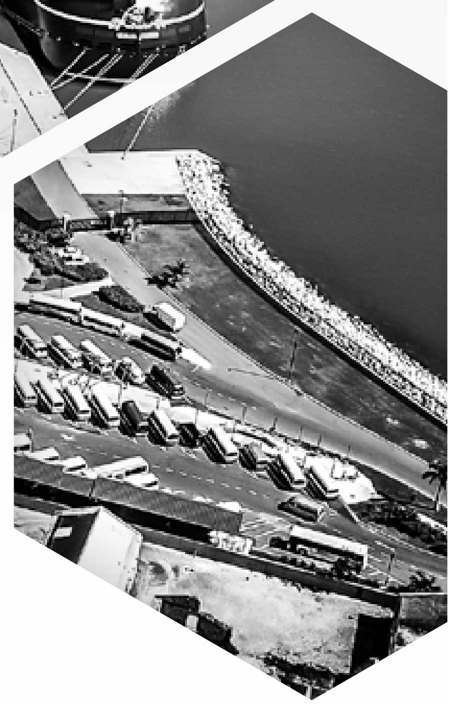
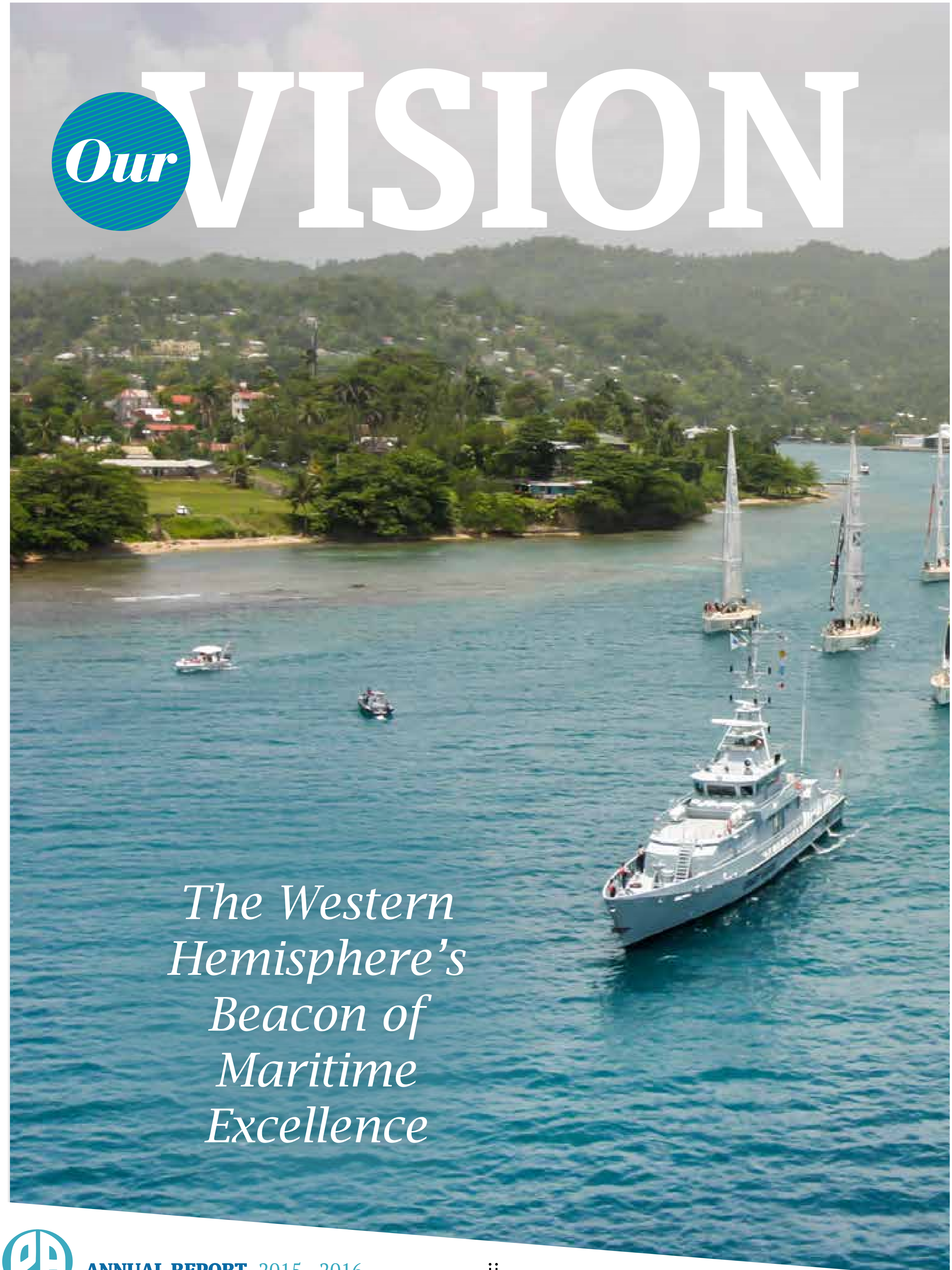
The Port Authority of Jamaica

ANNUAL REPORT 2015-2016



Our VISION

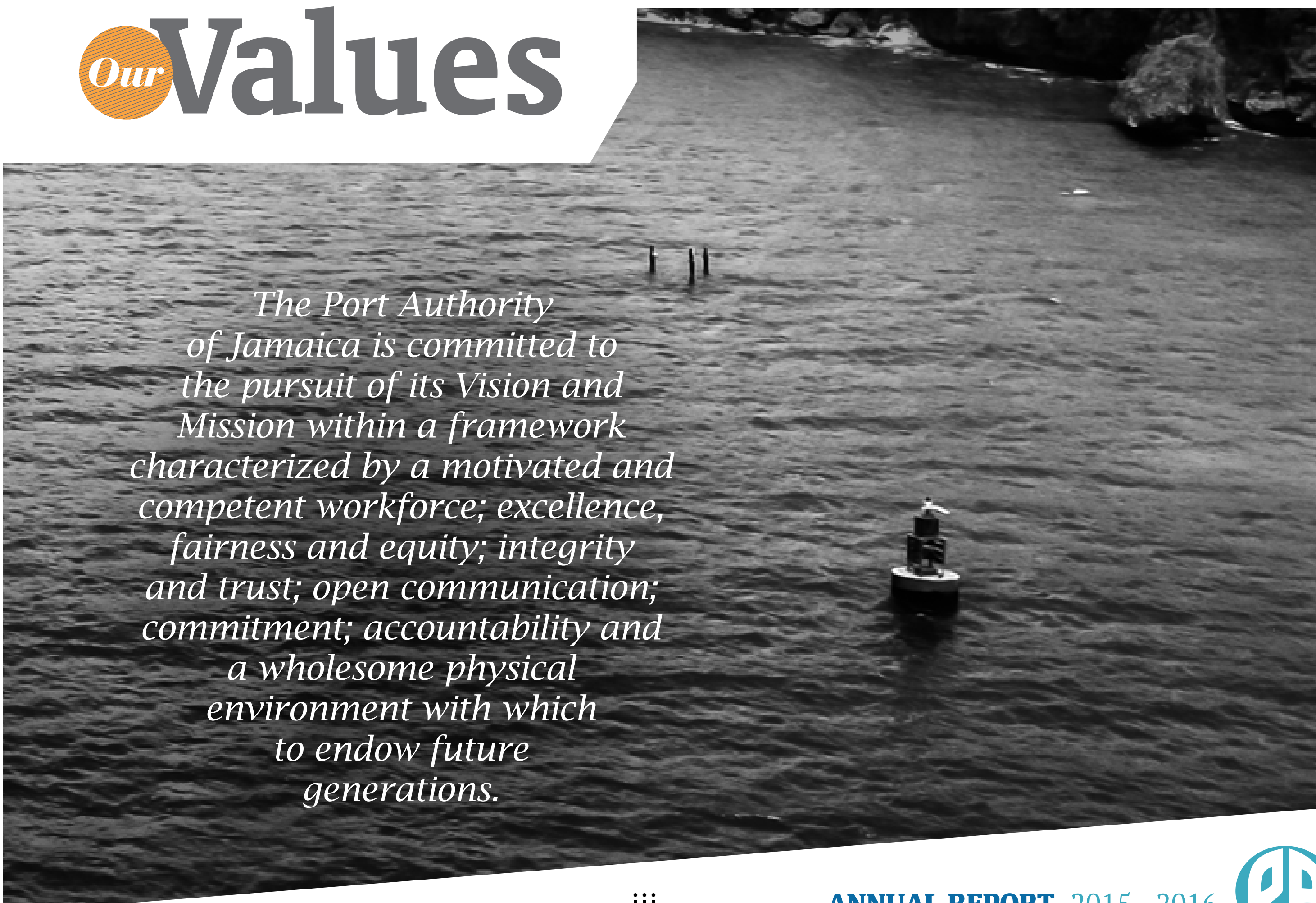


The Western Hemisphere's Beacon of Maritime Excellence

Our Mission

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

Our Values



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

What's INSIDE

Corporate PROFILE

WHO WE ARE

The Port Authority of Jamaica (The Authority or PAJ) is a statutory corporation established by the Port Authority Act of 1972 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 sea ports 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 segments, Containerized Cargo and Cruise Shipping, supported by Harbours and Marine Services.

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, Historic Falmouth Port, Port of Ocho Rios and Ken Wright Pier. All marketing initiatives for the Cruise Shipping business segment are executed under the 'Cruise Jamaica' brand.

SUBSIDIARIES, JOINT VENTURES & ASSOCIATED COMPANIES

The subsidiaries and other related companies of the Authority as at March 31, 2016 reflected combined net assets of $3.46B and net profit $562.43M, inclusive of $82.63M gain on the revaluation of investment properties.

SUBSIDIARY/ RELATED COMPANY	ROLE / BUSINESS UNIT MANAGED
MONTEGO BAY FREE ZONE LTD.	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.	Manages and operates 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 LTD.	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.

