approximately $589.41 million represents the fair value adjustment of $422.76 million in respect of land and $166.65 million in respect of buildings.

TRADE AND OTHER RECEIVABLES $2.48 BILLION

The decrease of approximately $461 million (16%) was due primarily to the following:

	$M Incr/(Decr)
Trade receivables	(384)
GCT recoverable	(5)
Prepaid expenses	12
Sundry & Other receivables	(80)
Current portion of long term receivables	(4)
	(461)

Bad debt provision (trade and other receivables) amounted to $146.37 million (2014: $197.46 million).

Total liabilities of $44.21 billion as at March 31, 2014 declined by $2.38 billion (5%) to $41.83 billion, at March 31, 2015. Long term loans decreased by $2.2 billion net (6%) to $34.2B. The decrease is net of loan repayments of $4.93B and unrealized foreign currency losses and other adjustments of $2.72B. Interest cost for the financial year was $2.33 billion.

Cash and short-term deposits amounted to $5.51 billion at March 31, 2015, an increase of $0.071 billion (1%) over $5.44 billion as at March 31, 2014.

The year ended with net current assets of J$1.74 billion (excluding assets held for sale of $5.1B) in 2015, a decrease of $0.215 billion (11%) over $1.95 billion at March 2014.

Trade receivables at March 2015 amounted to $2.48 billion compared to $2.94 billion at March 31, 2014 and Trade Payables $2.68 billion, compared to $2.41 billion at March 31, 2014.

Debt has been the main source of financing for the Group's capital programmes and this is reflected in the carrying value of loans amounting to $38.23 billion and $7.26 billion payment for loan and interest cost for the year.

Sources other than debt financing are being pursued for future capital expansion. In this regard privatization of the operations of the Kingston Container Terminal (KCT) is a high priority and strategic focus by the Government of Jamaica (GOJ) and the Authority. In this regard, an agreement between Port Authority and Kingston Freeport Terminal Limited a subsidiary of CMA/CGM (60%) & Terminal Link (40%), was signed on April 7, 2015 for the privatisation of the operations of the KCT The transaction structure is a concession agreement under which the Concessionaire will assume responsibility for the operations and capitalization of KCT **See Note 35 to the financial statements.**

SUBSIDIARIES, JOINT VENTURE & ASSOCIATED COMPANIES

The subsidiaries of the Authority as at March 31, 2015 reflected combined net assets of $2.93 billion and net profit of $343.47 million, inclusive of a $90 million gain on the revaluation of investment properties. The Group's share of the Associates' profits for the financial year amounted to $10.51 million (2014: $11.28 million).

EQUITY

The Group's equity of $14.78 billion at March 2015 (excluding non-controlling interest) increased by $1.72 billion (13%) compared to $13.06 billion at March 2014. Net current assets of $1.74 billion at March 2015 compares with $1.95 billion at March 2014. Total assets decreased by $0.52 billion to $57.68 billion, and total liabilities by $2.38 billion to $41.83 billion.

EXECUTIVE EMOLUMENTS

During the financial year, the salaries for the Authority's Senior Executive Staff were as follows:

Position/ of Senior Executive	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assigment of MotoVehicle ($)	Pension or Other Retirement Benefits ($)	Seniority pmts. & Other Allowances ($)	Non - Cash Benefits ($)	Total ($)
President & CEO	17,829,945 (See Note 1)	NIL	2,833,524	2,674,492 (See Note 1)	2,017,420 (See Note 2)	NIL	25,355,381
SVP Finance & Information Services	9,426,614	2,794,644	2,451,456	NIL	NIL	NIL	14,672,714
SVP International Marketing & Client Services	10,155,316	NIL	2,451,456	1,250,872	364,351	NIL	14,221,995
SVP Legal, Regulatory **& Corporate Affairs**	9,903,793	2,913,939	2,451,456	NIL	NIL	NIL	15,269,188
SVP Engineering & Port Development	9,903,793	2,913,939	2,451,456	NIL	NIL	NIL	15,269,188
SVP Business Management & Special Projects	10,155,316	2,976,820	2,451,456	NIL	NIL	NIL	15,583,592
Chief Group Internal Auditor Assurance & Risk Management Services	8,333,561	2,845,033	2,451,456	NIL	1,294,610	NIL	14,924,660
VP Business Development	8,333,561	2,565,313	1,979,880	NIL	647,305	NIL	13,526,059
VP Harbours & Port Services	8,333,561	2,565,313	1,979,880	NIL	647,305	NIL	13,526,059
VP Security (Note 3)	9,712,348	NIL	1,979,880	NIL	NIL	NIL	11,692,228
VP Human Resource & Administration	8,333,561	NIL	1,979,880	978,927	NIL	NIL	11,292,368
VP Legal, Regulatory **& Corporate Affairs**	8,333,561	2,491,487	1,979,880	NIL	352,000	NIL	13,156,928
VP Information Systems	8,333,561	2,403,487	1,979,880	NIL	NIL	NIL	12,716,928
VP Cruise Shipping & Marina Services	8,333,561	2,403,487	1,979,880	NIL	NIL	NIL	12,716,928
VP Finance	8,333,561	2,403,487	1,979,880	NIL	NIL	NIL	12,716,928
VP Engineering	8,333,561	2,491,487	1,979,880	NIL	352,000	NIL	13,156,928
Senior Director Government Relations	8,038,257	2,329,661	1,979,880	NIL	NIL	NIL	12,347,798
VP Operations & Engineering	7,390,953	2,167,835	1,979,880	NIL	NIL	NIL	11,538,668
VP Materials Management	6,473,938	NIL	1,979,880	824,870	NIL	NIL	9,278,688
TOTAL	$173,992,322	$36,265,932	$41,300,820	$5,729,161	$5,674,991	NIL	$262,963,226

Note:

1) This is reimbursed to the UWI under the agreement for secondment to the PAJ.

2) This represents security and other expenses paid as per agreement.

3) The VP Security's secondment from the Ministry of National Security ended on July 24, 2014. He thereafter entered in to a contract with the PAJ for a period of five (5) months which ended December 31, 2014.

DIRECTORS COMPENSATION

Director	Fees	Motor Vehicle Traveling or Assignment of Motor Vehicle	Honoraria	All Other Compensation including Non-Cash Benefits	TOTAL
Director	166,500	50,000	Nil	Nil	216,500
Director	149,000	50,000	Nil	Nil	199,000
Director	142,000	40,000	Nil	Nil	182,000
Director	163,000	60,000	Nil	Nil	223,000
Director	124,500	40,000	Nil	Nil	164,500
Director	124,500	45,000	Nil	Nil	169,500
Director	166,500	60,000	Nil	278,373	504,873
Director	17,000	10,000	Nil	Nil	27,000
Director	17,000	10,000	Nil	Nil	27,000
Director	(8,500)	Nil	Nil	Nil	(8,500)
TOTAL	**1,061,500**	**365,000**	**Nil**	**278,373**	**1,704,873**

Note:

1) The salary of Board Chairman is included in the Senior Executive compensation
2) All Committees are made up of Board Members and Executive Management Staff.

FINANCIAL STATEMENTS

THE PORT AUTHORITY AND ITS SUBSIDIARIES

YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

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INDEPENDENT AUDITORS' REPORT

To the Directors of The Port Authority

Report on the Consolidated and Separate Financial Statements

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, 2015, the Group's and the Authority's statements of profit and loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Separate Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Directors of The Port Authority (Continued)

Report on the Consolidated and Separate Financial Statements (Continued)

Opinion

In our opinion, the 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, 2015 and of the Group's and the Authority's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Port Authority Act and the Jamaican Companies Act.

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 and the consolidated and separate financial statements are in agreement therewith and give the information required in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

April 15, 2015

A member firm of Ernst & Young Global Limited

2014 - 2015 ANNUAL REPORT

THE PORT AUTHORITY AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	25,572,229	31,445,234
Investment properties	6	17,011,993	16,422,582
Intangible assets	7	8,848	13,447
Investment in associates	8	123,507	112,999
Other investments	9	746,757	740,273
Long-term receivables	10	425,694	484,854
Deferred tax assets	11	3,831	2,589
		43,892,859	49,221,978
Current assets			
Inventories	12	682,133	605,436
Trade and other receivables	13	2,476,085	2,937,047
Other investments	9	30,027	-
Cash and short-term deposits	14	5,506,424	5,435,265
		8,694,669	8,977,748
Assets classified as held for sale	35	5,092,666	-
		13,787,335	8,977,748
Total assets		57,680,194	58,199,726
EQUITY AND LIABILITIES			
Equity			
Reserves	15	6,537,339	6,437,397
Retained earnings	16	8,244,393	6,621,809
		14,781,732	13,059,206
Non-controlling interests	17	1,068,533	931,962
		15,850,265	13,991,168
Non-current liabilities			
Retirement benefit liability	18	43,510	76,208
Long-term liabilities	19	34,194,190	36,401,958
Deferred income	20	626,686	694,136
Deferred tax liabilities	11	8,655	11,747
		34,873,041	37,184,049
Current liabilities			
Provisions	21	222,135	202,313
Current portion of long-term liabilities	19	4,032,903	4,388,417
Trade and other payables	22	2,683,798	2,413,815
Bank overdrafts (unsecured)		18,052	19,964
		6,956,888	7,024,509
Total equity and liabilities		57,680,194	58,199,726

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 April 15, 2015 and are signed on its behalf by:

Professor Gordon Shirley - President

Gary Peart - Director

THE PORT AUTHORITY AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
Revenue	23	18,682,642	20,385,337
Expenses:			
Direct operating		(11,097,774)	(11,382,556)
Administrative		(2,307,089)	(1,990,238)
		(13,404,863)	(13,372,794)
		5,277,779	7,012,543
Share of associate companies' results	8(a)	10,508	11,280
Interest income	27	189,487	97,520
Other gains and losses	24	(1,206,719)	(3,188,012)
Finance charges and interest on loans	25	(2,321,992)	(2,111,672)
PROFIT BEFORE TAXATION		1,949,063	1,821,659
Taxation	26	(72,670)	(93,608)
PROFIT AFTER TAXATION	27	1,876,393	1,728,051
Profits attributable to non-controlling interests	17	(136,571)	(304,951)
NET PROFIT FOR THE YEAR	28	1,739,822	1,423,100
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on retirement benefit plans	18	(17,296)	(13,555)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(17,296)	(13,555)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,722,526	1,409,545

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

2014 - 2015 **ANNUAL REPORT**

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

	Notes	RESERVES												
		General 15(a) $'000	Capital 15(b) $'000	Development 15(c) $'000	Equalisation 15(d) $'000	Stabilization 15(e) $'000	Fixed Assets Replacement 15(f) $'000	Insurance 15(g) $'000	Wharfage 15(h) $'000	Total Reserves $'000	Retained Earnings $'000	Total $'000	Non-Controlling Interests $'000	Total $'000
Balance at April 1, 2013		359,450	5,089,330	305,150	1,630	32	542,512	67,500	100,955	6,466,559	5,183,102	11,649,661	627,011	12,276,672
Net profit		-	-	-	-	-	-	-	-	-	1,423,100	1,423,100	304,951	1,728,051
Other comprehensive loss	18(d)	-	-	-	-	-	-	-	-	-	(13,555)	(13,555)	-	(13,555)
Total comprehensive income		-	-	-	-	-	-	-	-	-	1,409,545	1,409,545	304,951	1,714,496
Transfers to reserves of managed operations		-	-	-	-	-	32,692	30,000	27,596	90,288	(90,288)	-	-	-
Amounts utilised		-	-	-	-	-	(100,540)	-	(18,910)	(119,450)	119,450	-	-	-
Balance at March 31, 2014		359,450	5,089,330	305,150	1,630	32	474,664	97,500	109,641	6,437,397	6,621,809	13,059,206	931,962	13,991,168
Net profit		-	-	-	-	-	-	-	-	-	1,739,822	1,739,822	136,571	1,876,393
Other comprehensive loss	18(d)	-	-	-	-	-	-	-	-	-	(17,296)	(17,296	-	(17,296)
Total comprehensive income		-	-	-	-	-	-	-	-	-	1,722,526	1,722,526	136,571	1,859,097
Transfers to reserves of managed operations		-	-	-	-	-	37,696	35,365	26,881	99,942	(99,942)	-	-	-
Amounts utilised		-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2015		359,450	5,089,330	305,150	1,630	32	512,360	132,865	136,522	6,537,339	8,244,393	14,781,732	1,068,533	15,850,265