PERFORMANCE
At A Glance

OPERATIONAL SUMMARY
PAJ GROUP KEY PERFORMANCE INDICATORS

	ACTUAL 2016	BUDGET 2016	BUDGET 2017
CARGO OPERATIONS			
Transshipment (moves)	772,655	812,826	Guaranteed Revenue per Concession Agreement
Domestic (moves)	105,147	109,106	
TOTAL MOVES	877,802	921,932	
CRUISE OPERATIONS			
Cruise Passengers	1,661,390	1,605,362	1,735,486
BUSINESS PROCESS OUTSOURCING			
Space sq. ft.	1,405,910	1,405,910	1,468,910
Occupancy	93.0%	100.0%	100.0%
FINANCIALS	$M	$M	$M
Total Income	20,185	18,686	11,704
Total Expenses	13,329	11,509	3,944
Surplus from Operations	6,856	7,177	7,760
Profit & Loss for period	3,059	1,163	3,449

REVENUE SOURCES

	TERMINAL & WHARVES	CRUISE SHIPPING	HARBOURS & MARINE SERVICES	SUBSIDIARIES	SUPPORT SERVICES	TOTAL
	Container Moves	Falmouth	Pilotage	Free Zones	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		
2016 ($M)	11,402	3,157	1,817	2,753	597	19,726
2016 (%)	57.8%	16.0%	9.2%	14.0%	3.0%	100%
2015 (%)	57.9%	16.7%	9.5%	13.3%	2.5%	100%

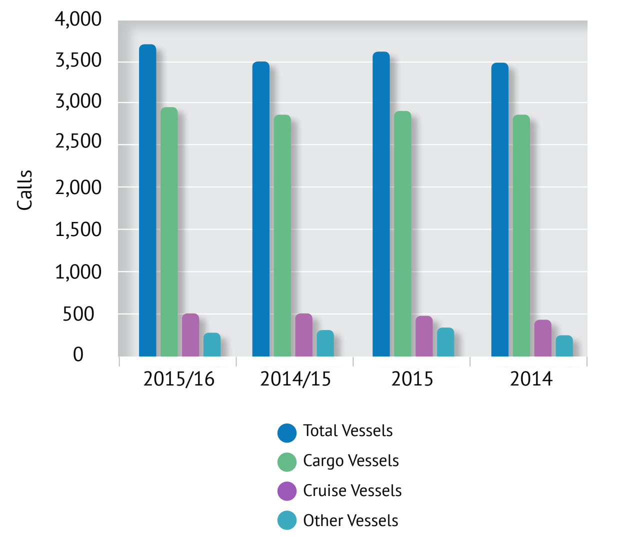
BUSINESS PROCESS
OUTSOURCING

HIGHLIGHTS

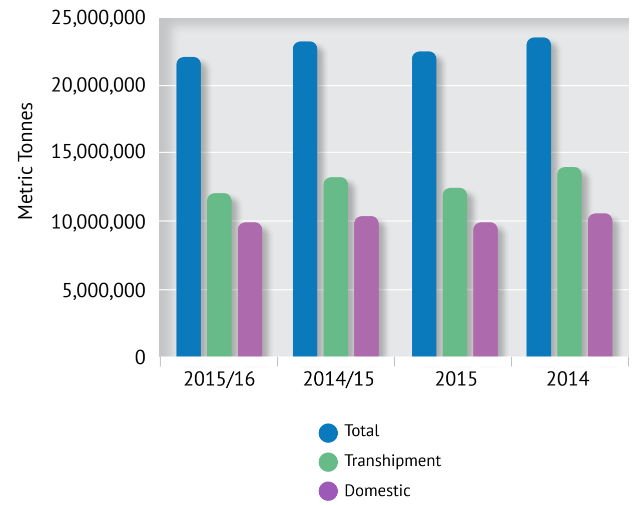
	2016	2015
Space sq. ft.	1,405,910	1,405,910
Occupancy	93.0%	88.0%
Companies	83	74
Employment	10,145	9,177
Earnings	US$142.9 M	US$140.3M
Free Zones	Montego Bay Free Zone, Kingston Free Zone & Jamaica International Free Zone Development Limited	

PORT OPERATIONS

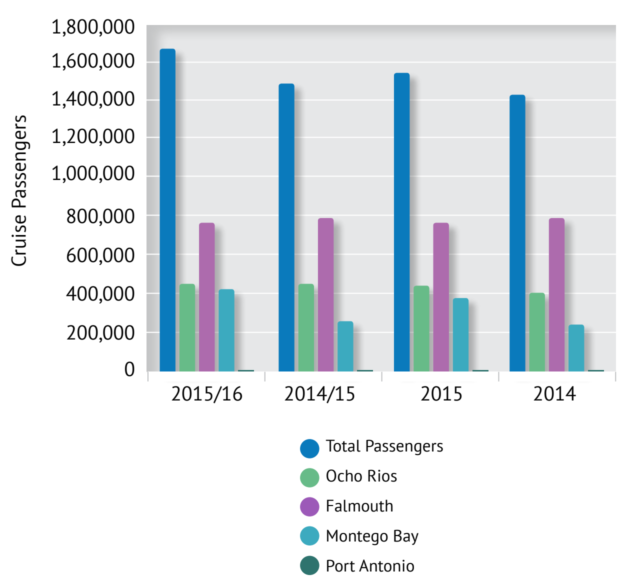
VESSEL CALLS



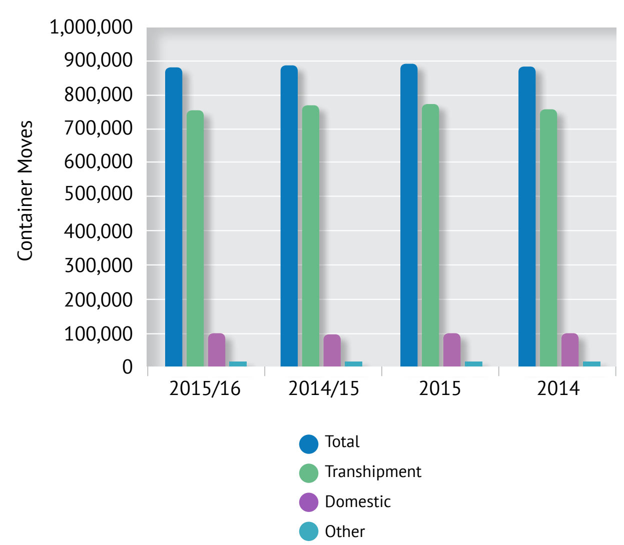
CARGO VOLUMES



CRUISE PASSENGERS



CONTAINER TRAFFIC



2015-2016

BUSINESS HIGHLIGHTS

Looking into the future

Seated from left are: Mr. Adorn Siegel, New Fortress Energy, Mr. Wes Edens, CEO of New Fortress Energy, Professor Gordon Shirley President and CEO PAJ, and Hon. Dr. Omar Davies Minister of Transport Works and Housing. Standing from left are Dr. Carol Pickersgill SVP, Legal Regulatory & Corporate Affairs, Corporate Secretary PAJ and Mr. Edmond Marsh VP Business Development

ESTABLISHMENT OF LNG FACILITIES AT THE PORT OF MONTEGO BAY

Energy diversification is a key strategic focus of the Government of Jamaica. In support of the objective, the PAJ has leased port-side lands to New Fortress Energy for the construction of state-of-the-art LNG storage and processing facilities.

This strategic investment has the potential to reduce energy costs and will therefore serve as an important catalyst for the country's economic development. This project will lead to wide industrial application of LNG, the creation of synergies with emerging industries such as bunkering for cruise and cargo vessels using LNG as well as job creation in Montego Bay.

The initiative to facilitate LNG operations has also accelerated the Authority's Master Plan to expand the Port of Montego Bay to include modern facilities for cargo handling, warehousing and logistics as well as further investment in cruise facilities. It is anticipated that the Port will be well positioned to provide expanded services to the industries it already serves as early as 2017.

Reynolds Pier

Renovation of the fishing village

Hampden Wharf Development

CRUISE: EXPANDING INFRASTRUCTURE, IMPROVING PRODUCT & COMPETITIVENESS

The major thrust of the Authority's medium-term capital investment strategy for the cruise segment is the provision of additional capacity, the improvement of facilities at the major cruise ports as well as the creation of distinctive attractions.

In this regard, the Authority has commenced implementation of the following projects:

- The redevelopment of Reynolds Pier into a best-in-class mixed use facility for cruise operations and industrial cargo. This will include the construction of a modern cruise berth, ground transportation facilities and a promenade connecting the facility to the port town.
- The rehabilitation of the Ocho Rios Fishing Village into a modern facility which includes restaurants, entertainment and vending areas.
- Hampden Wharf development at the Historic Port of Falmouth to accommodate an artisan village and to stimulate commercial and entertainment activities for both visitors and locals.
- Expansion of the east berth of the Falmouth pier to facilitate the docking of larger vessels.
- Expansion of berthing facilities in Montego Bay including the rehabilitation of cruise berths 5 & 6
- Redevelopment of berth 2 in Montego Bay to accommodate additional homeporting cruise vessel calls.
- Development of berth 1 to be dedicated to cargo, LNG and other fuels.

These capital investment projects will facilitate the growth of cruise activity (passenger and ships); improve efficiency and service levels. This will help to create a visually appealing environment, enhance the cruise visitor experience and improve the competitiveness of Jamaica as a cruise destination. The implementation of these projects will involve the participation of all stakeholders, particularly, the service providers and the business district.

BUSINESS PROCESS OUTSOURCING: INCREASING INFRASTRUCTURE CAPACITY, IMPROVING PRODUCT OFFERING & COMPETITIVENESS

Having pioneered the development of Jamaica's BPO sector since 1987, following the decline of the garment industry, the Port Authority continues to pursue an investment strategy which enhances the significant growth potential of the local industry.

The Authority has also initiated partnerships with other industry stakeholders to re-define and reposition the country's BPO offerings. This in response to new strategic imperatives as the global BPO market continues to evolve, influenced by technological developments and shifts in customer demand for knowledge process services.

Given that existing BPO facilities are operating at full capacity, the Authority has recently completed development plans for the addition of new purpose-built facilities, and the upgrade of existing facilities. These investments will enable the local industry to meet forecasted demand growth, at the Montego Bay Free Zone, and the Portmore Informatics Park.

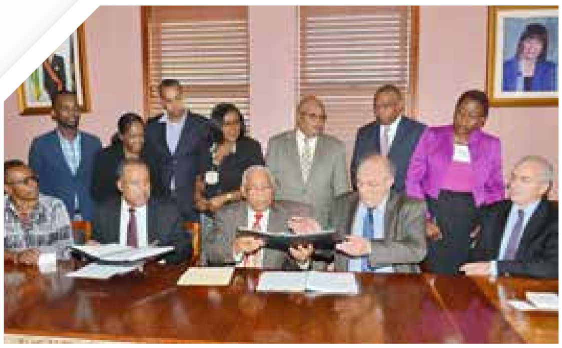
THE MONTEGO BAY FREE ZONE

During 2016/17, the Authority will construct at the Montego Bay Free Zone new purpose-designed BPO facilities comprising a two storey building with a total area of 63,000 square foot (5,853 square meters).

The Portmore Informatics Park presently consists of one, two storey 50,000 square foot building, which is located on one of four (4) rectangular lots.