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, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		1,739,822	1,423,100
Adjustments for:			
Depreciation and amortisation	5,7	1,766,061	1,937,153
Adjustment to property, plant and equipment	5	51	-
Impairment of property, plant and equipment	5	1,009	56,693
Gain on disposal of property, plant and equipment		(18,460)	(493)
Gain on disposal of investment properties		-	(19,946)
Increase in fair value of investment properties	6	(589,411)	(4,277,312)
Interest income		(189,487)	(97,520)
Foreign exchange loss (net)		1,398,823	3,811,937
Retirement benefit expense	18	2,805	3,667
Retirement benefit adjustment	18	135	-
Provision charge	21	98,812	197,539
Profits attributable to non-controlling interests	17	136,571	304,951
Amortisation of deferred income	20	(67,450)	(67,217)
Impairment loss recognised on trade receivables	13	40,537	43,205
Amortised cost adjustment on long-term receivables		(20,583)	21,414
Loan fees amortised		8,125	(50,405)
Taxation charge	26	72,670	93,608
Share of associates' profits	8	(10,508)	(11,280)
Finance charges and interest on loans	25	2,321,992	2,111,672
		6,691,514	5,480,766
Decrease (Increase) in operating assets:			
Trade and other receivables		416,595	527,434
Inventories		(83,299)	100,748
Increase (decrease) in operating liabilities:			
Trade and other payables		271,090	178,055
Retirement benefit contributions	18	(52,934)	(79,027)
Provisions utilised	21	(78,990)	(210,233)
Cash generated by operations		7,163,976	5,997,743
Income taxes paid		(78,111)	(12,413)
Interest paid		(2,330,866	(2,086,835)
Net cash provided by operating activities		4,754,999	3,898,495

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, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		189,322	97,199
Acquisition of property, plant and equipment	5	(974,486)	(790,337)
Proceeds on disposal of property, plant and equipment		19,067	504
Proceeds on disposal of investment properties		-	98,287
Investments (net)		(36,346)	(70,439)
Increase in long-term receivables		83,573	(4,720)
Acquisition of intangible assets	7	(1,702)	(606)
Increase in deferred income	20	-	2,800
Net cash used in investing activities		(720,572)	(667,312)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		624,233	3,342,600
Repayment of long-term loans		(4,929,045)	(4,658,156)
Decrease in prepaid credit insurance		185,613	224,665
Net cash used in financing activities		(4,119,199)	(1,090,891)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(84,772)	2,140,292
OPENING CASH AND CASH EQUIVALENTS		5,415,301	3,136,214
Effect of foreign exchange rate changes		157,843	138,795
CLOSING CASH AND CASH EQUIVALENTS		5,488,372	5,415,301
Cash and cash equivalents comprises:			
Cash and short-term deposits		5,506,424	5,435,265
Bank overdrafts		(18,052)	(19,964)
		5,488,372	5,415,301

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	25,534,056	31,413,020
Investment properties	6	14,561,993	14,062,582
Intangible assets	7	8,734	13,447
Investments in subsidiary, joint venture and associated companies	8	30,508	30,508
Other investments	9	746,757	710,244
Long-term receivables	10	501,920	561,080
		41,383,968	46,790,881
Current assets			
Inventories	12	682,133	605,436
Trade and other receivables	13	2,335,397	2,734,743
Cash and short-term deposits	14	4,557,163	4,800,473
		7,574,693	8,140,652
Assets classified as held for sale	35	5,092,666	-
		12,667,359	8,140,652
Total assets		54,051,327	54,931,533
EQUITY AND LIABILITIES			
Equity			
Reserves	15	6,531,346	6,431,404
Retained earnings	16	6,230,351	4,832,441
		12,761,697	11,263,845
Non-current liabilities			
Retirement benefit liability	18	43,510	76,208
Long-term liabilities	19	34,010,030	36,198,100
Deferred income	20	626,686	694,136
		34,680,226	36,968,444
Current liabilities			
Provisions	21	53,501	56,171
Current portion of long-term liabilities	19	4,003,320	4,350,919
Trade payables and accruals	22	2,537,772	2,276,483
Bank overdrafts (unsecured)		14,811	15,671
		6,609,404	6,699,244
Total equity and liabilities		54,051,327	54,931,533

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 April 15, 2015 and are signed on its behalf by:

Professor Gordon Shirley - President

Gary Peart - Director

THE PORT AUTHORITY

SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
Revenue	23	17,356,422	18,932,251
Interest income	27	158,960	79,877
Expenses:			
Administration		(1,980,965)	(1,666,941)
Marine operations		(10,160,168)	(10,616,515)
Finance charges and interest on loans	25	(2,313,317)	(2,102,376)
		3,060,932	4,626,296
Loss on exchange on foreign currency loans		(1,545,784)	(3,827,185)
NET PROFIT FOR THE YEAR	27,28	1,515,148	799,111
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on retirement benefit plans	18	(17,296)	(13,555)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(17,296)	(13,555)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,497,852	785,556

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

	Notes	RESERVES General 15(a) $'000	Capital 15(b) $'000	Development 15(c) $'000	Equalisation 15(d) $'000	Stabilisation Fund 15(e) $'000	Fixed Assets Replacement 15(f) $'000	Insurance 15(g) $'000	Wharfage 15(h) $'000	Total Reserves $'000	Accumulated Surplus $'000	Total $'000
Balance at April 1, 2013		359,450	5,083,337	305,150	1,630	32	542,512	67,500	100,955	6,460,566	4,017,723	10,478,289
Net profit		-	-	-	-	-	-	-	-	-	799,111	799,111
Other comprehensive loss	18(d)	-	-	-	-	-	-	-	-	-	(13,555)	(13,555)
Total comprehensive income		-	-	-	-	-	-	-	-	-	785,556	785,556
Transfers to reserves of managed operations		-	-	-	-	-	32,692	30,000	27,596	90,288	(90,288)	-
Amount utilised		-	-	-	-	-	(100,540)	-	(18,910)	(119,450)	119,450	-
Balance at March 31, 2014		359,450	5,083,337	305,150	1,630	32	474,664	97,500	109,641	6,431,404	4,832,441	11,263,845
Net profit		-	-	-	-	-	-	-	-	-	1,515,148	1,515,148
Other comprehensive loss	18(d)	-	-	-	-	-	-	-	-	-	(17,296)	(17,296)
Total comprehensive income		-	-	-	-	-	-	-	-	-	1,497,852	1,497,852
Transfers to reserves of managed operations		-	-	-	-	-	37,696	35,365	26,881	99,942	(99,942)	-
Balance at March 31, 2015		359,450	5,083,337	305,150	1,630	32	512,360	132,865	136,522	6,531,346	6,230,351	12,761,697

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		1,515,148	799,111
Adjustments for:			
Interest income		(158,960)	(79,877)
Foreign exchange loss adjustment (net)		1,394,361	3,659,121
Finance charges and interest on loans	25	2,313,317	2,102,376
Impairment loss recognised on trade receivables	13	19,826	83,641
Amortised cost adjustment on long-term receivables		(20,583)	21,414
Increase in fair value of investment properties	6	(499,411)	(3,617,312)
Depreciation and amortisation	5,7	1,761,268	1,933,865
Gain on disposal of investment properties		-	(19,946)
Gain on disposal of property, plant and equipment		(18,460)	(493)
Impairment of property, plant and equipment	5	1,009	56,693
Adjustment to property, plant and equipment	5	(1)	-
Provision charge	21	58,738	75,562
Amortisation of deferred income	20	(67,450)	(67,217)
Retirement benefit expense	18	2,805	3,667
Retirment benefit adjustment	18	135	-
Loan fees amortised		8,125	(50,405)
		6,309,867	4,900,200
(Increase) decrease in operating assets:			
Trade and other receivables		375,690	521,135
Inventories		(83,299)	100,748
Increase (decrease) in operating liabilities:			
Trade payables and accruals		261,289	237,280
Provisions utilized	21	(61,408)	(96,593)
Deferred income	20	-	2,800
Retirement benefit contributions	18	(52,934)	(79,027)
Cash generated by operations		6,749,205	5,586,543
Interest paid		(2,322,191)	(1,973,066)
Net cash provided by operating activities		4,427,014	3,613,477

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, 2015
(Expressed in Jamaican dollars)

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		158,789	80,803
Increase in long-term receivables		83,573	(4,720)
Other investments (net)		(36,342)	(70,911)
Acquisition of intangible assets	7	(1,531)	(606)
Acquisition of property, plant and equipment	5	(963,739)	(775,124)
Proceeds on disposal of property, plant and equipment		19,067	504
Proceeds on disposal of investment properties		-	98,287
Net cash used in investing activities		(740,183)	(671,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		624,233	3,342,600
Repayment of long-term loans		(4,890,550)	(4,636,231)
Decrease in prepaid credit insurance		185,613	224,665
Net cash used in financing activities		(4,080,704)	(1,068,966)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(393,873)	1,872,744
OPENING CASH AND CASH EQUIVALENTS		4,784,802	2,743,994
Effect of foreign exchange rate changes		151,423	168,064
CLOSING CASH AND CASH EQUIVALENTS		4,542,352	4,784,802
Cash and cash equivalents comprise:			
Cash and short-term deposits		4,557,163	4,800,473
Bank overdraft		(14,811)	(15,671)
		4,542,352	4,784,802

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, 2015
(Expressed in Jamaican dollars)

1 GROUP IDENTIFICATION

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

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

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

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

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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1 GROUP IDENTIFICATION (CONTINUED)

(a) (Continued)

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

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

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

(b) Accounting period

The Authority and all the companies in the group have prepared financial statements for the year ended March 31, 2015 (2014: March 31, 2014).

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 *New and revised Standards and Interpretations affecting the reported financial performance and/or financial position or disclosure*

There were no standards or interpretations effective in the current year that affected the presentations or disclosures in the financial statements or the reported financial performance or position.

Details of new and revised Standards and Interpretations applied in these financial statements but which had no effect on the amounts reported are set out in Note 2.2.

2.2 *Standards and Interpretations adopted with no effect on financial statements*

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

		Effective for annual periods beginning on or after
Amendments to Standards		
IAS 32	Financial Instruments: - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1	First-time Adoption of International Financial Reporting Standards: - Amendment for Government loan with a below-market rate of interest when transitioning to IFRS	July 1, 2013

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.2 *Standards and Interpretations adopted with no effect on financial statements (Continued)*

		Effective for annual periods beginning on or after
Amendments to Standards (Continued)		
IFRS 10, 12 and IAS 27	Consolidated Financial Statements, Disclosure of Interests In Other Entities, and Separate Financial Statements: - Amendments for investment entities	January 1, 2014
New and Revised Interpretations		
IFRIC 21	Levies	January 1, 2014

2.3 *Standards and Interpretations in issue not yet effective*

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

		Effective for annual periods beginning on or after
New and Revised Standards		
IAS 16, 24, 38 and IFRS 2, 3, 8 and 13	Amendments arising from 2010 – 2012 Annual Improvements to IFRS	July 1, 2014
IAS 40 and IFRS 1, 3 and 13	Amendments arising from 2011 – 2013 Annual Improvements to IFRS	July 1, 2014
IAS 19	Employee Benefits – Amendment to clarify the requirements that relate to how contributions from employees or third parties linked to service should be attributed to periods of service	July 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to continue to apply hedge accounting requirements	When IFRS 9 is applied
IFRS 7	Financial Instruments: Disclosures - Amendments requiring disclosures about the initial application of IFRS 9	January 1, 2015 (or otherwise when IFRS 9 is first applied)
	- Additional hedge accounting disclosures (and consequential amendments)	When IFRS 9 is applied
IFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue for Contracts with Customers	January 1, 2017

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.4 *New and Revised Standards and Interpretations in issue not yet effective that are relevant*

The Board of Directors and management have assessed the impact of all new and revised Standards and Interpretations in issue not yet effective and have concluded that the following are relevant to the operations of the Group:

- Annual Improvements to IFRS 2010 – 2012 Cycle issued in December 2013

  The Annual Improvements to IFRS Cycles include a number of amendments to various IFRS. The amendments are effective for annual periods beginning on or after July 1, 2014. Amendments to IFRS include Amendments to IAS 24 : Related Party Disclosures.

  <u>Amendment to IAS 24</u>
  The amendment widens the definition of key management personnel to include entities, or entities that are part of the same group, that provide key management personnel services to the reporting entity.

- 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.4 *New and Revised Standards and Interpretations in Issue not yet effective that are relevant (Continued)*

- IFRS 9, *Financial Instruments* (Continued)

  Key requirements of IFRS 9: (Continued)

  - With regard 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, as opposed to an 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

2.4 *New and Revised Standards and Interpretations in Issue not yet effective that are relevant (Continued)*

- 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 January 1, 2017. 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.

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) and the requirements of the Port Authority Act and the Jamaican Companies Act.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation (Continued)

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.

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.

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THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Business combinations (Continued)

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.

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)).

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group classifies all other liabilities as non-current.

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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Fair value measurement (Continued)

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

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

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

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

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

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

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

3.8 Property, plant and equipment

All property, plant and equipment held for use in the supply of goods or services, or for administrative purposes, are stated in the statement of financial position at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes professional fees, cost of replacing part of the property, plant and equipment and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy (See Borrowing costs at Page 37) 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property, plant and equipment (Continued)

Assets in the course of construction for operations or administrative purposes, are carried at cost less any recognised impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction), less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any change in estimate being accounted for on a prospective basis. No depreciation is provided on land.

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

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

3.9 Investment properties

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

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

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

3.10 Intangible assets - purchased

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

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangible assets – purchased (Continued)

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

3.11 Impairment of tangible and intangible assets

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

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

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

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

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

3.12 Financial Instruments

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

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

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial Instruments (Continued)

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

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

3.12.1 *Financial assets*

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

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

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

(a) *Loans and receivables*

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

Related party identification
A party is related if:

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

(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group is a venturer;
(iv) the party is a member of the key management personnel of the entity or its parent;
(v) the party is a close family member of any individual referred to in (i) or (iv);
(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial Instruments (Continued)

3.12.1 *Financial assets (Continued)*

(a) *Loans and receivables (Continued)*

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

(b) *Held-to-maturity investments*

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

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

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

Debt securities in this category are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates, or market prices.

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

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

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

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

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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)*

Investments in associates and joint ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

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

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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)*

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.

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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.

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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.

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

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 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Taxation (Continued)

Deferred tax (Continued)
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.

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

3.14 Inventories

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

3.15 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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(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, 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 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

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Employee benefits (Continued)

a) Pension plans (Continued)

(ii) Defined benefit plan (Continued)

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

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

b) Other post-retirement obligations

The Group also provides retiree medical and group life benefits to certain retired employees of a company that previously managed one of its operations. The cost of providing these benefits is determined using the Projected Unit Credit Method with independent actuarial valuations being carried out at the end of each reporting period.

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

c) Termination obligations

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

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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Deferred income - Government grants (Continued)

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.

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.

<u>The Group as lessor</u>
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.

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3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leasing (Continued)

<u>The Group as lessee</u>
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. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of the incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.22 Borrowing costs

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

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

3.23 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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

Contractors' levy

Included in Trade Payables and Accruals (Note 22) are amounts totalling $217.733 million in respect of unpaid contractors' levy associated with the development of the Falmouth cruise ship pier. Management believes a waiver will be obtained with respect to these amounts and any associated penalty for non-payment at the due dates as the project was a directive of the Government of Jamaica. Discussions are being conducted with the Ministry of Finance and Planning in this regard.

Held-to-maturity financial assets

Management and directors have reviewed the Group's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intent and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is $30.027 million (2014: $30.029 million) (Note 9).

Key sources of estimation uncertainty

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

Property, plant and equipment

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, 2015 is $216.678 million (2014: $296.988 million) with management estimating remaining useful life as approximately 11 years (2014: 12 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, 2015 is $3.364 billion (2014: $3.574 billion) with management estimating remaining useful life as approximately 17 years (2014: 18 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(g)).

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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

Key sources of estimation uncertainty (Continued)

Revaluation of investment properties

The Group and the Authority carries its investment properties at fair value totaling $17.012 billion (2014: $16.423 billion) and $14.562 billion (2014: $14.063 billion) respectively with changes in fair value being recognised in the statement of profit or loss. The Authority engaged an external valuation specialist 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.

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

Employee benefit – retiree medical and group life plan

As disclosed in Note 18, 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 a liability of approximately $13.641 million (2014: $46.053 million) in respect of the defined benefit plan and a liability of approximately $29.869 million (2014: $30.155 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 18(h).

Income taxes

Estimates are required in determining the provision for income taxes and tax losses. 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 (See Notes 11 and 26).

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5 PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold Land $'000	Freehold Buildings $'000	Leasehold Improvements $'000	Tugs, Cranes, Trailers, Straddle Carriers, and Other Equipment $'000	Berths 10 &11, Pavements $'000	Furniture and Office Equipment $'000	Motor Vehicles/ Motor Cycles $'000	Infrastructure $'000	Dredging $'000	Computers $'000	Equipment Spares $'000	Capital Works-in Progress $'000	Total $'000
At cost or valuation													
March 31, 2013	8,645,800	1,922,781	70,849	15,096,330	11,677,043	221,594	141,286	6,596,661	5,147,234	353,055	-	426,760	50,299,393
Additions	-	11,294	1,209	33,931	-	11,223	2,800	726	-	19,494	-	709,660	790,337
Disposals	-	-	-	-	-	(91)	(3,303)	-	-	(113)	-	-	(3,507)
Transfer from works-in-progress	503	10,211	-	574,071	335	-	-	181	387	-	-	(585,688)	-
Transfer to investment properties (Note 6)	(2,331,580)	-	-	-	-	-	-	-	-	-	-	(190,374)	(2,521,954)
Transfer from inventories (Note 12)	-	-	-	-	-	-	-	-	-	-	306,038	-	306,038
Adjustment	-	(73)	-	-	-	32	-	-	-	(59)	-	-	(100)
Reclassification	(92)	-	-	-	-	(1,154)	-	-	-	1,154	-	92	-
March 31, 2014	6,314,631	1,944,213	72,058	15,704,332	11,677,378	231,604	140,783	6,597,568	5,147,621	373,531	306,038	360,450	48,870,207
Additions	-	594	4,768	382,422	-	12,418	5,127	2,500	-	24,432	-	542,225	974,486
Disposals	-	-	-	(469)	-	(70)	(14,899)	-	-	-	-	-	(15,438)
Transfer to assets held for sale (Note 35)	-	-	-	(14,234,122)	-	(61,296)	-	-	-	(197,441)	(312,640)	(6,175)	(14,811,674)
Transfer from inventories (Note 12)	-	-	-	-	-	-	-	-	-	-	6,602	-	6,602
Transfer to intangible assets (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(794)	(794)
Transfer from works-in progress	-	2,975	-	229,684	-	-	30,293	1,050	-	20,060	-	(284,062)	-
Reclassification	-	-	-	-	-	(54)	-	-	-	54	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-	(52)	(52)
March 31, 2015	6,314,631	1,947,782	76,826	2,081,847	11,677,378	182,602	161,304	6,601,118	5,147,621	220,636	-	611,592	35,023,337
Depreciation													
April 1, 2013	-	392,767	64,750	9,337,687	2,111,073	155,981	128,450	1,977,464	1,012,390	260,433	-	-	15,440,995
Charge for year	-	57,541	738	784,702	292,729	14,869	5,788	309,668	263,987	26,975	173,884	-	1,930,881
On disposals	-	-	-	-	-	(80)	(3,303)	-	-	(113)	-	-	(3,496)
Impairment adjustment (Note 5(f))	-	-	-	56,693	-	-	-	-	-	-	-	-	56,693
Adjustment	-	(73)	-	-	-	(27)	-	-	-	-	-	-	(100)
March 31, 2014	-	450,235	65,488	10,179,082	2,403,802	170,743	130,935	2,287,132	1,276,377	287,295	173,884	-	17,424,973
Charge for year	-	56,554	1,048	756,498	292,713	15,442	10,711	309,505	263,948	28,739	23,808	-	1,758,966
On disposals	-	-	-	(399)	-	-	(14,432)	-	-	-	-	-	(14,831)
Impairment adjustment (Note 5(f))	-	-	-	1,009	-	-	-	-	-	-	-	-	1,009
Transfer to assets held for sale (Note 35)	-	-	-	(9,305,916)	-	(43,570)	-	-	-	(171,830)	(197,692)	-	(9,719,008)
Adjustment	-	-	-	-	-	-	-	(1)	-	-	-	-	(1)
March 31, 2015	-	506,789	66,536	1,630,274	2,696,515	142,615	127,214	2,596,636	1,540,325	144,204	-	-	9,451,108
Net book value													
March 31, 2015	6,314,631	1,440,993	10,290	451,573	8,980,863	39,987	34,090	4,004,482	3,607,296	76,432	-	611,592	25,572,229
March 31, 2014	6,314,631	1,493,978	6,570	5,525,250	9,273,576	60,861	9,848	4,310,436	3,871,244	86,236	132,154	360,450	31,445,234

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Authority

	Freehold Land $'000	Freehold Buildings $'000	Tugs, Cranes, Trailers, Straddle Carriers, Vessels and Other Equipment $'000	Lighting, Docks, Berths 10 and 11 $'000	Infrastructure $'000	Dredging $'000	Furniture and Office Equipment $'000	Computers $'000	Motor Vehicles $'000	Equipment Spares $'000	Capital Works-in Progress $'000	Total $'000
At cost												
April 1, 2013	8,645,800	1,922,781	15,096,330	11,677,043	6,596,661	5,147,234	157,096	352,261	138,625	-	426,338	50,160,169
Additions	-	11,294	33,931	-	726	-	8,064	19,494	2,800	-	698,815	775,124
Disposals	-	-	-	-	-	-	(91)	(113)	(3,303)	-	-	(3,507)
Reclassification	(92)	-	-	-	-	-	(1,154)	1,154		-	92	-
Transfer from works-in-progress	503	10,211	574,071	335	181	387	-	-	-	-	(585,688)	-
Transfer from investment properties (Note 6)	(2,331,580)	-	-	-	-	-	-	-	-	-	(190,374)	(2,521,954)
Transfer from inventories (Note 12)	-	-	-	-	-	-	-	-	-	306,038	-	306,038
Adjustment	-	(73)	-	-	-	-	32	(59)	-	-	-	(100)
March 31, 2014	6,314,631	1,944,213	15,704,332	11,677,378	6,597,568	5,147,621	163,947	372,737	138,122	306,038	349,183	48,715,770
Additions	-	594	382,422	-	2,500	-	8,019	24,006	5,127	-	541,071	963,739
Disposals	-	-	(469)	-	-	-	(70)	-	(14,899)	-	-	(15,438)
Transfer to assets held for sale (Note 35)			(14,234,122)				(61,296)	(197,441)		(312,640)	(6,175)	(14,811,674)
Reclassification	-	-	-	-	-	-	(54)	54	-	-	-	-
Transfer from inventories (Note 12)	-	-	-	-	-	-	-	-	-	6,602	-	6,602
Transfer from works-in-progress	-	2,975	229,684	-	1,050	-	-	20,060	27,074	-	(280,843)	-
Transfer to intangible assets (Note 7)	-	-	-	-	-	-	-	-	-	-	(794)	(794)
March 31, 2015	6,314,631	1,947,782	2,081,847	11,677,378	6,601,118	5,147,621	110,546	219,416	155,424	-	602,442	34,858,205
Depreciation												
April 1, 2013	-	392,767	9,337,687	2,111,073	1,977,464	1,012,390	105,053	259,668	125,958	-	-	15,322,060
Charge for year	-	57,541	784,702	292,729	309,668	263,987	12,371	26,965	5,746	173,884	-	1,927,593
On disposals	-	-	-	-	-	-	(80)	(113)	(3,303)	-	-	(3,496)
Impairment adjustment (Note 5(f))	-	-	56,693	-	-	-	-	-	-	-	-	56,693
Adjustment	-	(73)	-	-	-	-	(27)	-	-	-	-	(100)
March 31, 2014	-	450,235	10,179,082	2,403,802	2,287,132	1,276,377	117,317	286,520	128,401	173,884	-	17,302,750
Charge for year	-	56,554	756,498	292,713	309,505	263,948	12,534	28,645	10,025	23,808	-	1,754,230
On disposals	-	-	(399)	-	-	-	-	-	(14,432)	-	-	(14,831)
Transfer to assets held for sale (Note 35)	-	-	(9,305,916)	-	-	-	(43,570)	(171,830)	-	(197,692)	-	(9,719,008)
Impairment adjustment (Note 5(f))	-	-	1,009	-	-	-	-	-	-	-	-	1,009
Adjustment	-	-	-	-	(1)	-	-	-	-	-	-	(1)
March 31, 2015	-	506,789	1,630,274	2,696,515	2,596,636	1,540,325	86,281	143,335	123,994	-	-	9,324,149
Net book value												
March 31, 2015	6,314,631	1,440,993	451,573	8,980,863	4,004,482	3,607,296	24,265	76,081	31,430	-	602,442	25,534,056
March 31, 2014	6,314,631	1,493,978	5,525,250	9,273,576	4,310,436	3,871,244	46,630	86,217	9,721	132,154	349,183	31,413,020

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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 lands with a carrying value of $2.493 billion (2014: $2.493 billion) as security for certain long-term liabilities. (Note 19(d)).

(d) Included in property, plant and equipment is land with a carrying value of approximately $514.8 million (2014: $514.8 million) for which the Group does not hold a registered title as the legal formalities in this regard have not been completed.

(e) The Group self insures straddle carriers with a carrying value of $692.484 million (2014: $731.782 million).

(f) During the year, a straddle carrier with a cost of $40.36 million was written down by an amount of $1.009 million based on value in use. During 2013/2014, (a crane with a cost of $285.87 million) included in Tugs, Cranes, Trailers, Straddle Carriers, Vessels and Other Equipment was written down by an amount of $56.69 million based on value in use.

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5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(g) 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.

6 INVESTMENT PROPERTIES

	The Group		
	Land Note 6(a) $'000	Buildings Note 6(b) $'000	Total $'000
Fair value, April 1, 2013	4,772,492	4,929,165	9,701,657
Disposal	(78,341)	-	(78,341)
Transfer to property, plant and equipment (Note 5 and Note 6(e))	2,521,954	-	2,521,954
Increase in fair value (Note 23)	3,473,829	803,483	4,277,312
Fair value, March 31, 2014	10,689,934	5,732,648	16,422,582
Increase in fair value (Note 23)	422,763	166,648	589,411
Fair value, March 31, 2015	11,112,697	5,899,296	17,011,993

	The Authority		
	Land (Note 6(a)) $'000	Buildings (Note 6(b)) $'000	Total $'000
Fair value, April 1, 2013	4,772,492	3,229,165	8,001,657
Disposal	(78,341)	-	(78,341)
Transfer to property, plant and equipment (Notes 5 and 6(e))	2,521,954	-	2,521,954
Increase in fair value (Note 23)	3,473,829		3,617,312
Fair value, March 31, 2014	10,689,934	3,372,648	14,062,582
Increase in fair value (Note 23)	422,763	76,648	499,411
Fair value, March 31, 2015	11,112,697	3,449,296	14,561,993

(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.