The PAJ will add within the Park, a BPO mini-campus consisting of a new multi-storey building with a total area of 150,000 sq. ft. These facilities will allow for the sub-division of floors into smaller units to increase the options available to operators. The mini-campus will also provide all the necessary amenities for the comfort and convenience of the occupants.

TRADE FACILITATION SYSTEMS: IMPROVING LOGISTICS COMPETENCIES, SAFEGUARDING REVENUES



Seated from left: Mrs. Elva Williams-Richards, SVP Finance, Corporate Planning & Materials Management, PAJ, Professor Gordon Shirley, Chairman & CEO of the PAJ, Hon. Dr. Omar Davies Minister of Transport Works and Housing. Jaques Ritt, President & CEO of SOGET S.A. and Mr. Pascal Olivier, Director – Corporate Development at SOGET. Standing from left are Hassim Fulton, Senior Policy Analyst (Air & Maritime) Ministry of Transport Works & Housing (MTWH), Dr. Carol Pickersgill SVP, Legal Regulatory & Corporate Affairs, Corporate Secretary PAJ, Dwain Powell, Director – Port Community System, Mrs. Audrey Sewell, Permanent Secretary – MTWH, Major (Retd) Richard Reese, Commissioner of Customs, Trevor Riley, Group CEO of the Shipping Association of Jamaica, Raquel Forbes, Assistant Vice President, Legal Services, PAJ. The occasion was the signing of the agreement for the creation of Jamaica's new Port Community System.

The Port Authority is pursuing the implementation of a Port Community System (PCS). The PCS is a neutral and open electronic platform which enables the secure exchange of information between public and private stakeholders. This system is therefore expected to improve the efficiency and competitiveness of trade in the seaport community.

A five-year contract with the consortium of SOGET and Bureau Veritas BIVAC for the design, implementation, and maintenance of PCS was signed in November 2015. The project was launched in January 2016 and will be implemented in phases over the next two years.

The PCS will be integrated with the ASYCUDA World system which is a computerized customs management system that handles the full range of customs clearance processes, while allowing for improved control and risk management.

The integration with ASYCUDA will create a solution which will substantially encourage and promote more efficient and effective trading practices, while reducing the cost of doing business. This will support the marketing and positioning of Jamaica as a global logistics hub for the region and enable Jamaica to take advantage of the 2016 Completion of the Panama Canal Expansion project.

KNOWLEDGE SHARING: PROFESSOR KUOK'S VISIT

From left: Professor Gordon Shirley, Chairman and CEO, Professor Kuok Seng Hwee, Mrs. Audrey Sewell Permanent Secretary -Ministry of Transport Works and Housing, Ms. Marjorie Kennedy, President of The Jamaica Exporters' Association, Rear Admiral (Ret'd) Peter Brady, Director General Maritime Authority of Jamaica. The event was a breakfast meeting with key maritime industry stakeholders and Government of Jamaica officials to discuss the experiences of Singapore and other Asian economies and to discuss the opportunities and critical success factors for Jamaica's logistics programme.

The PAJ in collaboration with the University of the West Indies Mona GeoInformatics Institute hosted a visit by Professor Peter Kuok Seng Hwee for knowledge sharing. Prof Kuok is a high level diplomat from the International Trade Institute of Singapore with wide ranging experiences in bilateral trade agreements, global trade and value-chain operations.

The visit included engagements with several audiences, such as stakeholders in Jamaica's shipping and maritime industry, including the staff and management of the Port Authority; and the Mona School of Business & Management, UWI, where a public forum was held, which included ministers of government, students, and the general public.

The interaction was very well received and provided insight into the history and accomplishments of Singapore, in particular, the development of its human capital and the Maritime and Transport Sector with special emphasis on the development and operations of its logistics expertise.

STAFF ENGAGEMENT

PAJ relies on the talents, initiative and commitment of its employees in the effective and successful execution of its mandate and to achieve its corporate goals.

The PAJ strives to build and maintain strong relationships with its employees by providing them with enriching work experiences, in an environment where they are respected, engaged and rewarded for their contributions.

Following the privatisation of KCT, the PAJ will invest significant sums to advance existing and new lines of business. Concurrently, investment will be undertaken in its human capital through training and development as well as talent management and succession planning. These strategies will be supported by renewed efforts to engage staff, as well as create an environment that promotes and sustains employee productivity. The Board and Management considers these investments to be very important for the PAJ to improve long term operating efficiency and maintain financial viability.

CORPORATE SOCIAL RESPONSIBILITY: FINANCIAL SUPPORT TO THE ROTARY CLUB OF KINGSTON'S PROJECT

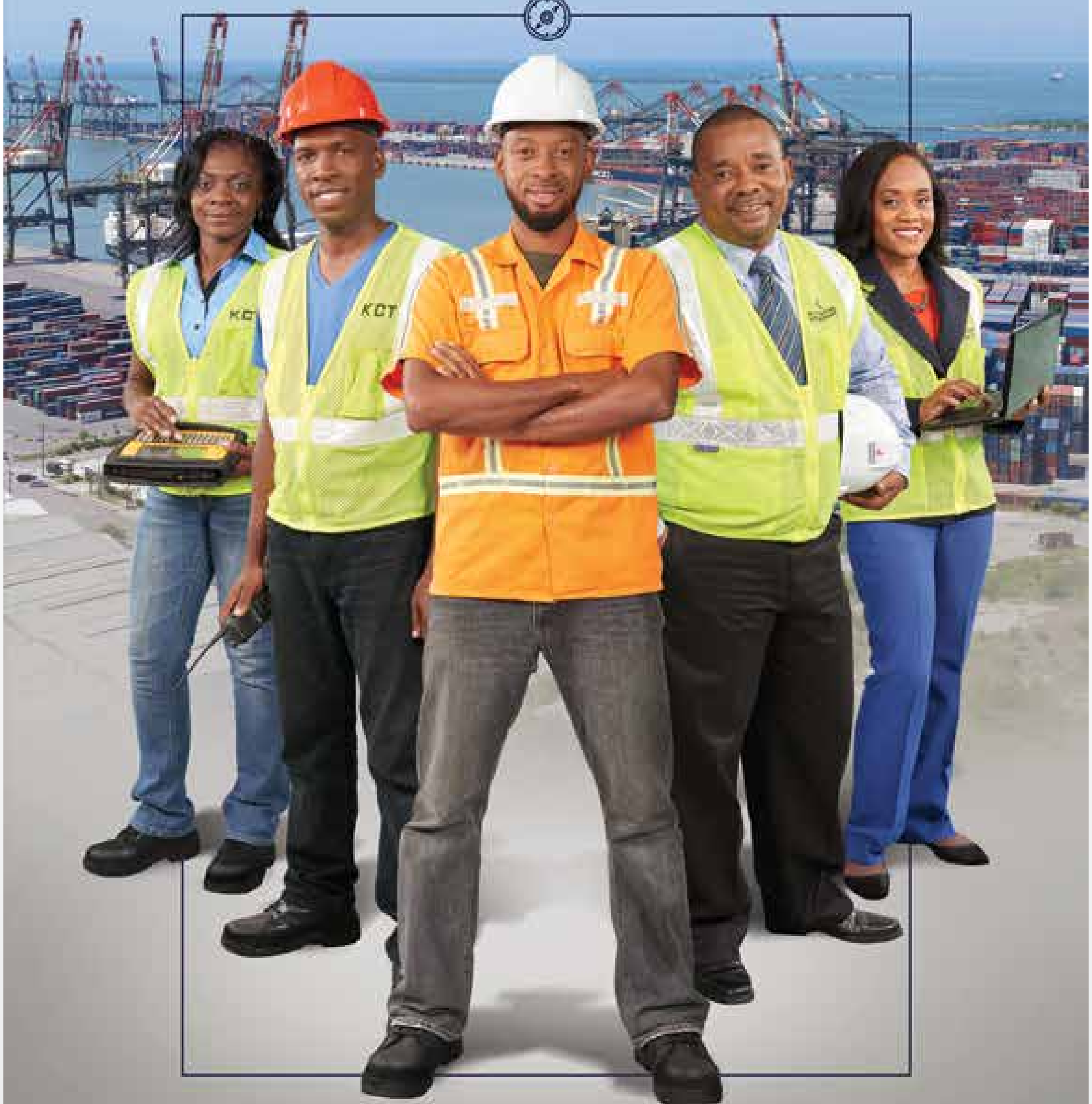
From left: Professor Gordon Shirley, Chairman and CEO shares a light moment with Linval Freeman Secretary of the Rotary Club of Kingston and Robert Kinlocke, President of the Rotary Club of Kingston. The occasion was the presentation ceremony for the Port Authority's contribution to the Rotary Club of Kingston's project to construct an isolation unit at the University Hospital's Paediatric Oncology Department.

Consistent with its corporate social responsibility framework, the PAJ remains firmly committed to doing business in a socially responsible way. This is achieved through best practices in its environmental policies and procedures in the execution of its day to day operations and in its investment practices and project development.

The PAJ continues to seek new ways to positively impact and support community development, by way of sponsorship and through contributions to education projects such as school feeding programs, and sports related initiatives. This programme of social investment is geared towards the engagement and development of youths in communities within which it operates, as well as the support of the nation building initiatives of recognised charitable organisations.

The Port Authority

RECOGNIZING GREAT WORK



The Port Authority of Jamaica expresses sincere gratitude and appreciation to the hard working team members who have dedicated years of exceptional service to the **Kingston Container Terminal.**

We acknowledge your tremendous contribution and in particular your role in positioning the **Kingston Container Terminal** as the regional port of choice.

Without your hard work and steadfast support, we would not have achieved the level of success we enjoy today and for this we are truly thankful.

BOARD OF DIRECTORS

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 Ltd.

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. Gladstone 'Tony' Lewars
Chief Position: Chartered Accountant

Mr. Robert Kinlocke
Chief Position: Chairman, Gateway Shipping International Ltd.

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.

2015-2016 THE BOARD OF DIRECTORS' REPORT

The Port Authority of Jamaica and its subsidiaries (The Authority or The Group) made significant strides in respect of its strategic objectives in the fiscal year ended March 31, 2016. The Authority improved its profitability, reduced operating expenses and improved the performance of its key business segments.

The Authority realized a net profit of $3.06 billion, an increase of (76%) over year ended March 31, 2015. The increase in net profit was driven by revenue growth of 8.0% and increased operating efficiency.

Revenue of $20.18 billion exceeded budgeted revenue of $18.69 billion and actual expenses of $13.33 billion were $1.82 billion (15.81%) above budget. Surplus from Operations of $6.86 billion was $0.32 billion (4.5%) below budget. Net cash from operations increased by $0.2 billion (4.3%) to $4.96 billion in 2016.