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6 INVESTMENT PROPERTIES (CONTINUED)

(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 of valuations carried out in January 2015 (2014: January 2014,) by C.D. Alexander Realty Company Limited external valuers not connected with the Group. C.D. Alexander Realty Company Limited are licensed real estate valuers with the Real Estate Board, and have appropriate qualifications and relevant experience in the valuation of similar properties. In the opinion of the Board of Directors, the carrying values of the investment properties at March 31, 2015 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 value was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

(d) The property rental income earned by the Group from its investment properties all of which are leased under operating leases amounts to $562.735 million (2014: $422.821 million). Direct operating expenses arising from the investment properties during the period amount to $77.325 million (2014: $66.256 million).

(e) During 2013/2014, based on a recent optimisation study for the container terminal operations of the Authority, lands identified as being available for non-operational activities were transferred from the category of Property, Plant and Equipment to Investment Properties. It is projected that these lands will be leased in the future.

(f) Certain charges in respect of a long-term loan have been registered on land valued at $1.098 billion (2014: $1.098 billion) and property valued at $1.350 billion (2014: $1.320 billion) at the end of the reporting period (See Note 19(d) and 19(g)).

7 INTANGIBLE ASSETS

	The Group $'000	The Authority $'000
Cost		
Balance, April 1, 2013	103,960	103,764
Additions	606	606
Balance, March 31, 2014	104,566	104,370
Additions	1,702	1,531
Transfers from property, plant and equipment (Note 5)	794	794
Balance, March 31, 2015	107,062	106,695
Amortisation		
Balance, April 1, 2013	84,847	84,651
Charge for the year	6,272	6,272
Balance, March 31, 2014	91,119	90,923
Charge for the period	7,095	7,038
Balance, March 31, 2015	98,214	97,961
Carrying amount:		
March 31, 2015	8,848	8,734
March 31, 2014	13,447	13,447

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7 INTANGIBLE ASSETS (CONTINUED)

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

8 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

(a) Investments in associates

	The Group 2015 $'000	The Group 2014 $'000
Shares at cost		
Security Administrators Limited	7,353	7,353
Montego Cold Storage Limited	20	20
Reserves		
Share of reserves at acquisition	12,331	12,331
Dividend received	(7,000)	(7,000)
Share of post acquisition profits	110,803	100,295
	123,507	112,999

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

	The Group (Unaudited) 2015 $'000	The Group (Unaudited) 2014 $'000
Total assets	263,256	351,250
Total liabilities	(46,726)	(52,733)
Net assets	216,530	298,517
Group's share of associates' net assets	72,177	99,506
Revenue	521,194	507,496
Profit for the year	31,525	33,840
Group's share of associates' profit for the year	10,508	11,280

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

(b) Investments in subsidiaries and joint ventures

	The Authority		
	2015	2014	
	$'000	$'000	
Shares at cost			
Subsidiary companies			
Kingston Free Zone Co. Ltd. (KFZ)	12,410	12,410	
Montego Bay Free Zone Co. Ltd. (MBFZ)	-	-	*
Ports Management and Security Ltd. (PMS)	-	-	**
Jamaica International Free Zone Development Ltd. (JIFZ)	10,725	10,725	***
Port Authority Management Services Ltd. (PAMS)	-	-	****
KCT Services Limited	-	-	*****
	23,135	23,135	
Joint venture			
Boundbrook Wharves Development Company	-	-	******
Associated companies			
Security Administrators Ltd.	7,353	7,353	
Montego Cold Storage Limited	20	20	
	7,373	7,373	
Total investments in subsidiaries and joint venture	30,508	30,508	

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

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

	KFZ	MBFZ	PMS	JIFZ	The Group 2015	The Group 2014
	$'000	$'000	$'000	$'000	$'000	$'000
Total assets	1,344,992	504,023	513,177	1,409,179	3,771,371	3,427,694
Total liabilities	(67,304)	(152,485)	(135,054)	(378,514)	(733,357)	(749,463)
Net assets	1,277,688	351,538	378,123	1,030,665	3,038,014	2,678,231
Revenue	287,375	413,383	1,699,710	112,509	2,512,977	2,857,859
Profit for the year	105,651	55,799	133,188	55,307	349,945	929,097
Attributable to non-controlling interest	29,582	27,900	65,262	13,827	136,571	304,951

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

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

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

	The Authority	
	2015	2014
	$'000	$'000
Total assets	5,486	5,486
Total liabilities	(35,968)	(35,968)
Net liabilities	(30,482)	(30,482)

The joint venture is currently not trading, accordingly there was no profit (loss) for the year. It is the intention of the Authority to wind up the joint venture. As at March 31, 2015, the process had commenced. As the joint venture is currently not operating, the Authority has committed to settle the joint venture's day to day expenses in the interim.

9 OTHER INVESTMENTS

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
<u>Loans and receivable</u>				
Deposit (See 9(a) below)	716,745	681,730	716,745	681,730
Staff mortgage deposits (See 9(b) below)	30,012	28,514	30,012	28,514
	746,757	710,244	746,757	710,244
<u>Held to maturity</u>				
Government of Jamaica Investment Debenture (Note 9(c))	19,930	19,934	-	-
Government of Jamaica Fixed Rate Benchmark Investment Note (Note 9(c))	10,097	10,095	-	-
	30,027	30,029	-	-
	776,784	740,273	746,757	710,244
Comprising:				
Long-term portion	746,757	740,273	746,757	710,244
Current portion	30,027	-	-	-
	776,784	740,273	746,757	710,244

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9 OTHER INVESTMENTS (CONTINUED)

(a) This amount includes approximately US$6,242,000 (2014: US$6,237,000) on deposit in an offshore bank trust account in the names of the Authority and the European Investment Bank (EIB). The deposit is made in accordance with the EIB loan agreements 20.553 and 20.729, Articles 1.04A(e) and (c), which stipulate a specific ratio in respect of the aggregate principal on loans outstanding and the balance in the trust account. The loans are to be repaid by March 2020 and July 2021, respectively (Note 19(e)). The Group maintains the deposit at an amount to meet the required ratio which was met at the end of the reporting period. At period end the rate of interest on this deposit ranged from 0.0468% to 0.1093% (2014: 0.0781% to 0.125%) per annum. At March 31, 2015, interest receivable on deposits amounted to $0.394 million (2014: $0.250 million).

(b) This represents savings account balances held at Victoria Mutual Building Society at a rate of approximately 7% (2014: 7%) per annum. At March 31 2015, interest receivable amounted to $0.387 million (2014: $0.360 million).

(c) These investments mature in February 2016 (2014: February 2014 and 2016) and earn interest at a fixed rate of 7.25% (2014: 7.25%) per annum payable semi-annually. At March 31, 2015, interest receivable amounted to $0.289 million (2014: $0.291 million).

10 LONG-TERM RECEIVABLES

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Motor car loans (Note 10(a))	102	277	102	277
Staff housing assistance fund (Note 10(b))	6,049	16,780	16,049	16,780
Deposit – Jamaica Public Service Co. Ltd.	3,475	3,475	3,475	3,475
Due from shipping lines US$5,874,421 (2014: US$6,754,700) net of amortised cost adjustment of US$233,196 ($26.698 million) (2014: US$433,800 ($47.281 million) (Note 10(c))	672,552	736,226	672,552	736,226
Advances to related companies (net) (Note 10(d))	-	-	76,226	76,226
Other	19,778	18,188	19,778	18,188
	711,956	774,946	788,182	851,172
Current portion included in trade and other receivables (Note 13)				
- other	(3,771)	(4,379)	(3,771)	(4,379)
- shipping lines	(282,491)	(285,713)	(282,491)	(285,713)
	(286,262)	(290,092)	(286,262)	(290,092)
	425,694	484,854	501,920	561,080

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10 LONG-TERM RECEIVABLES (CONTINUED)

(a) Motor car loans

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.

(b) 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 $200,000 and $500,000 with repayment terms ranging between 7 to 10 years. Loans are granted at an average interest rate of 6% per annum.

(c) Due from shipping lines

This balance outstanding at March 31, 2015 represents amounts from a shipping line, and is repayable by July 2017. Repayment commenced April 2013. No interest is charged on the balance due from the shipping line. A consequent adjustment of $26.698 million (2014: $47.281 million) to record the outstanding interest free balance at amortised cost was effected during the year.

(d) Advances to related companies (net)

This comprises the following:

	The Authority	
	2015	2014
	$'000	$'000
Montego Bay Free Zone Company Limited	(4,500)	(4,500)
Jamaica International Free Zone Development Limited	80,726	80,726
	76,226	76,226

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

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11 DEFERRED TAX (LIABILITIES) ASSETS

This comprises:

	The Group	
	2015	**2014**
	$'000	**$'000**
By transaction type		
Deferred tax assets	45,280	38,224
Deferred tax liabilities	(50,104)	(47,382)
	(4,824)	(9,158)
By entity		
Deferred tax assets	3,831	2,589
Deferred tax liabilities	(8,655)	(11,747)
	(4,824)	(9,158)

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

	The Group	
	2015	**2014**
	$'000	**$'000**
Balance at beginning of the year	(9,158)	22,691
Credited (charged) to income for the year (Note 26(a))	4,334	(31,849)
Balance at end of the year	(4,824)	(9,158)

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11 DEFERRED TAX ASSETS (LIABILITIES) (CONTINUED)

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

	Deferred tax assets						Deferred tax liabilities				
	Interest payable $'000	Depreciation charges in excess of capital allowances $'000	Tax losses (Note 26(c)) $'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, 2013	603	921	25,946	34,451	635	62,556	(4,993)	(218)	(2,454)	(32,200)	(39,865)
(Charged) credited to income for the year	(39)	107	(25,850)	2,085	(635)	(24,332)	(697)	(207)	(4,909)	(1,704)	(7,517)
At March 31, 2014	564	1,028	96	36,536	-	38,224	(5,690)	(425)	(7,363)	(33,904)	(47,382)
(Charged) credited to income	(564)	55	(96)	5,259	2,402	7,056	(482)	(256)	3,689	(5,673)	(2,722)
At March 31, 2015	-	1,083	-	41,795	2,402	45,280	(6,172)	(681)	(3,674)	(39,577)	(50,104)

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12 INVENTORIES

	The Group and The Authority	
	2015	2014
	$'000	$'000
Spares	761,758	692,703
Fuel	35,723	48,554
Other	6,247	6,034
Goods in transit	48,936	28,850
	852,664	776,141
Provision for obsolescence	(170,531)	(170,705)
	682,133	605,436

The cost of inventories recognised as an expense during the year was $888.422 billion (2014:$1.371 billion).

The cost of inventories recognised as an expense includes $0.174 million (2014: $134.268 million) in respect of write-downs of inventory to net realisable value.

During the year inventory items such as spare parts, standby equipment and servicing equipment totaling $6.6 million (2014: $306.038 million) meeting the definition of Property, Plant and Equipment (PP&E) in IAS 16 were classified as property, plant and equipment in accordance with Annual Improvements 2009-2011 as regards IAS 16 (See Note 5).

13 TRADE AND OTHER RECEIVABLES

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade	2,091,363	2,526,629	1,814,083	2,182,336
Provision for bad debts	(146,374)	(197,461)	(24,939)	(95,822)
	1,944,989	2,329,168	1,789,144	2,086,514
Deposits and prepayments	97,460	85,714	95,358	84,207
Staff receivables	51,905	84,155	46,547	83,905
GCT recoverable	9,418	14,029	-	-
Advances to subsidiaries and joint venture (Note 13(a))	-	-	51,256	59,648
Current portion of long-term receivables (Note 10)	286,262	290,092	286,262	290,092
Sundry receivables	86,051	133,889	66,830	130,377
	2,476,085	2,937,047	2,335,397	2,734,743

The average credit period on services rendered is 30 days.

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13 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, 2015, trade and other receivables of $1.114 billion (2014: $1.456 billion) for the Group and $1.068 billion (2014: $1.324 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 54 days (2014: 57 days).

Ageing of past due but not impaired

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
31-60 days	577,010	707,200	562,044	669,139
61-90 days	140,665	163,006	134,887	136,937
Over 90 days	396,193	585,540	371,110	518,414
	1,113,868	1,455,746	1,068,041	1,324,490

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.