A detailed analysis of financial performance is presented in the management discussion and analysis section.

PRIVATISATION

The successful completion of the process to privatize the Kingston Container Terminal remained a key strategic focus of the Port Authority during the review period. This objective is critical to the Authority's ability to employ other sources of financing the future capital expansion requirements of the Container terminal and other infrastructure investments.

Under the terms of the agreement, Kingston Freeport Terminal Limited (KFTL) will invest over US$600M in the first five years to dredge the access channel to the terminal, deepen the basin in the terminal, rebuild the quay walls at the terminal, renew and expand the container handling equipment at the terminal and improve the IT Infrastructure. All current employees of the KCT are to be offered positions in the KFTL organization provided they possess the requisite skillsets and professional capabilities and 200 new skilled positions will be added immediately ahead of the expansion works.

The Authority will receive an upfront payment of US$75M for the equipment currently on the terminal, an annual guaranteed lease payment of US$15M and 8% of the Gross Revenues.

Following the signing of a Concession Agreement all efforts have been geared towards meeting the required timelines as per the Concession Agreement. The Port Authority pursued the important management imperative of improving the terminal infrastructure and customer service deliverables to maintain competitiveness of the transhipment business during the transition to privatized operations. Accordingly, important rehabilitation work was undertaken on KCT's North and South terminals which was supported by equipment restoration and acquisition. Arising from these initiatives, the Terminal's key performance indicators including productivity, reliability and vessel turnaround times improved relative to the prior year and were in line with budgeted targets.

PORT COMMUNITY SYSTEM

Significant progress was made with respect to the implementation of the PCS, an important objective of the Authority and a key deliverable under the Government's medium term economic programme. In

November 2015, the PAJ signed a fixed five-year contract with a joint venture consortium of SOGET S.A. – Bureau Veritas B.I.V.A.C. BV, an initiative which advanced the national objective of establishing a streamlined and efficient trading platform.

A Project Unit and PCS Operator have been established within the PAJ to handle operational activities related to the PCS Solution. An amendment to the Port Authority (Port Management and Security) Regulations was promulgated and gazetted to provide the legal requirements for the PCS to operate within Jamaica. Work commenced in January 2016, and the system is to be implemented in phases over 24 months.

The PCS will be integrated with the Customs Management System ASYCUDA WORLD and will enhance the ease of doing business in the maritime sector. The system will also support the execution of several complementary projects which will result in additional business opportunities and expanded employment.

Concurrent with the execution of these national strategic projects, the Authority continued to pursue opportunities to strengthen its regulatory functions, improve efficiency and develop its commercial interests in all major areas of business.

CARGO OPERATIONS

In respect of Cargo Operations, developments in the local energy sector which will result in the importation and processing of liquefied natural gas (LNG) have created significant new business opportunities for the Port of Montego Bay. The construction of an LNG storage and regasification plant on the Port by North Florida under contract with the Jamaica Public Service, has catalyzed new areas of activity which will require substantial infrastructure investment and management changes. In this regard, a new master plan was developed for the multi-use port facility.

CRUISE

The Authority's cruise operations continued on a path of growth during the year as evidenced by an 11.5% increase in the number of passenger arrivals to 1.7 million. Encouraged by this performance as well as favourable global and regional market prospects the Authority continued to pursue initiatives at all cruise ports in order to improve the quality and competitiveness of the local industry. With the support of the Urban Development Corporation, Tourism Enhancement Fund and private sector stakeholders, the PAJ substantially advanced several projects geared towards improving overall visitor experience and providing the requisite berthing capacity to facilitate long-term growth in cruise shipping to Jamaica.

HARBOURS AND MARINE SERVICES

The development of this segment, which undertakes statutory functions such as towage, pilotage services, the installation and maintenance of navigational aids to ensure harbour safety, was accorded high priority. Accordingly, a comprehensive assessment of the projected service levels and demand forecasts was undertaken and priorities for implementing critical operating equipment were identified. The immediate focus was the urgent need to upgrade the capacity and efficiency of this segment to satisfy the Authority's contractual obligations under the Concession Agreement. Given the time sensitive nature of the towage requirement, the PAJ entered into a one year charter agreement with an independent party to provide 2 larger tugs, which will increase the Authority's service capacity and capabilities to handle the larger vessels which are expected on the opening of the expanded Panama Canal. The PAJ also initiated the procurement process for the acquisition of 2 new tugs, pilot boats and other navigational safety equipment.

FREE ZONE OPERATIONS

The Free Zone Operations which involve the rental of commercial space for warehousing and Business Process Outsourcing (BPO) Operations continued to make a valuable contribution to the Authority and the wider economy. An occupancy level of 93.0% was realized for the 1.4 million square feet of commercial space (92.3% in the prior year). Foreign currency earnings for the period were US$142.9 million representing an increase of US$2.6 million (1.9%) over the prior year.

Against the background of positive market and technology trends which indicate an increasing demand for offshore BPO products and services, the Authority pursued plans to provide additional rentable BPO facilities to meet the demands of current and prospective customers. A 200 seat incubator facility was completed during the year and bids were received for the construction of a 63,000 square foot BPO facility in the Montego Bay Free Zone. Construction is to begin in mid-2016 and is slated for completion March 2017. In Kingston, designs were completed and bids invited for the construction of a 150,000 square foot purpose built BPO mini-campus at the Portmore Informatics Park to commence September 2016. The Authority expects that approximately 7,000 new jobs will be created from the operation of these new facilities.

PORT CENTRIC LOGISTICS

During the review period, The Authority maintained a focus on identifying and pursuing opportunities in near shore logistics operations, this includes initiatives to package and position near-port lands for the development of logistics facilities by private investors. With the support of an industry expert, the PAJ defined the logistics value proposition of the Port Centric Logistics Hub Concept which was approved by the Board and sought to identify suitable potential investors for Kingston. Market sounding and promotional exercises were also undertaken which yielded strong expressions of interests from various sectors, in particular: Auto Industry; Logistics/Third Party Logistics; Retail/Consumer Products; Ship Repairs Dry Docking; and Bunkering. These initiatives are actively being pursued by way of Memorandum of Understanding and continued due diligence on marketing opportunities and infrastructure requirements.

MARITIME SECURITY

The initiatives being pursued in the maritime sector and related industries are expected to have a fundamental impact on the requirements and scope of the security programme. This will require a broadening of the focus of maritime security from facility-security to security of the Maritime Transportation System, to include supply-chain security. To this end, the Authority in its role as the Designated Authority for maritime security commenced the formulation of a plan to expand its regulatory functions, and relinquish its operational functions. In collaboration with stakeholders it sought to enhance and improve the existing security apparatus through awareness and training initiatives as well as participation in practical exchanges and knowledge sharing exercises with overseas ports and agencies involved in maritime security.

CORPORATE GOVERNANCE

The Board sought to strengthen its corporate governance framework having regard to the increased regulatory and oversight responsibilities associated with the implementation of key strategies during the fiscal year. These initiatives were primarily: ensuring an efficient privatisation process; the effective implementation of the new PCS; and the development of new business segments. The PAJ's efforts in this regard are in alignment with the government's thrust towards improving corporate governance frameworks and practices throughout the public sector. Accordingly, members of the Board and Management participated in a series of corporate governance workshops and undertook revisions to the PAJ's corporate governance charter.

OUTLOOK

For the medium-term, the Port Authority of Jamaica will continue to vigorously pursue its mandate of contributing to economic growth and job creation through its leadership of the regulatory and developmental activities in the Maritime Sector. The Authority's primary focus will therefore be the completion of the business segment restructuring process with the establishment of appropriate business models and the continued roll out of projects within the respective areas.

Cargo Operations will remain a key growth segment. Special focus will be given to the seamless transfer of the Terminal operations to the concessionaire as well as the establishment of a mechanism to ensure compliance with agreed service levels, capacity expansion, and targeted growth. These objectives will be supported by improvements in trade facilitation through the implementation of the Port Community System.

The PAJ recognises the potential within the Cruise Shipping and BPO sectors and, in conjunction with key stakeholders, will advance projects to provide the required infrastructure and support services. Guided by market soundings and a value proposition for Port Centric Logistics the Authority will pursue collaborations with leading international logistics firms to position Jamaica as a leading provider of near port logistics services, creating hundreds of skilled and semi-skilled jobs.

The development of the Harbour and Marine Services business segment will focus on providing additional value added services to the shipping lines. These services are to be developed with private sector partners and include ship repair, dry docking, ship supplies, bunkering, tug and pilot boat services and maintenance dredging.

As the Authority implements the business segment strategies, activities will be undertaken to restructure its corporate and central administrative services to become more service oriented and efficient in supporting the business segments. It is anticipated that the restructuring exercise will reduce overhead expenses, and provide greater value to the business segments. It is anticipated that the restructuring exercise will reduce overhead and central administrative expenses, improve efficiency and provide greater value to the business segments.

This will be supported by an ICT strategy which provides systems to enable the efficient operation of the business segments, effective oversight of the concession agreement and facilitates the execution of its statutory responsibilities. Special attention will be given to upgrading infrastructure and support systems as well as improving service levels. Additionally, the Authority will focus on systems which support real-time business intelligence as well as the electronic storage and retrieval of documents and information.

Our goal is sustainable profitability and a more significant contribution to the growth of the national economy.

PROFESSOR THE HON GORDON SHIRLEY, O.J. CHAIRMAN

2015-2016 CORPORATE GOVERNANCE

The Board of Directors of the Port Authority of Jamaica has responsibility for corporate governance matters and is the primary policy making apparatus of the Authority. The Board provides strategic guidance and management oversight which ensures the Authority's sustained growth and development. The highest standards of governance are maintained in the discharge of its responsibilities, 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 stakeholders.
- Ensures the efficient and effective management of the Authority as well as 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 comprised of 10 members, with competencies in finance, engineering and infrastructure as well as significant experience in shipping and related industries.

BOARD COMMITTEES

The Board assigns responsibilities to Board Committees in order to provide direction on specific strategic initiatives and to effectively execute and strengthen its governance function.

Each Committee is guided by a Terms of Reference which outlines its roles and duties. The foremost is to review and monitor policies, with the guidance and ratification of the Board of Directors. The Board acts on the recommendations of the Committees following their review and advice on proposals submitted by PAJ's Management.

The Committees enhance the decision-making process of the Authority and facilitate the efficient flow of information and implementation of policies between the Board and 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 MAJOR 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 the 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 enhancing 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. Gladstone Lewars
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 management proposals and makes recommendations to the Board on financial management policies and strategies.