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13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impaired receivables

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of the period	197,461	239,203	95,822	91,914
Impairment losses recognised	40,537	43,205	19,826	83,641
Impairment losses reversed	(91,624)	(84,947)	(90,709)	(79,733)
Balance at end of the period	146,374	197,461	24,939	95,822

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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Over 90 days	146,374	197,461	24,939	95,822

(a) Advances to subsidiaries and joint venture

This comprises the following:

	The Authority	
	2015	2014
	$'000	$'000
Kingston Free Zone Company Limited	2,907	2,767
Montego Bay Free Zone Company Limited	3,783	1,597
Ports Management and Security Limited	16,943	18,692
Jamaica International Free Zone Company Limited	8,061	12,319
Port Authority Management Services Limited	107,526	104,967
Boundbrook Wharves Development Company Limited	18,313	18,313
	157,533	158,655
Provision for impairment losses	(106,277)	(99,007)
	51,256	59,648

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

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13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impairment

	The Authority	
	2015	2014
	$'000	$'000
Balance at the beginning of the year	99,007	106,206
Impairment losses recognised (reversed)	7,270	(7,199)
Balance at the end of the year	106,277	99,007

14 CASH AND SHORT-TERM DEPOSITS

		The Group				The Authority			
		2015		2014		2015		2014	
		US$'000	J$'000	US$'000	J$'000	US$'000	J$'000	US$'000	J$'000
Cash	- J$	-	42,481	-	2,651,467	-	26,819	-	2,628,128
	- US	7,579	867,851	8,167	890,161	6,454	739,081	6,762	736,965
Short-term deposits	- J$	-	572,851	-	275,933	-	247,164	-	106,262
	- US$	33,908	4,023,241	14,830	1,617,704	29,725	3,544,099	12,183	1,329,118
		41,487	5,506,424	22,997	5,435,265	36,179	4,557,163	18,945	4,800,473

Short-term deposits have an original maturity of three (3) months or less and are being held to meet short-term cash needs. Included in this balance are amounts totaling $358.864 million (2014: $260.565 million) designated in respect of the partial funding of fixed asset replacement (Note 15(f), employer's liability insurance reserve (Note 15(g) and wharfage reserves (Note 15(h)). Additionally, there is a fixed deposit of US$68,405 (J$7.864 million) (2014: US$67,972 (J$7.378 million)) hypothecated to secure a long-term loan. (See Note 19(g)).The Jamaican dollar deposits are at interest rates ranging from 2.25% - 10.5% (2014: 1% - 9.4%) per annum for the Group and 3.25% - 10.5% (2014: 3.25% - 8.75%) per annum for the Authority. The United States dollar deposits are at interest rates ranging from 0.15% - 3.75% (2014: 0.75% - 3.8%) per annum for the Group and 0.15% - 3.55% (2014: 0.15% - 3.55%) per annum for the Authority.

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15 RESERVES

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
General (Note 15(a))	359,450	359,450	359,450	359,450
Capital (Note 15b))	5,089,330	5,089,330	5,083,337	5,083,337
Development (Note 15(c))	305,150	305,150	305,150	305,150
Equalisation (Note 15(d))	1,630	1,630	1,630	1,630
Stabilisation (Note 15(e))	32	32	32	32
Fixed assets replacement (Note 15(f))	512,360	474,664	512,360	474,664
Insurance (Note 15(g))	132,865	97,500	132,865	97,500
Wharfage (Note 15(h))	136,522	109,641	136,522	109,641
	6,537,339	6,437,397	6,531,346	6,431,404

(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.

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15 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 $132.530 million (2014: $94.797 million) (Note 14).

This comprises:

	The Group and the Authority	
	2015	2014
	$'000	$'000
Transfer from retained earnings	716,887	679,191
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)
	512,360	474,664

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 $95.366 million (2014: $60 million) for future claims against employer's insurance liability for the Authority's Container Terminal Operations which is funded by bank deposits of $92.865 million (2014: $59.278 million). (Note 14).

(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% (2014: 16%) of total direct gross wharfage revenue. It is partially funded by bank deposits totaling $133.47 million (2014: $106.490 million (Note 14).

This comprises:

	The Group and the Authority	
	2015	2014
	$'000	$'000
Transfers from retained earnings	280,730	253,849
Amount drawn down for property purchase	(144,208)	(144,208)
	136,522	109,641

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16 RETAINED EARNINGS

This comprises accumulated surplus as follows:

	The Group	
	2015	2014
	$'000	$'000
The Authority	6,230,351	4,832,441
Its Subsidiaries	1,903,239	1,689,073
Its Associates	110,803	100,295
	8,244,393	6,621,809

17 NON-CONTROLLING INTEREST IN SUBSIDIARY COMPANIES

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

	The Group	
	2015	2014
	$'000	$'000
Ordinary shares in:		
Kingston Free Zone Company Limited	5,965	5,965
Montego Bay Free Zone Company Limited*	-	-
Boundbrook Wharves Development Company Limited**	-	-
Ports Management and Security Limited *** (Note 17(a))	128,600	128,600
Jamaica International Free Zone Limited	3,575	3,575
	138,140	138,140
Share of profits in subsidiary companies attributable to minority shareholders' interest:		
Opening balance	790,234	485,283
Movement for year	136,571	304,951
Closing balance	926,805	790,234
	1,064,945	928,374
Share of capital reserve	2,331	2,331
Share of pre-acquisition profits	1,257	1,257
	1,068,533	931,962

* 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.

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17 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.

18 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, 2015, the Authority contributed at a rate of 10% (2014: 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 7, 2015 (2014: March 7, 2014) by Duggan Consulting Limited, Fellow of the Institute of Actuaries. This valuation was in respect of extrapolated balances at March 31, 2015 (2014: March 31, 2014). 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 certain retired employees of a company that previously managed one of its operations.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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18 POST EMPLOYMENT BENEFITS (CONTINUED)

Retiree medical and group life plan (Continued)
The most recent actuarial valuation of the retiree medical plan assets and the present values of the obligations were carried out at January 7, 2015 (2014: February 13, 2014) by Eckler Partners Limited (Consulting Actuaries) in respect of extrapolated obligations as at March 31, 2015 (2014: March 31, 2014). The present value of the obligation and the related current service costs and past service cost, were measured using the projected unit credit method.

(a) Key assumptions used:

	The Group and the Authority	
	2015	2014
	%	%
Discount rate	9.5	9.5
Future salary increases	5.0	5.0
Future pension increases	NIL	NIL
Health cost inflation	6.5	6.5
	Years	Years
Life expectation for pensioners retiring at the age of 65:		
- Defined Benefit Plan		
Male	21.83	18.74
Female	25.58	23.38
- Retiree Medical Plan		
Male	27.68	19.01
Female	19.17	21.63

(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
	2015	2014	2015	2014	2015	2014
	$000	$000	$'000	$'000	$'000	$'000
Present value of obligation	60,216	47,491	29,869	30,155	90,085	77,646
Fair value of plan assets	(92,455)	(65,318)	-	-	(92,455)	(65,318)
	(32,239)	(17,827)	29,869	30,155	(2,370)	12,328
Adjustments for supplemental pension for members of the defined contribution plan (*)	45,880	63,880	-	-	45,880	63,880
Net liability recognised in statement of financial position	13,641	46,053	29,869	30,155	43,510	76,208

(*) During the year, $18 million was paid in respect of supplemental pension due for the defined contribution plan. During 2013/2014, $18 million was paid in respect of supplemental pension due for the defined contribution plan and $24.125 million was written back based on a special valuation as at March 31, 2013 dated September 19, 2013 conducted by the external actuary.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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18 POST EMPLOYMENT BENEFITS (CONTINUED)

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

	The Group and the Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2015	2014	2015	2014	2015	2014
	$000	$000	$'000	$'000	$'000	$'000
Balance, beginning of the period	46,053	108,175	30,155	29,838	76,208	138,013
Adjustment to the plan at start of the year	135	-	-	-	135	-
Net expense to profit and loss	160	915	2,645	2,752	2,805	3,667
Total re-measurement to other comprehensive income	15,616		1,680	2,216	17,296	13,555
Contributions by employer:						
- regular	(30,323)	(32,251)	(4,611)	(4,651)	(34,934)	(36,902)
- supplemental	(18,000)	(18,000)	-	-	(18,000)	(18,000)
Adjustment for supplemental pension for members of the defined contribution plan	-	(24,125)	-	-	-	(24,125)
Balance, end of the period	13,641	46,053	29,869	30,155	43,510	76,208

(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
	2015	2014	2015	2014	2015	2014
	$000	$000	$'000	$'000	$'000	$'000
Current service cost	2,762	1,845	-	-	2,762	1,845
Past service cost – vested benefits	-	-	-	-	-	
Interest obligation	4,678	3,927	2,645	2,752	7,323	6,679
Interest income on plan asset	(7,280)	(4,857)	-	-	(7,280)	(4,857)
Net costs for year included in profit and loss	160	915	2,645	2,752	2,805	3,667
Items in Other Comprehensive Income:						
Remeasurement loss on obligation	12,706	9,315	1,680	2,216	14,386	11,531
Remeasurement loss on assets	2,910	2,024	-	-	2,910	2,024
Total remeasurement for other comprehensive income	15,616	11,339	1,680	2,216	17,296	13,555
Total	15,776	12,254	4,325	4,968	20,101	17,222

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18 POST EMPLOYMENT BENEFITS (CONTINUED)

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

	The Group and the Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2015	2014	2015	2014	2015	2014
	$000	$000	$'000	$'000	$'000	$'000
Opening defined benefit obligation	47,491	36,823	30,155	29,838	77,646	66,661
Current service cost	2,762	1,845	-	-	2,762	1,845
Interest cost	4,678	3,927	2,645	2,752	7,323	6,679
Contributions from plan participants						
- compulsory	5,401	5,624	-	-	5,401	5,624
- voluntary	1,951	1,326	-	-	1,951	1,326
Benefits paid	(14,773)	(11,369)	(4,611)	(4,651)	(19,384)	(16,020)
Remeasurement (gain) loss on obligation for other comprehensive income	12,706	9,315	1,680	2,216	14,386	11,531
Closing defined benefit obligation	60,216	47,491	29,869	30,155	90,085	77,646

The remeasurement loss on the defined benefit pension plan comprises:

	2015	2014
	$'000	$000
- changes in financial assumption	4,814	2,520
- experience adjustment	4,215	6,795
- change in demographic assumptions	3,677	-
	12,706	9,315

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

	The Group and the Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2015	2014	2015	2014	2015	2014
	$000	$000	$'000	$'000	$'000	$'000
Opening fair value of plan assets	65,318	34,653	-	-	65,318	34,653
Adjutment to fund at start of year	(135)	-			(135)	-
Interest income on plan assets	7,280	4,857	-	-	7,280	4,857
Contributions (employer and employees)	37,675	39,201	-	-	37,675	39,201
Benefits paid	(14,773)	(11,369)	-	-	(14,773)	(11,369)
Remeasurement loss on obligation for Other Comprehensive Income	(2,910)	(2,024)	-	-	(2,910)	(2,024)
Closing fair value of the plan assets	92,455	65,318	-	-	92,455	65,318

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18 POST EMPLOYMENT BENEFITS (CONTINUED)

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

	2015	2014
	$'000	$'000
Deposit Administrator Fund	80,424	55,813
Pooled Investment Fund	4,566	3,941
Pooled Money Market Fund	7,465	5,564
	92,455	65,318

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

	2015			
	The Group and the Authority			
Assumptions	Sensitivity level Increase	Impact on defined benefits obligation $'000	Sensitivity level Decrease	Impact on defined benefits obligations $'000
Financial				
Estimated health care cost increase	1%	23,234	1%	23,234
Discount rate	1%	49,497	1%	81,531
Future salary increase	1%	66,719	1%	55,402
Demographic				
Life expectancy of pensioners	1 year	61,569	1 year	58,881

	2014			
	The Group and the Authority			
Assumptions	Sensitivity level Increase	Impact on defined benefits obligation $'000	Sensitivity level Decrease	Impact on defined benefits obligations $'000
Financial				
Estimated health care cost increase	1%	23,234	1%	28,287
Discount rate	1%	41,394	1%	64,243
Future salary increase	1%	51,808	1%	45,733
Demographic				
Life expectancy of pensioners	1 year	49,066	1 year	46,214

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.

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18 POST EMPLOYMENT BENEFITS (CONTINUED)

(i) The Authority expects to make a contribution of $8.656 million (2014: $10.694 million) to the health benefit scheme and $18 million (2014: $8.805 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 (2014: 18 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 for the period amounted to $48.240 million (2014: $36.266 million).