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 as well as 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 period under review the Board of the Port Authority had ten (10) regular monthly meetings, two (2) special meetings and one (1) retreat. The Committees met on a monthly basis, responded to matters within their remit and advised the Board accordingly.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

MEMBERS	BOARD MEETING	PILOTAGE COMMITTEE	PROJECTS COMMITTEE	AUDIT COMMITTEE	FINANCE COMMITTEE
Gordon Shirley	●●●●●●●●●●●●●				
Janine Dawkins	●●●●●●●●●●●●●	●●●●●	●●●●●●○		
Gladstone Lewars*	●●●●●●				●●
Gary Peart	●●●●●●●●●●●●○				●●●●●
Byron McDonald	●●●●●●●●●●●●●			●●●●	
Robert Kinlocke	●●●●●●●●●●●●●	●●●●●	●●●●●●○		
Richard Reese	●●●●●●●●●●●●●				●●●○○
Maureen Stephenson Vernon	●●●●●●●●●●●●●		●●●●●●●	●●●●	
Horace Reid	●●●●●●●●●●●○○		●●●●●●○		
Stewart Stephenson	●●●●●●●●●●●○○			●●●●	
Peter Melhado**	●●●●●●				●●●

*Gladstone Lewars was appointed in October 2015
**Peter Melhado resigned effective September 28, 2015

● Attendance
○ Non-Attencance


The Port Authority of Jamaica
Here's *to* a
STRONG
PARTNERSHIP
The Port Authority of Jamaica welcomes CMA CGM and CMA Terminal Holdings Limited to the Port of Kingston as the operators of Kingston Freeport Terminal Limited.
CMA CGM
We look forward to the establishment of a mutually beneficial collaboration with CMA CGM and CMA Terminal Holdings Limited as we forge strong partnerships in our quest to promote the Port of Kingston and enhance our internationally acclaimed stature as a premier port of call.

PRESIDENT & CEO'S STATEMENT

Professor Gordon Shirley, OJ

2015-2016 PRESIDENT & CEO'S STATEMENT

Dear Stakeholders,

The financial year under review has been one of the most pivotal in the history of the Port Authority. The improvement in Jamaica's global profile through the privatisation of the Kingston Container Terminal (KCT) and the practical completion of third lock of the Panama Canal were developments that increased the business prospects for the local shipping industry and the wider business community. Concurrently, cruise shipping continued to experience growth, with the Caribbean region remaining dominant, reflecting increased capacity deployment and investment in destinations.

These developments have the potential to rejuvenate the expansion efforts of the Authority in key business segments and have influenced a deepening of the strategic focus on enhancing our regional competitiveness. Accordingly, the Authority has undertaken a range of investment projects while forging new partnerships with the private sector in order to derive greater economic value from the strategic assets under its management.

As the Government of Jamaica continues to build the foundation for transition to the path of sustainable economic growth, the Board and Management of the Authority continues to contribute towards required initiatives and programmes. These initiatives, such as the implementation of the Port Community System (PCS), and the Privatisation of KCT, logistics and value added development are part of a comprehensive economic programme which has started to inspire confidence in the economy, attracting growing interest from local and international investors to do business in Jamaica. This improved business environment will enable the Authority to enrich its role as the nation's principal maritime agency.

In anticipation of the structural and operational changes precipitated by the privatisation of KCT, the Authority renewed its focus on employee engagement, and remains committed to providing training and development of its human resources. Activities initiated during the year served to engender greater participation, commitment and creativity among staff in relation to the achievement of the Authority's objectives. The dedication and resourcefulness demonstrated by the staff should serve the Authority well as it redefines and reposition itself in the Jamaican market place and the respective industries. Training and development will therefore continue as an integral part of our strategy to pilot change and transform ideas into business opportunities.

The prudent governance and strategic guidance provided by the Boards of Directors across all our business segments was instrumental to the Authority's performance during the review period and therefore must be acknowledged. Our colleagues in all branches of the shipping industry, suppliers and service providers including customs, financial institutions and security have been equally supportive.

The contribution of the Government of Jamaica through timely policy and regulatory support as well as guidance in resolving difficult issues cannot be overstated. The Authority will continue to engage with the Government as a strategic partner in the pursuit of our business and organisational development programmes.

PRESIDENT & CEO'S STATEMENT

The Authority continued to impact the wider community through its contribution to several human interest and social development programmes. Further policy development on environmental management in the context of our business initiatives is expected to be critical to the Authority's efforts to maintain its national and regional stature.

The Port Authority remains steadfast in its commitment to making a meaningful contribution to the economic growth and development of Jamaica, while ensuring a sustainable, productive, efficient and financially viable operation.

My sincere thanks to each and every one for your invaluable contribution and support.

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

ARTISTIC IMPRESSION OF BPO CAMPUS – MONTEGO BAY FREE ZONE

SENIOR
EXECUTIVE TEAM

Mrs. Beverley Williamson
SVP, Business Management & Special Projects

Mr. Mervis Edghill
SVP, Engineering & Port Development

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

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

Ms. Rosalie Donaldson
SVP, International Marketing & Client Services

Professor Gordon Shirley
President & Chief Executive Officer

2015-2016 DIRECTORS & CORPORATE DATA

DIRECTORS

Professor Gordon Shirley
Chairman

Janine Dawkins
Gladstone Lewars
Gary Peart
Byron McDonald
Robert Kinlocke
Major (Ret'd) Richard Reese
Horace Reid
Ambassador A.B. Stewart Stephenson
Maureen Stephenson 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

CORPORATE HEAD OFFICE

SENIOR MANAGEMENT

Professor Gordon Shirley
President & Chief Executive Officer

Rosalie Donaldson
SVP, International Marketing & Client Services

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

Dr. Carrol Pickersgill
SVP, Legal, Regulatory & 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

Paul Rousseau
VP, Engineering

Gary Lawrence
VP, Engineering

Wilburn Pottinger
VP, Information Systems

Almando Jones
VP Finance & Accounting

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

Edmond Marsh
VP, Business Development

William Tatham
VP, Cruise Shipping & Marina Operations

Capt. Sydney Innis
VP, Security

Flora Garth
VP, Materials Management

David Powell
Chief Group Internal Auditor

Dr. Paul Robertson
Director, Government Relations

Candice Banjoko
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
Deputy 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
Operations Manager

Johnathan Chin
Planning Manager

Clifford Anglin
Logistics Manager

Cecil Maragh
Manager, Domestic Operations

Glenroy Levy
Engineering Manager

DIRECTORS & CORPORATE DATA

Christopher Soltau
Acting Assistant Engineering Manager

Mark Harley
Manager, Quay Cranes

Neville Walker
Acting Special Projects & Maintenance Manager

Wayne Johnson
Acting Engineering Manager

Francine Staple
Security and Safety Manager

Norman Lindo
VP, Special Advisor IT

Courtney Bennett
IT Manager

Duane Wittaker
Assistant Manager, IT

Victor McDonald
Assistant Engineering Manager

SUBSIDIARIES

KCT Services Limited
Chairman: Robert Kinlocke

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:
Capt. Sydney Innis

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

2015-2016 MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis (MD&A) highlights important developments and achievements which underline the operational and financial performance of the Port Authority for the twelve months ended March 31, 2016.

The following were the key strategies and operational objectives pursued during the year.

KEY STRATEGIES	OPERATIONAL OBJECTIVES
Privatization of Kingston Container Terminal (KCT)	• Complete the KCT Privatisation deal • Effect operational transfer to Kingston Freeport Terminal Limited • Establish structure to manage the post-privatization transition and the Concession Agreement to ensure effective contract delivery.
Cargo Operations	
• Kingston Container Terminal	Improve terminal infrastructure and equipment availability as well as increase productivity and customer service.
• The Port of Montego Bay	Improve terminal facilities for new business development in home-porting and cargo operations.
Cruise Shipping	• Increase passenger arrivals from 1.49 million to 1.587 million (6.5%) • Continue the aesthetic improvement programme at the cruise ports. • Undertake preparatory work for infrastructure Development projects.
Harbours and Marine Services	Restore/maintain navigational aids, as well as acquire new equipment and undertake training to improve service capabilities
Free Zone Operations	Build 213,000 square feet of new BPO space and increase existing space utilization
Port Security	Develop, implement and monitor strategic programme for port security and safety under the ISPS Code to improve compliance and effectiveness.
Information Technology	Implement technology solutions to support business strategy, greater efficiency and user empowerment.
Logistics	Implement marketing programme to attract major international players in logistics
Port Community System	Complete procurement and engage service providers, to implement the PCS. Establish operational unit and commence implementation.
Organizational Change	Develop and implement organizational transformation programme
Strategic Communications	Revise corporate communications strategy

PRIVATISATION

This is a critical strategic imperative for the Government of Jamaica and the PAJ against the background of the expansion of the Panama Canal and the need to grow and remain competitive, the privatisation of KCT continued to be a central focus during the year.

In April 2015, a 30-year Concession Agreement (CA), to develop, market, operate and transfer the assets of KCT, was signed between the Port Authority of Jamaica and Kingston Freeport Terminal Limited, a special purpose vehicle formed by CMA CGM and Terminal Link (Concessionaire).

During the transition period to financial closure and hand-over of the terminal to KFTL as required by the CA, a Transition Team was established comprising members of the PAJ and KFTL, and chaired by a Senior Executive of the PAJ. An operational plan was also developed and implemented to manage the transition of operational control of the terminal following financial closure. Critical transition milestones accomplished include the 100% verification of fixed assets and spare inventory, the demolition and sale of obsolete equipment, environmental studies; engagement of an engineering, procurement and construction (EPC) contractor; as well as the development of a staff transition plan, which includes a redundancy plan, professional psychology services, change management, sensitisation and financial counselling. KFTL developed its organisation structure and staff hiring plan. The procurement of critical start-up equipment, including the leasing of 2 large tug boats, was also initiated. Financial Closure and Hand Over of operations to KFTL was effective on June 30, 2016.

CARGO OPERATIONS

KINGSTON CONTAINER TERMINAL

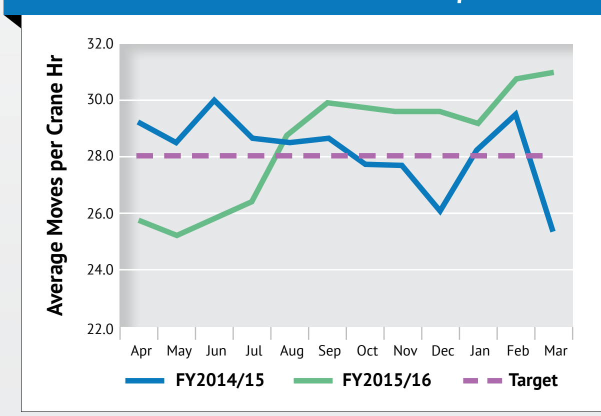
The Authority remained keenly focused on developments in the containerized cargo market given the implications for the viability of the terminal operations and finalization of the concession agreement.