19 LONG-TERM LIABILITIES

	The Group		The Authority	
These comprise:	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
(a) Non-government loans				
Foreign currency loans (Note 19(d)(i))	19,256,392	22,659,986	19,049,818	22,425,799
Local currency loan (Note 19(d)(ii))	4,435,950	4,457,616	4,435,950	4,457,616
	23,692,342	27,117,602	23,485,768	26,883,415
(b) Government loans (Note 19(h))				
Foreign currency loans	14,551,695	13,859,841	14,551,695	13,859,841
Local currency loans	38,143	38,143	30,974	30,974
	14,589,838	13,897,984	14,582,669	13,890,815
(c) Lease liability				
Foreign currency (Note 19(i))	14,227	28,967	14,227	28,967
	38,296,407	41,044,553	38,082,664	40,803,197
Loan interest payable	347,375	356,249	347,375	356,249
Prepaid credit insurance (Note 19(m))	(322,521)	(508,134)	(322,521)	(508,134)
Loan fees	(94,168)	(102,293)	(94,168)	(102,293)
	38,227,093	40,790,375	38,013,350	40,549,019
Current portion:				
Long-term liabilities	(4,152,969)	(4,574,613)	(4,123,386)	(4,537,115)
Prepaid credit insurance	107,385	173,740	107,385	173,740
Amortised loan fees	12,681	12,456	12,681	12,456
Current portion of long-term liabilities	(4,032,903)	(4,388,417)	(4,003,320)	(4,350,919)
	34,194,190	36,401,958	34,010,030	36,198,100

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19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans

Interest Rate %	Lender	Repayment Instalments		The Group 2015 Foreign Currency $'000	2015 JMD $'000	2014 Foreign Currency $'000	2014 JMD $'000
(i) Foreign currency loans							
5.21	HSBC S/Carrier – $23.27M	Semi-annually until 2014/2015	US$	-	-	2,745	300,734
LIBOR + 1.50	HSBC US$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US$	68,037	7,827,215	79,885	8,753,322
3.00	European Investment Bank Loan #1.7391	Semi-annually until 2015/2016)	US$	137	15,742	402	44,072
	MBFZ 70 Acre		YEN	1,238	1,187	3,640	3,874
			SF	85	10,078	249	30,782
			STRL	7	1,124	19	3,533
			EURO	9	1,139	27	4,047
3.00	European Investment Bank Loan #20.729 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Annually until 2020/2021	EURO	5,445	678,343	6,263	943,627
3.56	European Investment Bank Loan #20.553 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Semi-annually until 2019/2020	US$	11,396	1,311,057	13,457	1,474,582
3.38	European Investment Bank Loan #1.8902	Semi-annually until 2016/2017	US$	2,686	309,044	4,406	482,747
	Gordon Cay		SF	212	25,229	348	42,993
			STRL	75	12,827	124	22,495
Nil	Commerzbank	Semi-annually until 2015/2016	EURO	489	60,858	996	150,001
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche A	Semi-annually until 2014/2015	US$	-	-	1,713	187,720
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche B	Semi-annually until 2016/2017	US$	563	64,756	838	91,781
	Carried forward				10,318,599		12,536,310

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (Continued)

Interest Rate %	Lender	Repayment Instalments		The Group 2015 Foreign Currency $'000	The Group 2015 JMD $'000	The Group 2014 Foreign Currency $'000	The Group 2014 JMD $'000
(i) Foreign currency loans (Continued)							
	Brought forward				10,318,599		12,536,310
8.755	Bank of Nova Scotia (US$44M) refinanced (Note 19(j)(i))*	Quarterly until 2020/2021	US$	23,482	2,701,448	27,724	3,037,819
5.97	Bank of Nova Scotia – Europe (US$48.65M)	Quarterly until 2017/2018	US$	13,368	1,537,888	18,225	1,996,983
8.95	Bank of Nova Scotia – (US$39.4M) refinanced (Note 19(j)(ii))*	Quarterly until 2021/2022	US$	27,523	3,166,391	31,458	3,446,956
LIBOR+0.35	FirstCaribbean International Bank (Note 19(f))	Quarterly until 2021/2022	US$	11,011	1,266,721	12,018	1,316,912
LIBOR+2.62	FirstCaribbean International Bank (Note 19(g))	Quarterly until 2020/2021	US$	1,800	206,574	2,137	234,187
3.05	Insurance Financing	Monthly until 2013/2014	US$	-	-	829	90,819
3.05	Insurance Financing	Monthly until 2014/2015	US$	511	58,771		-
					19,256,392		22,659,986
(ii) Local currency loan							
8.44	Scotia Investments Jamaica Limited (Note 15(j)(iii))	Semi-annually until 2016/2017			1,935,687		1,957,616
14.50		In full March 2054			2,500,263		2,500,000
					4,435,950		4,457,616
TOTAL					23,692,342		27,117,602
Secured							
Guaranteed by the Government of Jamaica					16,893,809		19,658,364
Letters of undertaking by the Government of Jamaica					2,701,448		3,037,819
Charge on the assets (Note 5(c))					2,771,593		3,013,688
Unsecured - Evidenced by Promissory Notes					1,325,492		1,407,731
					23,692,342		27,117,602

LIBOR at March 31, 2015 was 0.4007% (2014: 0.3467%)

Prime at March 31, 2015 was 3.25% (2014: 3.25%).

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

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19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (Continued)

Interest Rate %	Lender	Repayment Instalments		The Authority 2015 Foreign Currency $'000	The Authority 2015 JMD $'000	The Authority 2014 Foreign Currency $'000	The Authority 2014 JMD $'000
(i) Foreign currency loans							
5.21	HSBC S/Carrier – $23.27M	Semi-annually until 2014/2015	US$	-	-	2,745	300,734
LIBOR + 1.50	HSBC US$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US$	68,037	7,827,215	79,885	8,753,322
3.00	European Investment Bank Loan #1.7391	Semi-annually until 2015/2016)	US$	137	15,742	402	44,072
	MBFZ 70 Acre	)	YEN	1,238	1,187	3,640	3,874
		)	SF	85	10,078	249	30,782
		)	STRL	7	1,124	19	3,533
		)	EURO	9	1,139	27	4,047
3.00	European Investment Bank Loan #20.729 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Annually until 2020/2021	EURO	5,445	678,343	6,263	943,627
3.56	European Investment Bank Loan #20.553 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Semi-annually until 2019/2020	US$	11,396	1,311,057	13,457	1,474,582
3.38	European Investment Bank Loan #1.8902	Semi-annually until 2016/2017)	US$	2,686	309,044	4,406	482,747
	Gordon Cay	)	SF	212	25,229	348	42,993
		)	STRL	75	12,827	124	22,495
Nil	Commerzbank	Semi-annually until 2015/2016)	EURO	489	60,858	996	150,001
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche A	Semi-annually until 2014/2015	US$	-	-	1,713	187,720
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche B	Semi-annually until 2016/2017	US$	563	64,756	838	91,781
	Carried forward				10,318,599		12,536,310

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19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (Continued)

Interest Rate %	Lender	Repayment Instalments		The Authority 2015 Foreign Currency $'000	2015 JMD $'000	2014 $'000	2014 JMD $'000
(i) Foreign currency loans							
	Brought forward				10,318,599		12,536,310
8.755	Bank of Nova Scotia (US$44M) refinanced (Note 19(j)(i))*	Quarterly until 2020/2021	US$	23,482	2,701,448	27,724	3,037,819
5.97	Bank of Nova Scotia – Europe (US$48.65M)	Quarterly until 2017/2018	US$	13,368	1,537,888	18,225	1,996,983
8.95	Bank of Nova Scotia – (US$39.4M) refinanced (Note 19(j)(ii))*	Quarterly until 2021/2022	US$	27,523	3,166,391	31,458	3,446,956
LIBOR+0.35	FirstCaribbean International Bank (Note 19(f))	Quarterly until 2021/2022	US$	11,011	1,266,721	12,018	1,316,912
3.05	Insurance Financing	Monthly until 2013/2014	US$	-	-	829	90,819
3.05	Insurance Financing	Monthly until 2014/2015	US$	511	58,771		-
					19,049,818		22,425,799
(ii) Local currency loan							
8.44	Scotia Investments Jamaica Limited (Note 15(j)(iii))	Semi-annually until 2016/2017			1,935,687		1,957,616
14.5		In full March 2054			2,500,263		2,500,000
					4,435,950		4,457,616
TOTAL					23,485,768		26,883,415
Secured							
Guaranteed by the Government of Jamaica					16,893,809		19,658,364
Letters of undertaking by the Government of Jamaica					2,701,448		3,037,819
Charge on the assets (Note 5(d))					2,565,019		2,779,501
Unsecured - Evidenced by Promissory Notes					1,325,492		1,407,731
					23,485,768		26,883,415

LIBOR at March 31, 2015 was 0.4006% (2014: 0.3461%)

Prime at March 31, 2015 was 3.25% (2014: 3.25%).

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

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19 LONG-TERM LIABILITIES (CONTINUED)

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

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

(g) On March 22, 2007, a subsidiary entered into a 15 year loan facility with FirstCaribbean International 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 October 2012, the rate was changed by the Bank to 4.24% per annum and then in September 2013 the rate was changed to 3.92%.

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

The loan is secured as follows:

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

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

c) Fire & Peril Insurance over subject properties with bank's interest noted over the abovementioned properties.

d) Hypothecation of fixed deposits in the amount of US$68,505 (2014: US$68,000) (excluding interest receivable with a financial institution (Note 14)) 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.

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19 LONG-TERM LIABILITIES (CONTINUED)

(h) Government of Jamaica (GOJ) - Loans

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
(i) Lands at Gordon Cay				
Interest Rate %				
Prime + 1.25)	7,500	7,500	7,500	7,500
LIBOR + 2)	4,100	4,100	4,100	4,100
	11,600	11,600	11,600	11,600
Add: Accrued interest	7,770	7,770	7,770	7,770
	19,370	19,370	19,370	19,370
(ii) Purchase of Montego Wharves 12% payable semi-annually 1991 - 1996, to be evidenced by promissory notes	10,098	10,098	10,098	10,098
Add: Accrued interest	16,938	16,938	16,938	16,938
	27,036	27,036	27,036	27,036
(iii) Development of Montego Bay Free Zone Company Limited	7,169	7,169	-	-
(iv) Payments to the Accountant General (Note 19(k))	(15,091)	(15,091)	(15,091)	(15,091)
(v) Payment of Caribbean Development Bank loan for GOJ re Ocho Rios cruise ship pier	(341)	(341)	(341)	(341)
	38,143	38,143	30,974	30,974
(vi) *Foreign currency loans:* GOJ Petrocaribe 5% payable semi-annually in arrears 2012 - 2037 (US$126.52 million) (evidenced by promissory notes (Note 19(j)(vi))	14,551,695	13,859,841	14,551,695	13,859,841
	14,589,838	13,897,984	14,582,669	13,890,915

	The Group		The Authority	
(i) Lease liability				
X-ray machine Seaboard Freight (US$0.201 million) at 0% per annum repayable monthly until 2014/2015	4,402	11,627	4,402	11,627
X-ray machine Kingston Logistic Centre (US$0.203 million) at 0% per annum repayable monthly until 2015/2016	9,825	17,340	9,825	17340
	14,227	28,967	14,227	28,967

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19 LONG-TERM LIABILITIES (CONTINUED)

(i) Lease liability (Continued)

	Minimum lease payment	
	2015	2014
	US$	US$
No later than 1 year	106,919	134,845
Between 1 – 5 years	22,608	118,357
	129,527	253,202

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

(j) Loans with moratorium on repayment

i) Bank of Nova Scotia (US$44 million) – the principal amount is repayable in 34 equal quarterly instalments which commenced May 15, 2012.
ii) Bank of Nova Scotia (US$39.4 million) – the principal is repayable in 44 equal quarterly instalments which commenced May 15, 2012.
iii) Scotia Investments Jamaica Limited $1.9 billion loan is for a period of five years with principal being repaid in full on maturity of loan on June 30, 2016. The loan was disbursed in tranches. Interest is payable every six months and commenced June 30, 2013 and thereafter each six month period expiring on June 30 and December 31 each year, but in respect of the last interest period, commencing on the penultimate interest payment date continuing up to but excluding the maturing date.
iv) Effective June 30, 2012, the Petrocaribe Loans (See Note 19(h)(vi)) 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.

(k) Payments to Accountant General

The payment of $15.091 million (Note 19(h)(iv)) has been applied in reduction of loans payable to the GOJ.

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

(m) Prepaid credit insurance

This represents credit insurance on certain long-term loans. This amount is being amortised over the respective lives (5-11 years) of these loans

(n) Breach of loan agreements

As at March 31, 2015, the Authority did not meet the debt service covenant ratios for certain loans and a negative covenant in respect of a particular loan. Based on the loan agreements, these breaches did not result in the loans becoming callable by the lenders. The Authority has obtained waivers in respect of these breaches for a period up to March 31, 2016.

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20 DEFERRED INCOME

	The Group and the Authority	
	2015 $'000	2014 $'000
Balance at the beginning of the year	694,136	758,553
Additions during the year (Note 20(b))	-	2,800
Amortised during the year	(67,450)	(67,217)
Balance at the end of the year	626,686	694,136
Comprising:		
Government grants (Note 20(a))	25,598	44,213
Assets transferred (Note 20(b))	601,088	649,923
	626,686	694,136

(a) This represents:

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

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

The two grants are being amortised over 20 years.

(b) This represents:

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

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21 PROVISIONS

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At April 1	202,313	215,007	56,171	77,202
Provision for the year	98,812	197,539	58,738	75,562
Utilised during the year	(78,990)	(210,233)	(61,408)	(96,593)
At March 31	222,135	202,313	53,501	56,171

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

22 TRADE AND OTHER PAYABLES

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade	441,962	487,271	345,589	392,507
Amounts to be disbursed in respect of specific projects	334,416	311,950	334,416	311,950
Accruals	700,278	487,806	665,397	457,458
Rental deposits	168,661	144,222	-	-
Related company (Note 22(a))	28,795	28,795	-	-
Advances from subsidiary companies (Note 22(b))	-	-	302,708	268,308
Income tax payable	38,527	39,634	-	-
Others	971,159	914,137	889,662	846,260
	2,683,798	2,413,815	2,537,772	2,276,483

(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.

(b)

	The Authority	
	2015 $'000	2014 $'000
Montego Bay Free Zone Company Limited (Note 22 (b)(i))	100,000	100,000
KCT Services Limited (Note 22 (b)(ii))	191,102	156,337
Ports Management & Security Limited (Note 22 (b)(ii))	11,606	11,971
	302,708	268,308

(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.

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23 REVENUE

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Container terminal	10,990,480	10,163,757	9,320,200	8,638,202
Facility fees – net	2,570,848	2,031,265	2,570,848	2,031,265
Wharfage	1,054,060	946,132	1,054,060	946,132
Harbour fees	852,220	743,477	852,220	743,477
Tug fees	756,408	658,431	756,408	658,431
Equipment lease	103,334	81,922	669,057	602,256
Land and building lease	618,163	530,641	217,142	184,345
Port Antonio Marina	82,639	75,595	82,639	75,595
Oil Royalty	129,370	105,394	129,370	105,394
Pilotage	114,313	97,816	114,313	97,816
Ground lease – Falmouth	75,305	68,425	75,305	68,425
Other	746,091	605,170	652,558	508,604
Investment property fair value adjustment (Note 6)	589,411	4,277,312	499,411	3,617,312
Foreign currency gain	-	-	344,431	634,558
Gain on disposal of property, plant and equipment and investment properties	-	-	18,460	20,439
	18,682,642	20,385,337	17,356,422	18,932,251

24 OTHER GAINS AND LOSSES

	The Group	
	2015 $'000	2014 $'000
Foreign exchange loss (net) (Note 24(a))	(1,206,719)	(3,188,012)

(a) This includes a foreign exchange loss of $1.557 billion (2014: $3.851 billion) arising on retranslation of foreign currency loans held by the Authority and a subsidiary company.

25 FINANCE CHARGES AND INTEREST ON LOANS

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Interest on long-term liabilities	2,255,961	1,944,350	2,247,286	1,935,054
Interest on overdrafts and other	66,031	167,322	66,031	167,322
	2,321,992	2,111,672	2,313,317	2,102,376

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26 TAXATION

Current and deferred tax have been calculated using the tax rate of 25% (2014: 25%).

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

	The Group	
	2015 $'000	2014 $'000
Current taxation	73,194	61,759
Prior year taxation	3,810	-
Deferred tax adjustments (Note 11)	(4,334)	31,849
	72,670	93,608

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

	The Group	
	2015 $'000	2014 $'000
Profit before taxation	1,949,063	1,821,659
Tax at the domestic income tax rate of 25%	487,267	455,415
Tax effect of expenses not deductible for tax purposes	3,072	9,755
Tax effect of expenses not subject to tax	2,248	12
Tax effect of income not subject to tax	(405,742)	(365,798)
Tax effect of unused tax losses	1,801	3,004
Tax effect of employment tax credit	(19,962)	(7,704)
Tax effect of expenses deductible for tax purposes	363	25,850
Tax effect of tax losses utilised	(52)	(26,926)
Tax effect of other adjustments	(135)	-
Prior year tax charge	3,810	-
	72,670	93,608

(c) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses of subsidiary companies aggregating approximately $109.803 million (2014: $115.035 million) are available to be set off against future taxable profits of those companies. At March 31, 2015, no deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future taxable profits (2014: A deferred tax asset of $0.096 million has been recognised in respect of $0.384 million of such losses. No deferred tax has been recognised for the remaining $114.651 million due to the unpredictability of future taxable profits).

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27 PROFIT AFTER TAXATION

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

	The Group		The Authority	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
(a) Revenue (Expense) on:				
Interest income on financial asset at amortised cost				
Interest income on long-term receivables	1,810	2,330	1,810	2,330
Held to maturity investments	2,153	2,024	-	-
Income from short-term deposits	184,968	93,144	157,150	77,547
Other	556	22	-	-
	189,487	97,520	158,960	79,877
Impairment recoveries (losses) on financial assets at amortised costs				
- Trade receivables	51,087	41,742	70,883	(3,908)
- Advances to subsidiaries, associates and joint venture	-	-	(7,270)	7,199
Amortised costs adjustment on financial assets				
- Long-term receivables	20,583	(21,414)	20,583	(21,414)
Finance changes and interest on loan at amortised cost	(2,321,992)	(2,111,672)	(2,313,317)	(2,102,376)
b) Gains (Losses)				
Net foreign exchange (losses) gains on financial instruments at amortised costs				
- Foreign currency loans	(1,556,666)	(3,850,797)	(1,545,784)	(3,827,185)
- Short-term deposits and other investments	349,947	662,785	344,431	634,558
c) Other				
Audit fees - current year	14,700	16,631	10,500	12,477
Cost of inventories recognised in expenses	888,422	1,371,046	888,422	1,371,046
Impairment of property, plant and equipment	1,009	56,693	1,009	56,693
(Gain) loss on disposal of investment properties	-	(19,946)	-	(19,946)
(Gain) loss on disposal of property, plant and equipment	(18,460)	(493)	(18,460)	(493)
Depreciation and amortisation	1,766,061	1,937,153	1,761,268	1,933,865
Fair value gain on investment properties	589,411	4,277,312	499,411	3,617,312

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28 NET PROFIT

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	
	2015	2014
	$'000	$'000
The Authority	1,497,852	785,556
The subsidiary companies	214,166	612,709
The associated companies	10,508	11,280
	1,722,526	1,409,545

29 COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

At the end of the reporting period, approximately $1.165 billion (2014: $1.333 billion) had been committed and contracted by the Group and relates to acquisition of equipment for KCT, Infrastructure projects at KCT, Montego Bay Freeport and Ocho Rios, motor vehicles for Harbours and other projects. In respect of the prior year, acquisition of equipment for KCT, Harbours, Montego Bay Freeport, dredging and rehabilitation works at Falmouth and Ocho Rios and other projects.

At March 31, 2015, commitments in respect of a three (3) year contract for maintenance of the X-ray machines had a balance amounting to $88.153 million (US$769.9 million) (2014: $294.979 million (US$2.692 million)) left on the contract.

Contingent liabilities

Trade payables and accruals include amounts payable to a statutory agency. The Group could be subject to penalties and interest on the outstanding balance however, discussions are being pursued with the Ministry of Finance and Planning with respect to a waiver of the unpaid amounts and any associated penalties. The Ministry of Finance and Planning, in its letter dated July 10, 2013, had committed to reviewing its policy in this regard. At March 31, 2015, the resolution of the matter was still pending.

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30 RELATED PARTY TRANSACTIONS/BALANCES

Transactions and balances

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

	The Authority					
	Lease rental		Other		Balance due from (to)	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Subsidiaries						
Jamaica International Free Zone Development Limited	-	-	9,000	-	88,787	93,045
Kingston Free Zone Company Limited	35,350	32,288	3,500	3,500	2,907	2,767
Montego Bay Free Zone Company Limited	173,429	144,994	3,500	3,500	(100,717)	(102,903)
Ports Management and Security Limited	565,516	520,334	16,500	16,500	5,337	6,721
Port Authority Management Services Limited	-	-	8,963	8,963	107,526	104,967
KCT Services Limited	-	-	-	-	(191,102)	(156,337)
	774,295	697,616	41,463	32,463	(87,262)	(51,740)
Provision for impairment (Note 13(a))	-	-		-	(106,277)	(99,007)
Joint venture						
Boundbrook Wharves Development Limited	-	-	-	-	18,313	18,313
	774,295	697,616	41,463	32,463	(175,226)	(132,434)
Included in the following balances:						
Long-term receivables (Note 10(d))	-	-	-	-	76,226	76,226
Trade and other receivables (Note 13)	-	-	-	-	51,256	59,648
Trade and other payables (Note 22)	-	-	-	-	(302,708)	(268,308)
	774,295	697,616	41,463	32,463	(175,226)	(132,434)
Key management personnel	-		25,928	29,589	23,532	34,686

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30 RELATED PARTY TRANSACTIONS/BALANCES (CONTINUED)

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

Key management personnel

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Short-term benefits	316,592	284,002	254,688	216,085
Pension	10,332	11,526	8,275	6,058
	326,924	295,528	262,963	222,143

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

Board of Directors and Committee members

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Short-term benefits - (directors fees)	4,259	4,786	1,705	1,885

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 and 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.

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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	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Available-for-sale (at cost)				
Investments in subsidiaries, joint venture and associates	123,507	112,999	30,508	30,508
Loans and receivables - (at amortised cost)				
	746,757	710,244	746,757	710,244
Long-term receivables	425,694	484,854	501,920	561,080
Trade and other receivables	2,369,207	2,837,304	2,240,039	2,650,536
Cash and short-term deposits	5,506,424	5,435,265	4,557,163	4,800,473
	9,048,082	9,467,667	8,045,879	8,722,333
Held-to-maturity investment - (at amortised cost)				
Other investments	30,027	30,029	-	-
Total financial assets	9,201,616	9,610,695	8,076,387	8,752,841
Financial liabilities - (at amortised cost)				
Long-term liabilities	38,227,093	40,790,375	38,013,350	40,549,019
Trade and other payables	1,944,993	1,886,375	1,872,375	1,819,025
Bank overdraft	18,052	19,964	14,811	15,671
Total financial liabilities	40,190,138	42,696,714	39,900,536	42,383,715

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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 analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The 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 period.

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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 for 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, 2015, the Group had US$ denominated balances amounting to US$47.729 million (2014:US$29.234 million) of which US$6.310 million (2014: US$6.305 million) (Note 9(a) and Note 14) is held in respect of funding certain loans amounting to US$13.196 million (2014: US$15.594 million) and €5.445 million (2014: €6.263 million (Note 19(e) and 19(g)) at the end of the reporting period.

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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	
	2015	2014	2015	2014	2015	2014
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
United States dollar	33,540,373	35,683,131	9,118,120	7,451,628	24,422,253	27,940,947
Japanese yen	1,187	3,874	-	-	1,187	3,874
Swiss franc	35,307	73,775	-	-	35,307	73,775
Pound sterling	13,951	26,028	-	-	13,951	26,028
EURO	740,340	1,097,674	-	-	740,340	1,097,674

	The Authority					
	Liabilities		Assets		Net liabilities	
	2015	2014	2015	2014	2015	2014
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
United States dollar	33,157,726	35,308,396	8,499,970	6,968,958	24,657,756	28,339,438
Japanese yen	1,187	3,874	-	-	1,187	3,874
Swiss franc	35,307	73,775	-	-	35,307	73,775
Pound sterling	13,951	26,028	-	-	13,951	26,028
EURO	740,340	1,097,674	-	-	740,340	1,097,674

Foreign currency sensitivity analysis
The Group's most significant currency exposure is to the United States dollar. The following table details the Group's sensitivity to a 1% revaluation and 10% devaluation (2014: 1% revaluation and 15% devaluation) in the Jamaican dollar against the relevant foreign currencies. The above sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the percentage changes as in foreign currency rates as described above. The sensitivity analysis includes external loans where the loan is denominated in a currency other than the currency of the borrower.

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

Financial risk management policies and objectives (Continued)

(b) Foreign currency risk management (Continued)

If the Jamaican dollar strengthens by 1% or weakens by 10% against the relevant currencies (2014: strengthens by 1% or weakens by 15%), the income will increase or (decrease) by:

The Group

	Revaluation		Devaluation		Revaluation		Devaluation	
	2015				2014			
	Change in Currency rates		Change in Currency rates		Change in Currency rates		Change in Currency rates	
	%	$'000	%	$'000	%	$'000	%	$'000
Currency								
United States dollar	+1	244,223	-10	(2,442,225)	+1	279,409	-15	(4,191,142)
Japanese yen	+1	12	-10	(119)	+1	39	-15	(581)
Swiss franc	+1	353	-10	(3,531)	+1	738	-15	(11,066)
Pound sterling	+1	140	-10	(1,395)	+1	260	-15	(3,904)
EURO	+1	7,403	-10	(74,034)	+1	10,977	-15	(164,651)

The Authority

	Revaluation		Devaluation		Revaluation		Devaluation	
	2015				2014			
	Change in Currency rates		Change in Currency rates		Change in Currency rates		Change in Currency rates	
	%	$'000	%	$'000	%	$'000	%	$'000
Currency								
United States dollar	+1	246,578	-10	(2,465,776)	+1	283,394	-15	4,250,912
Japanese yen	+1	12	-10	119	+1	39	-15	581
Swiss franc	+1	353	-10	3,531	+1	738	-15	11,066
Pound sterling	+1	140	-10	1,395	+1	260	-15	3,904
EURO	+1	7,403	-10	74,034	+1	10,977	-15	164,651

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

The Group's sensitivity to foreign currency has decreased during the period due to the decreased foreign currency loan balances offset by decreased 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. 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.