- Global containerized cargo volumes in 2015 grew at a marginal 1.1% (Alphaliner).
- Sustained increase in vessel capacity (8.5%, Alphaliner) led to declining freight rates.
- Consolidation in the container shipping industry through the formation of alliances as well as mergers and acquisitions.

KEY PERFORMANCE INDICATORS

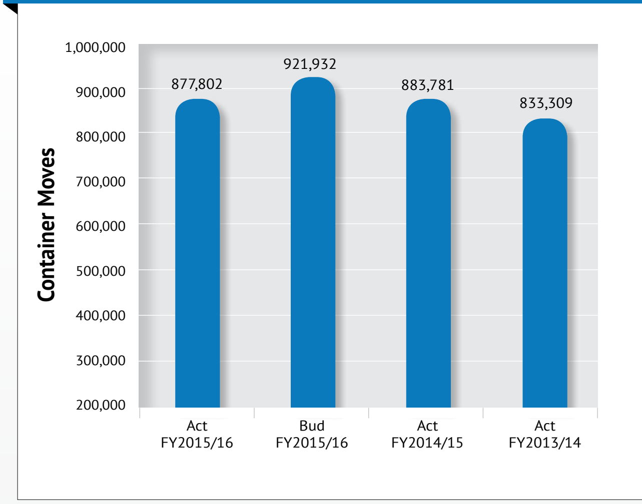
It is in the context of these market developments that the Port Authority pursued the key management imperative of the continued maintenance of specific areas of the terminal surface; the acquisition of new operating equipment in accordance with the CA; and the achievement of budgeted increases in productivity, as well as equipment availability and reliability in order to maintain competitiveness during the transition period.

KINGSTON CONTAINER TERMINAL: CRANE PROUCTIVITY FY 2015/16

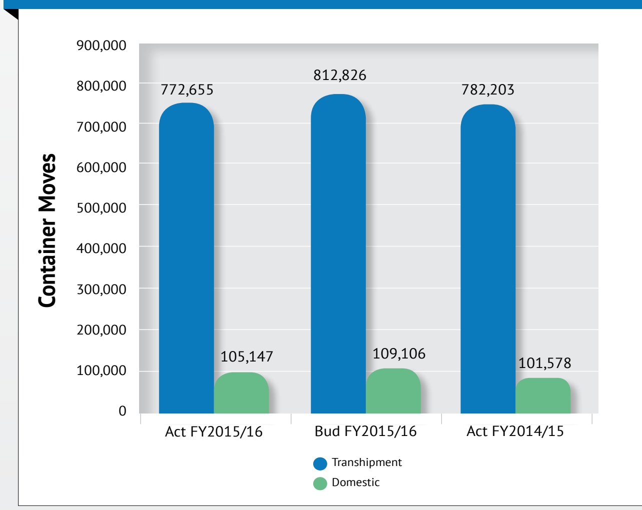


The key performance indicators demonstrate that the terminal achieved comparable levels of operational performance relative to budgeted ratios and actual levels for the previous fiscal year.

KINGSTON CONTAINER TERMINAL: CONTAINER MOVES FY 2015/16



KINGSTON CONTAINER TERMINAL: TRANSHIPMENT VS DOMESTIC MOVES FOR FY 2015/16



CONTAINER MOVES

Container moves of 877,802 for the year ended 31 March 2016 were 4.8% below budget and lower than the outturn for 2014/15 of 883,781 by 5,979 moves. ZIM and CMA CGM continue to account for over 75% of the container volumes handled. Container moves for CMA CGM grew by 47.5% over the previous fiscal year. This development was largely due to the introduction of new trans-Atlantic services through Kingston and the repositioning of some of its hub activities to the port. Volumes from ZIM fell by 23.5% due to continued economic and political challenges in Venezuela as well as the discontinuation of certain unprofitable routes.

THE PORT OF MONTEGO BAY

Cargo volumes at the Port of Montego Bay for fiscal year 2015/16 were 0.7 million metric tonnes, reflecting a marginal improvement of 0.02 million metric tonnes (2.9%). This increase is attributed primarily to an expansion in fuel import operations in the city.

Significant new business opportunities for the port were identified in the LNG (liquefied natural gas) and home-porting markets. Additionally, feasibility assessments indicated the need for extensive infrastructure investments and operational changes to support further business expansion.

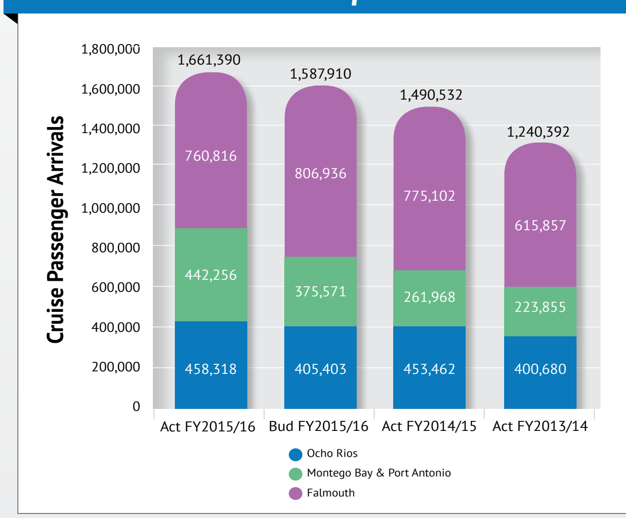
In this regard, consultants have been engaged to develop a master plan for a multi-user port facility. Further capital investments have been targeted for upgrading existing infrastructure and berths, as well as retooling the port. Upgrade work has commenced on the cruise ship facilities based on increased demand in home porting activity. The development plans for the port will be finalized in the next financial year.

CRUISE SHIPPING

Jamaica achieved passenger arrivals of 1.66 million, an increase of 170,858 (11.5%) compared to 1.49 million visitors for the year ending 31 March 2015 and 3.5% higher than was budgeted for fiscal year 2015/16. Vessel calls were 495, an increase of 62 (14.3%) when compared to 433 calls for 2014/15. Much of this growth was underpinned by home-porting activity at the Port of Montego Bay.

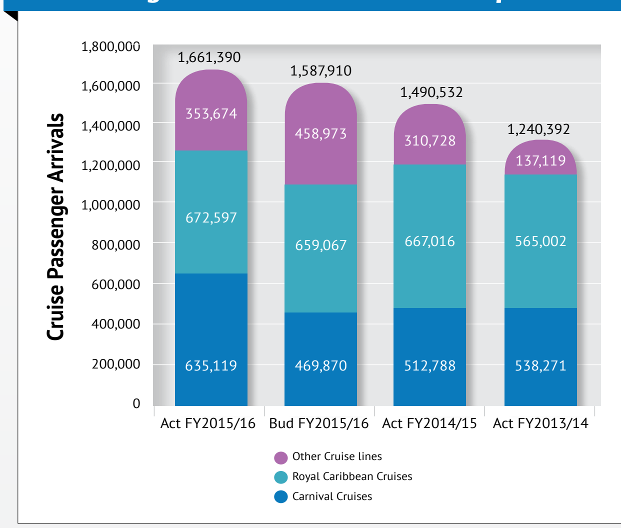
The gains in the cruise segment during the year reflected the impact of growth in the global cruise travel market as well as marketing programs implemented by the PAJ. According to the Cruise Line International Association (CLIA), global cruise passengers for 2015 were estimated at 23 million, an increase of 4.4% relative to 2014. The Caribbean region continued to dominate other regions in terms of capacity deployment despite strategic deployments to the Mediterranean and Asia to benefit from significantly higher yields.

CRUISE PASSENGER ARRIVALS BY PORT FY2015/16



Montego Bay welcomed 180,615 (69.1%) more passengers than it did in the prior year. Passenger arrivals at the Port of Ocho Rios were flat compared to the previous fiscal year while Falmouth experienced a 1.8% decline in arrivals resulting from redeployments by the cruise lines to higher yield regions of the Mediterranean and Asia. Notwithstanding the decline, Falmouth remained the primary port of call, accounting for 45.8% of total passenger arrivals, while Montego Bay and Ocho Rios accounted for 26.6% and 27.6%, respectively.

CRUISE PASSENGER ARRIVALS BY MAJOR CRUISE LINES FY2015/16



Carnival Corporation increased its passenger throughput in 2016 by 23.8% and accounted for 38.2% of total passengers (2015 - 34.4%). Royal Caribbean accounted 40.5% (2015 - 44.8%).

Strong performance in this segment coincided with the implementation of a programme to expand capacity and to improve visitor experience across all ports. To accommodate expansion in homeporting activity at Montego Bay, work commenced on the reconfiguration of the main cruise terminal, located at Berths 5 & 6. A new homeporting terminal is also being constructed at Berth 2 to ensure that two cruise ships can be berthed simultaneously at the Port.

The PAJ completed further infrastructure development work in Falmouth in an effort to improve the cruise passenger experience. The ground transport area of the terminal was upgraded, and the Authority in conjunction with the Urban Development Corporation and the Tourism Enhancement Fund continued to improve the streetscape on the roads in close proximity to the Port. The Authority is constructing a new complex which is expected to be the nucleus for a new shopping hub for residents of Falmouth and its environs. The works being undertaken include the relocation of the 'bend down' market and the construction of a new state of the art market, the design of a new civic amenities center and a transportation center all on a 25-acre property owned by the Authority.

The Authority also completed the designs for the development of the Hampden Wharf and Tharpe House sections of the terminal which will house an artisan village, a performing theatre, shops, a food court and a museum. The development plan is to be tendered and it is expected that work will commence in August 2016, and construction and development will take place over 12-months for all phases.

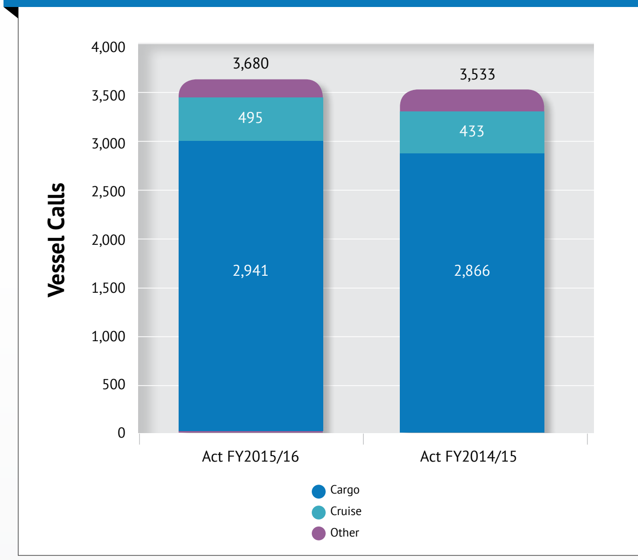
In Ocho Rios, the Authority recently completed the redevelopment of the terminal buildings, ground transport area and berths as well as the upgrade of the Turtle River Road. During the review period, an MOU was negotiated with the Jamaica Bauxite Mines to redevelop the Reynolds Pier to accommodate both cruise shipping and the existing industrial cargo operations. Engineering for the new berth is complete and the construction works are being tendered. When complete, the rebuilt berth will ensure that Ocho Rios can comfortably accommodate two of the world's largest cruise ships simultaneously. The Authority acquired the lands at Sailors Hole and reached an agreement for the removal of squatters. The development plans for the creation of a modern fishing village have been completed and construction is expected to be completed in time for the 2016/17 cruise season.

Strategies to improve the marketing and economic viability of the Errol Flynn Marina in Port Antonio have been influenced by the improvements in the US-Cuba relations. As a consequence of this development, the outlook for growth in super yachting in the Northern Caribbean has improved considerably.

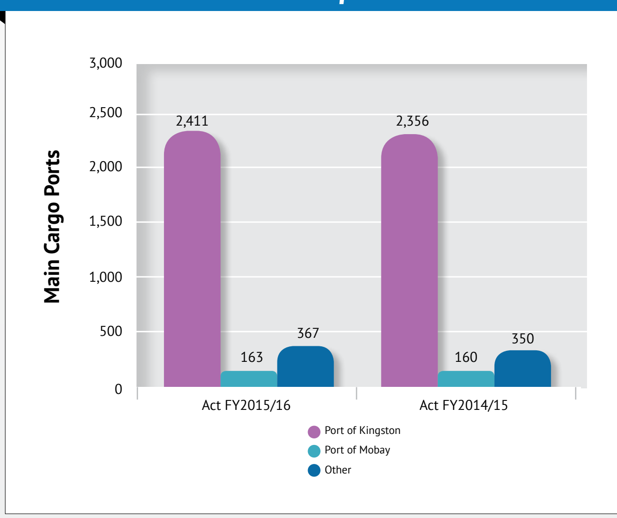
HARBOURS & MARINE SERVICES

Harbours & Marine Services ensures the safe navigation of vessels through the harbours. Vessel calls increased by 147 (4.2%) to 3,680 from 3,533, with cargo traffic accounting for half of the growth. Cargo vessel calls to the Port of Kingston increased to 2,411 from 2,356 while calls by cruise ships totalled 495 up from 433 in the previous year.

VESSEL CALLS BY BUSINESS SEGMENT



CARGO VESSEL CALLS AT JAMAICA'S PORTS FY2015/16



A major project undertaken during fiscal year 2015/16 was the renovation of the Morant Point Light Tower. Commissioned in 1838, this lighthouse is among the oldest in the region, and is maintained in its old original structure. The lighthouse is now completely powered by solar and wind, resulting in significant savings in fuel and maintenance costs.

Morant Point Light Tower under renovation

Morant Point Light Tower powered by Solar Panel and Wind Turbine

As part of its statutory obligations, the Authority maintained 10 lighthouses, 8 onshore and 2 offshore. A major project was undertaken to upgrade the lights on the buoys and beacons from incandescent lights to state of the art LED solar-powered. At the close of the financial year the target to convert 80.0% was achieved. The LED aid to navigation lanterns significantly improve reliability and efficiency, thereby reducing maintenance costs.

TUG SERVICES

Tug boats are used to assist the vessels in safely and efficiently navigating as well as berthing and unberthing. Consistent with its obligations under the Concession Agreement, the Authority leased 2 additional 75-tons bullard pull tugs. One tug commenced operations in March 2016, while the other is expected to begin operations in July 2016.

Leased – Tug Capidahl

Leased tug - Chinook

TRAINING

With the expected arrival of ultra-modern container lines following the opening of the expanded Panama Canal, and in line with the terms of the concession agreement, marine pilots were sent to France, to undergo hands-on training and experience on these mega container ships in Europe.

Marine Pilots Jeremy DeLisser (l) and Cyprian Fuller (r) share a photo opportunity while on training in Europe.

A team from the Harbours Department was trained as divers to carry out underwater inspection and maintenance of the Authority's vessels, port facilities, and navigational aids. A Remote Operating Vehicle (ROV) was also acquired to assist the divers in their underwater operations.

FREE ZONES: BUSINESS PROCESS OUTSOURCING

The PAJ currently has investment of over $10 billion in BPO facilities (office, factory and paved areas) in Kingston, Montego Bay and Portmore, established for the creation of employment, backward linkages to the domestic economy, transfer of technology to employed Jamaicans and the generation of foreign currency earnings.

The total rentable space of the free zones during the fiscal year remained at 1.4 million square feet with an occupancy level of 93.9% by foreign and local businesses. The foregoing includes the Montego Bay Free Zone and Kingston Free Zone with year-end occupancy levels 95.7% and 100.0% respectively.

	AVAILABLE SPACE (SQ. FT)	OCCUPANCY (%)		EMPLOYMENT		FE EARNINGS
FREE ZONE COMPANIES	31-MAR-16	31-MAR-16	31-MAR-15	31-MAR-16	31-MAR-15	(US$MN)
Montego Bay Free Zone	601,966	94.9	94.9	8,171	7,088	130.1
Kingston Free Zone	354,000	100.0	95.2	1,223	1,382	6.0
Jamaica International Free Zone	449,944	86.7	86.7	751	681	6.8
Total	1,405,910	93.6	92.3	10,145	9,151	142.9

Market and technology trends suggest an increasing demand for offshore BPO products and services. The Port Authority advanced plans to provide additional rentable office facilities to meet the demands of current and prospective customers. In this regard, bids have been invited for the construction of 63,000 sq. ft. of office space. The Authority also completed during the year the development of a 200 seat incubator call centre under a Cluster Competitiveness Project which supports the aims of the Business Process Industry Association of Jamaica (BPIAJ).

Foreign currency earnings for the period were US$142.9 million and represent an increase of US$2.6M (1.9%) when compared with the previous fiscal year. Further plans to increase employment and foreign currency earnings by modernizing existing buildings and constructing new facilities are now in the development stage. In this regard the designs have been completed for the addition of 150,000 sq. ft. of purpose-built facilities to the Portmore Informatics Park.

During the review period, the Authority explored how it could improve the strategic position of its BPO offerings as well as undertake changes to its business model which would increase value added. In this regard, an international BPO marketing consultant and broker has been engaged in collaboration with other agencies, to advise on changes to the marketing of the island's BPO product. The consultant will also develop an appropriate strategic marketing programme for the Authority's BPO operations.

Consistent with this thrust, the Montego Bay Free Zone has commenced the implementation of ISO 9001:2008 Quality Management Systems. The Authority's status as "promoter" under the recently promulgated Special Economic Zones Act (2016) supports its strategic emphasis on expansion, marketing and quality assurance.

PORT SECURITY

During the review period, the PAJ continued the implementation of its strategic programme for port security and safety under the ISPS Code, consistent with its role as the Designated Authority with respect to the International Ship and Port Facility Security (ISPS) Code. Key aspects included:

- Re-certification under the ISPS code of ports which became due in 2015.
- Audits and examinations to ensure that all ports remain compliant.
- Undertaking further investments in technology and human capital development to enhance the security at ports, in particular the Integrated Port Security System (IPSS) as well as training and sensitization on the ISPS Code
- Reviewing the Authority's business model for port security to reflect the changes in service levels required following the expected operational transfer to Kingston Freeport Terminal Limited.

In addition to the foregoing activities, the PAJ sought to enhance and improve the existing security apparatus through the following:

- Development of an MOU with local maritime law enforcement to enhance the security services offered in the marine basin.
- Development of a curriculum in ISPS security awareness to be introduced at the recruitment level, of law enforcement agencies to improve maritime security capacity building.
- Implementation of a Security Awareness programme for all port workers employed by the SAJ.
- Visits to international ports in Europe and the USA to observe security procedures and organization in order to improve existing systems in Jamaica and to include in the new security plan.
- Conducting of a security assessment by US Customs and Border Patrol (CBP) officers to further improve maritime security practices including supply chain security.
- Training and capacity building. This included the participation of security screeners and some Port Facility Security Officers (PFSOs) in several security-related courses offered by the Caribbean Regional Drug and Law Enforcement Training Centre (REDTRAC). The PAJ also participated in a regional ISPS Code refresher was conducted in Jamaica in October 2015.

INFORMATION TECHNOLOGY SYSTEMS

The highly competitive nature of the markets for ports, logistics and related industries, necessitates the use of technology-enabled tools and solutions with which the Authority can continue to realize efficiency and productivity improvements. During the review period the Authority continued its focus on key IT projects which would improve operational capabilities across all business segments. Set out hereunder are the major initiatives:

Four pillar information technology strategy

The Authority uses a four-pillar strategic approach to the organization and delivery of its IT projects.

The first strategic pillar is the upgrade of the ICT infrastructure to create a secure and stable environment to host applications. This includes server hosting and DaaS solutions. Although work was initially undertaken, as a result of the privatisation of KCT, the Wi-Fi data network, and other related projects are being re-scoped, retendered and/or handed over to the new terminal operator, Kingston Freeport Terminal Limited.

Work continued on other aspects of the ICT infrastructure. In particular contracts were signed and work commenced to:

- Improve the bandwidth between the Authority and the internet as well as with its various remote sites;
- Upgrade the IP surveillance system at the Falmouth Cruise Ship Terminal.

Most of the infrastructure projects are scheduled for completion by end-September 2016.

The second strategic pillar is the upgrade, replacement and acquisition/development of a range of system solutions for various functions.

- New project teams were formed to review and re-engineer financial and human resources management systems. Expected completions dates are April and June 2017, respectively.
- Contracts were signed for the acquisition and implementation of Office 365. Implementation is expected by the end -June 2016
- Work was undertaken to explore solutions in business intelligence, planning and performance management, electronic data and records management, as well as the statistics, and cruise-related applications.
- The terminal operating system and the container positioning information systems projects were transferred to Kingston Freeport Terminal Limited.
- Work on the procurement of the Integrated Port Security System (IPSS) was almost completed and is awaiting high-level approval.

The third pillar entails restructuring the information technology team to improve service levels. Additional staff were assigned to business systems and support as well as IT service management.