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

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

The Group

	Due within 1 Year	1-5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000
At March 31, 2015					
Assets					
Investment in associates	-	-	-	123,507	123,507
Other investments	30,027	714,377	-	32,380	776,784
Long-term receivables	-	11,252	1,127	413,315	425,694
Trade and other receivables	-	-	-	2,369,207	2,369,207
Cash and short-term deposits	5,090,146	-	-	416,278	5,506,424
Total assets	5,120,173	725,629	1,127	3,354,687	9,201,616
Liabilities					
Long-term liabilities	3,683,175	16,060,427	18,128,947	354,544	38,227,093
Trade and other payables				1,944,993	1,944,993
Bank overdraft (unsecured)	14,811	-	-	3,241	18,052
Total liabilities	3,697,986	16,060,427	18,128,947	2,302,778	40,190,138
Total interest rate sensitivity gap	1,422,187	(15,334,798)	(18,127,820)	1,051,909	(30,988,522)
Cumulative gap	1,422,187	(13,912,611)	(32,040,431)	(30,988,522)	

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

	The Group				
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 2014					
Assets					
Investment in associates	-	-	-	112,999	112,999
Other investments	-	709,544	-	30,729	740,273
Long-term receivables	-	12,065	1,097	471,692	484,854
Trade and other receivables	-	-	-	2,837,304	2,837,304
Cash and short-term deposits	2,870,904	-	-	2,564,361	5,435,265
Total assets	2,870,904	721,609	1,097	6,017,085	9,610,695
Liabilities					
Long-term liabilities	4,093,138	15,521,895	20,809,646	365,696	40,790,375
Trade and other payables	-	-	-	1,886,375	1,886,375
Bank overdraft (unsecured)	15,671	-	-	4,293	19,964
Total liabilities	4,108,809	15,521,895	20,809,646	2,256,364	42,696,714
Total interest rate sensitivity gap	(1,237,905)	(14,800,286)	(20,808,549)	3,760,721	(33,086,019)
Cumulative gap	(1,237,905)	(16,038,191)	(36,846,740)	(33,086,019)	

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

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

	The Authority				
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 2015					
Assets					
Investment in subsidiary, joint venture and associated companies	-	-	-	30,508	30,508
Long-term receivables	-	11,252	1,127	489,541	501,920
Other investments	-	714,377	-	32,380	746,757
Trade and other receivables	-	-	-	2,240,039	2,240,039
Cash and short-term deposits	4,165,523	-	-	391,640	4,557,163
Total assets	4,165,523	725,629	1,127	3,184,108	8,076,387
Liabilities					
Long-term liabilities	3,653,592	15,942,097	18,070,286	347,375	38,013,350
Trade payables and accruals	-	-	-	1,872,375	1,872,375
Bank overdraft (unsecured)	14,811	-	-	-	14,811
Total liabilities	3,668,403	15,942,097	18,070,286	2,219,750	39,900,536
Total interest rate sensitivity gap	497,120	(15,216,468)	(18,069,159)	964,358	(31,824,149)
Cumulative gap	497,120	(14,719,348)	(32,788,507)	(31,824,149)	

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

	The Authority				
	Due within 1 Year $'000	**1-5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
At March 31, 2014					
Assets					
Investment in subsidiary, joint venture and associated companies	-	-	-	30,508	30,508
Long-term receivables	-		1,097	547,918	561,080
Other investments	-	679,806	-	30,438	710,244
Trade and other receivables	-	-	-	2,650,536	2,650,536
Cash and short-term deposits	2,266,833	-	-	2,533,640	4,800,473
Total assets	2,266,833	691,871	1,097	5,793,040	8,752,841
Liabilities					
Long-term liabilities	4,057,918	15,409,190	20,725,662	356,249	40,549,019
Trade payables and accruals	-	-	-	1,819,025	1,819,025
Bank overdraft (unsecured)		-	-	-	15,671
Total liabilities	4,073,589	15,409,190	20,725,662	2,175,274	42,383,715
Total interest rate sensitivity gap	(1,806,756)	(14,717,319)	(20,724,565)	3,617,766	(33,630,874)
Cumulative gap	(1,806,756)	(16,524,074)	(37,248,639)	(33,630,874)	

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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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 250 basis points increase and 100 basis points decrease (2014: 250 basis points increase or 100 basis points decrease)for local borrowing and a 200 basis points increase and 50 basis points decrease (2014: 200 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 200 basis points higher or 50 basis points lower (2014: 200 basis points higher or 50 basis points lower) on its foreign currency borrowings and investments profit for the period would decrease by approximately $99.066 million or increase by $23.517 million (2014: profits for the period would decrease by $165.407 million or increase by $41.352 million). For the local borrowings and investments if if interest rates were 250 basis points higher and 100 basis points lower (2014: 250 basis point higher and 100 basis points lower) and all other variables were held constant, the profit for the year would increase by approximately $5.707 million or decrease by $2.283 million (2014: the profit for the year would increase by approximately $8.960 million or decrease by $3.584 million).

The Group's sensitivity to interest rates has decreased during the current period mainly due to an decrease in the variable rate debt instruments.

See also Liquidity risk management at 32(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 $9.202 billion (2014: $9.611 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 are minimal.

In respect of trade receivables from the operations managed by related companies, the risk is low as customers are pre-approved by the 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. Two debtors of the Group account for approximately 46 % and 19 % (2014: 56% and 14%) respectively 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.

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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 11.07% (2014: 11.85%) 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.
- 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 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.

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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			
	2015			
	TERM TO MATURITY/RE-PRICING			
	Due within 1 year $'000	1-5 years $'000	Over five years $'000	Total $'000
Financial Liabilities				
Interest bearing				
Variable rate loans	1,868,483	6,855,545	1,714,555	10,438,583
Fixed rate loans	4,153,719	15,864,591	34,691,076	54,709,386
Bank overdrafts	18,052	-	-	18,052
Non-interest bearing				
Trade and other payables	1,844,993	-	-	1,944,993
Total	7,885,247	22,720,136	36,405,631	67,111,014

	The Group			
	2014			
	TERM TO MATURITY/RE-PRICING			
	Due within 1 year $'000	1-5 years $'000	Over five years $'000	Total $'000
Financial Liabilities				
Interest bearing				
Variable rate loans	1,947,403	6,738,977	3,190,354	11,876,734
Fixed rate loans	4,519,859	16,153,429	36,921,766	57,595,054
Bank overdrafts	19,964	-	-	19,964
Non-interest bearing				
Trade and other payables	1,881,796	4,579	-	1,886,375
Total	8,369,022	22,896,985	40,112,120	71,378,127

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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 2015 TERM TO MATURITY/RE-PRICING				
	Due within 1 year $'000	1-5 years $'000	Over five years $'000	No specific repayment term $'000	Total $'000
Financial Liabilities					
Interest bearing					
Variable rate loans	1,831,367	6,687,021	1,684,262	-	10,202,650
Fixed rate loans	4,153,719	15,864,591	34,683,907	-	54,702,217
Bank overdraft	14,811	-	-	-	14,811
Non-interest bearing					
Trade and other payables	1,569,667	-	-	302,708	1,872,375
Total	7,569,564	22,551,612	36,368,169	302,708	66,792,053

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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 2014 TERM TO MATURITY/RE-PRICING				
	Due within 1 year $'000	1-5 years $'000	Over five years $'000	No specific repayment term $'000	Total $'000
Financial Liabilities					
Interest bearing					
Variable rate loans	1,901,483	6,603,629	3,100,441	-	11,605,553
Fixed rate loans	4,519,859	16,153,429	36,914,597	-	57,587,885
Bank overdraft	15,671	-	-	-	15,671
Non-interest bearing					
Trade and other payables	1,546,138	4,579	-	268,308	1,819,025
Total	7,983,151	22,761,637	40,015,038	268,308	71,028,134

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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 2015 TERM TO MATURITY/REPRICING				
	Due within 1 year $'000	1 - 5 years $'000	Over 5 years $'000	No specific maturity $'000	Total $'000
Financial Assets					
Investment in associates	-	-	-	123,507	123,507
Other investments	31,990	748,477	-	-	780,467
Long term receivables	-	445,028	1,327	23,253	469,608
Trade and other receivables	2,207,014	288,423	-	-	2,495,437
Cash and short-term deposits	5,553,377	-	-	-	5,553,377
Total Financial Assets	7,792,381	1,481,928	1,327	146,760	9,422,396

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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 2014 TERM TO MATURITY/REPRICING				
	Due within 1 year $'000	1 - 5 years $'000	Over 5 years $'000	No specific maturity $'000	Total $'000
Financial Assets					
Investment in associates	-	-	-	112,999	112,999
Other investments	10,644	732,533	-	-	743,177
Long term receivables	-	504,262	1,278	20,810	526,350
Trade and other receivables	2,914,657	822	-	-	2,915,479
Cash and short-term deposits	5,450,167	-	-	-	5,450,167
Total Financial Assets	8,375,468	1,237,617	1,278	133,809	9,748,172

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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 2015 TERM TO MATURITY/REPRICING				
	Due within 1 year $'000	1 - 5 years $'000	Over 5 years $'000	No specific maturity $'000	Total $'000
Financial Assets					
Investments in subsidiary, joint venture and associated companies	-	-	-	30,508	30,508
Other investments	-	748,823	-	-	748,823
Long term receivables	-	445,028	1,327	99,479	545,834
Trade and other receivables	2,077,845	288,423	-	-	2,366,268
Cash and short-term deposits	4,587,291	-	-	-	4,587,291
Total Financial Assets	6,665,136	1,482,274	1,327	129,987	8,278,724

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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 2014 TERM TO MATURITY/REPRICING				
	Due within 1 year $'000	1 - 5 years $'000	Over 5 years $'000	No specific maturity $'000	Total $'000
Financial Assets					
Investments in subsidiary, joint venture and associated companies	-	-	-	30,508	30,508
Other investments	-	712,078	-	-	712,078
Long term receivables	-	504,262	1,278	97,036	602,576
Trade and other receivables		822	-	-	2,659,205
Cash and short-term deposits	4,812,972	-	-	-	4,812,972
Total Financial Assets	7,471,355	1,217,162	1,278	127,544	8,817,339

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

Financial risk management policies and objectives (Continued)

(f) Capital risk management

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

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

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

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Debt	38,245,145	40,810,339	38,028,161	40,564,690
Cash and short-term deposits	(5,506,424)	(5,435,265)	(4,557,163)	(4,800,473)
Net debt	32,738,721	35,375,074	33,470,998	35,764,217
Equity	15,852,518	13,991,168	12,761,697	11,263,845
Net debt to equity ratio	207%	253%	262%	318%

The Group's strategy remains unchanged from the year ended March 31, 2014.

The capital structure of the Group consists of reserves (Note 15) 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.

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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 $9.365 billion (2014: $10.584 billion) are assumed to approximate the fair values.
(iv) The fair value of loan in the amount of $7.169 million (2014: $7.169 million) cannot be reasonably assessed, as there is no fixed term of repayment or rate of interest.
(v) The fair values of other fixed rate loans and concessionary rate loans have been estimated by applying market rates of similar loans at year end to the expected future cash flows.

	The Group and the Authority			
	2015		2014	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Fixed rate loans	11,931,423	14,567,860	13,361,901	12,201,543
Concessionary rate loans	16,992,549	12,516,697	17,091,561	12,225,330

Fair value measurement

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

Quantitative disclosures fair value measurement hierarchy

	The Group			
	Quoted prices in active market Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total $'000
At March 31, 2015				
Assets measured at fair value:				
- Investment properties	-	17,011,993	-	17,011,993
- Investment in associates	-	-	123,507	123,507
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	14,567,860	-	14,567,860
Concessionary loans	-	12,516,697	-	12,516,697
At March 31, 2014				
Assets measured at fair value:				
- Investment properties	-	16,422,582	-	16,422,582
- Investment in subsidiary, joint venture and associated company	-	-	112,999	112,999
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	12,201,543	-	12,201,543
Concessionary loans	-	12,225,330	-	12,225,330

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value measurement (Continued)

	The Authority			
	Quoted prices in active market Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable Level 3 $'000	Total $'000
At March 31, 2015				
Assets measured at fair value:				
- Investment properties	-	14,561,993	-	14,561,993
- Investment in subsidiary, joint venture and associated company	-	-	30,508	30,508
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	14,567,860	-	14,567,860
Concessionary loans	-	12,516,697	-	12,516,697
At March 31, 2014				
Assets measured at fair value:				
- Investment properties	-	14,062,582	-	14,062,582
- Investment in subsidiary, joint venture and associated company	-	-	30,508	30,508
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	12,201,543	-	12,201,543
Concessionary loans	-	12,225,330	-	12,225,330

33 OTHER DISCLOSURES

Staff costs incurred during the period in respect of these employees were:

	The Group		The Authority	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Salaries, wages and allowances	3,862,871	3,778,277	783,618	797,156
Statutory contributions	347,478	343,371	79,164	79,430
Pension contributions	47,677	19,003	33,932	5,384
Health scheme contributions	55,079	46,328	55,079	46,328
Travelling and other	181,245	173,858	118,083	113,962
Redundancy costs	-	1,605	-	-
	4,494,350	4,362,442	1,069,876	1,042,260

THE PORT AUTHORITY AND ITS SUBSIDIARIES

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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 and it is the intention of BECO to transfer its shareholdings in the venture to the Authority. At the end of the period, the process of transfer of the shareholding was not yet initiated.

35 OPERATIONS (PRIVATISATION OF THE AUTHORITY'S CONTAINER TERMINAL OPERATIONS)

In keeping with its objective to privatise, the Authority and the Government of Jamaica (GOJ), on Tuesday April 7, 2015, entered into a 30 year concession agreement with Kingston Freeport Terminal Ltd (KFTL), a special purpose vehicle formed with regard to the Authority's Container Terminal Operations. This vehicle which is incorporated and domiciled in Jamaica is owned 60% by CMA CGM (domiciled in France) and 40% by Terminal Link (domiciled in France). The Concessionaire will purchase designated equipment (with a net book value of approximately $5.093 billion) and will be provided with a lease for certain lands (including the berths) and buildings. Financial close is expected to occur within six to eight months of signing and handover within three months of financial close. The Concessionaire will at the end of the 30 year period hand back to the Authority, the terminal and assets purchased in accordance with the terms of the agreement.

The Port Authority of Jamaica

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Design & Production
Prism Communications Limited

Auditors
Ernst & Young Chartered Accountants

Printers
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