The final pillar entails improving information visibility and sharing though collaboration tools. The initial phase of this project should be completed by end-August 2016.

The Integrated Port Security System (IPSS)

The Authority's statutory responsibility to ensure the security of all seaports in Jamaica in accordance with the International Ship and Port Facility Security Code (ISPS Code includes the upgrading of physical security systems at public port facilities.

In this regard, a state of the art Integrated Port Security System has been selected to replace existing systems. This new system includes an Electronic Access Control System (EACS), Internet Protocol Surveillance System (CCTV), Intrusion Detection System and a 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.

LOGISTICS

Modern transshipment ports are evolving to include logistics facilities and industrial parks on, or near-port which in addition to warehousing, provide a range of value–added services, such as consolidation, assembly and light manufacturing. It is expected that with the opening of the expanded Panama Canal, the prospect of increased cargo traffic through Jamaican waters will create new opportunities for port-related value-added logistics.

Against this background and consistent with its development mandate, the Port Authority has earmarked approximately 80 hectares of land conveniently located in close proximity to Kingston Container Terminal(KCT) that are eminently suitable for providing a wide range of logistics activities for local and offshore markets. In total, the designated area includes existing free zone sites, the adjoining underutilized aerodrome, and unused terminal lands. During the year, the Authority worked to develop and promote the concept of a Port-centric Logistics Hub which would utilize these combined facilities to develop and support logistics activities.

Subsequent market sounding has identified potential investors in the Near Port Hub from various sectors, in particular auto industry; retail and consumer products, dry-docking, ship repairs, and bunkering. The Authority has also held discussions with several leading global logistics companies.

PORT COMMUNITY SYSTEM (PCS)

In order for Jamaican ports to compete more effectively in the region, it is imperative that the perception of the Jamaican trade facilitation and logistics climate be significantly improved. In this regard, the Authority has undertaken the implementation of a Port Community System (PCS) to serve as a neutral, open, collaborative electronic platform which facilitates the intelligent and secure exchange of information between public and private stakeholders in the maritime community.

The intended users include shipping lines, shipping agents, freight forwarders, haulage contractors, terminal operators and customers. The PCS will facilitate more efficient trade services, reduce the cost and time of completing transactions and enhance the image of Jamaica's logistics environment by integrating the systems and flow of information among and between the members of the port community.

During the review period, the Authority revised the scope of the PCS project to facilitate a more cost efficient but equally effective system implementation, completed selection of preferred bidder, finalized the contract and signed a fixed five-year contract with the consortium of SOGET and Bureau Veritas BIVAS for the design, implementation and maintenance of the system. The information and telecommunication provider is Microsoft Corporation. The implementation commenced in January 2016 and will be completed over a 24-month period. A PCS operator unit has been established and staff recruited.

The implementation of the PCS is timely. It is to be fully integrated with the ASYCUDA World system which is currently being implemented by the Jamaica Customs Agency to automate its processes and procedures and to improve its capacity to carry out its operations and to simplify and accelerate customs clearance procedures. The seamless integration of the PCS and ASYCUDA will create a streamlined and efficient operating platform for the maritime community which will automate port and logistics processes via a single electronic submission of data and provide the capacity to connect the transport and logistics chains.

ORGANISATIONAL CHANGE

Pursuant to its development and regulatory mandate and in the context of the need to ensure its long-term viability and sustainability, the Authority has embarked on a series of organizational change initiatives which would more effectively support its commercial, regulatory and development objectives.

During the review period, the Authority formalized key elements of an organizational transformational programme to be carried out in the next financial year, in particular: review of mission and vision; business segmentation and organizational restructuring; employee engagement; succession planning; business model review, and the implementation of improved performance management. These initiatives are underpinned by the transfer of operational control to the concessionaire, Kingston Freeport Terminal Limited.

CORPORATE STRATEGIC COMMUNICATIONS

A corporate strategic communications programme was initiated during the review period to strengthen relations with employees and key external stakeholders during and after the transition to privatisation. An important objective of this programme is to ensure that employees are engaged in the organizational changes being pursued by the Authority, including notably, the privatisation of Kingston Container Terminal.

A second but equally critical objective is the provision of current information to key publics on important economic social and environmental developments associated with the Authority's programmes and projects. In this regard, the Authority initiated a review and redesign of its intranet and corporate website to better support employee and customer relations as well as its broader commercial, regulatory and development strategies.

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

REVENUE

The Port Authority and its subsidiaries (The Group) earned total revenue of $20.18 billion for the period ended March 31, 2016, an increase of $1.5 billion (8%) over $18.68 billion at March 31, 2015. Operating revenue, which accounted for $19.73 billion (98%) of total revenue increased by $1.63B (9%). The main sources of income and their contribution to total revenue were container handling revenue $12.09 billion (60%) facility fees $2.81 billion (14%), wharfage $1.17 billion (6%), Tug and Harbour fees $1.69 billion (8%) which together account for 88% of total revenue.

A comparative analysis of revenue is set out hereunder:

REVENUE	FY 2015/16	FY 2014/15	INCREASE OVER FY 2014/15		% OF FY 2015/16 REVENUE
	$M	$M	$M	%	%
Container Terminal	12,094	10,991	1,103	10	59.9
Facility Fee	2,815	2,571	244	9	13.9
Wharfage	1,171	1,054	117	11	5.8
Harbour Fees	924	852	72	8	4.6
Tug Fees	763	756	7	1	3.8
Equipment Lease	108	103	5	4	0.5
Land & Building Lease	657	618	39	6	3.3
Port Antonio Marina	98	83	15	19	0.5
Oil Royalty	135	129	6	4	0.7
Pilotage	130	114	16	14	0.6
Ground lease Falmouth	80	75	5	6	0.4
Other	751	747	4	1	4
TOTAL (excluding FV Adjustment)	**19,726**	**18,093**	**1,633**	**9%**	**98%**
Investment Property – Fair Value	459	589	-130	-22%	2%
TOTAL	**20,185**	**18,682**	**1,503**	**8%**	**100%**

The net increase of $1.5 billion in total revenue was mainly driven by increased revenue from the Container Terminal and Facility Fees which accounts for $1.35 billion. All other revenue sources increase by $0.15 billion.

EXPENSES

Total expenses of $13.329 billion for year ended March 31 2016, reflected a decrease of $0.081 billion (0.6%) below the $13.41 billion incurred for year ended March 31, 2015. Operating expenses which accounted for $11.28 billion of the total expenses increased by $0.19 billion (2%). The main expense items were salary and wages $4.9 billion, fuel, electricity & other utilities $1.11 billion, security cost $0.842 billion, repairs and maintenance $1.75 billion, depreciation $1.16 billion and insurance $0.848 billion.

The net decrease of $81 million in expenses resulted mainly from the following:

	INCREASE/ (DECREASE) $M
Depreciation – KCT operations (a)	(627)
Contracted Services – labour (b)	371
Electricity & Fuel Costs (c)	(305)
Claims (d)	293
Professional & Consulting fees (e)	(161)
Tug Operations (f)	123
Bad debt provision (g)	120
Repairs & maintenance (h)	106
PAJ HO Staff costs & benefits	13
Other Expenses	(26)
Subsidiaries	12
NET DECREASE	(81)

a) The decline relates to the cessation of depreciation associated with the held for sale assets in line with **IFRS 5 - Non-current Assets Held for Sale.**

b) The increase of $371 million in contracted services is accounted for by (i) increased overtime costs of **$145M** for the Container Operations, resulting from a shortage in the labour pool to meet gang requirements scheduled to handle vessel and yard activities and (ii) personnel related costs of **$226M** in respect of wage increases, incentive payments and settlement costs for contracted workers in respect of vacation leave and gratuity payments.

c) The decline of $305 million in electricity & fuel costs largely reflects the ongoing decline in oil prices on the world market and reduced activity levels.

d) Claims expenditure increase of $293M includes settlement of a productivity claims for **J$264M.**

e) The net reduction of $161M in professional and consultancy fees is due mainly to the reduction in cost relating to the KCT privatisation.

f) Tug operations net increase of $123M is accounted for by in respect of dry docking costs for the Tug Port Maria **as required to comply with vessel certification.**

g) The increase of **$120M** includes settlement of **$80M** in respect of disputed invoices and a net increase of **$40M** in the provision.

h) The increase of $106M in Repairs and maintenance comprise expenditure associated with dry docking and other corrective repairs for the MV Jamaica II motor vessel to ensure equipment reliability of equipment.

SURPLUS FROM OPERATIONS

The year-to-date (YTD) Operating Surplus of $6.86 billion represents an increase of $1.59 billion (30%) over the $5.27 billion as at March 31, 2015. Net Profit before Taxation of $3.44 billion (March 2015: $1.95 billion) is net of adjustments for depreciation $1.16 billion, exchange losses of $1.98 billion (March 2015: $1.56 billion) arising from translation of foreign currency loans, interest and finance charges of $2.13 billion (March 2015: $2.32 billion) and other income of $0.13 billion.

EXCHANGE LOSS ON FOREIGN CURRENCY LOANS

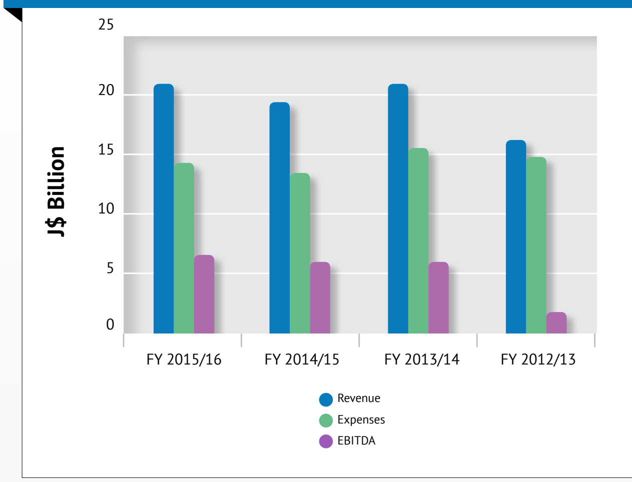
The Authority converts its foreign currency loans to Jamaican dollars (JMD) at the year-end exchange rate in compliance with applicable International Financial Reporting Standards (IFRS). Approximately 87% of the Authority's long-term loans are denominated in foreign currency. The 6% (March 2015: 5%) depreciation in the JMD dollar vs. the US dollar at March 31, 2016 (March 2016: $122.0421 vs. March 2015: $115.0435) accounted primarily for $1.98 billion (March 2015: $1.556 billion) of unrealized exchange losses in 2015. The impact of the devaluation is summarized hereunder:

Approximately 80% of the Authority's annual income is denominated and collected in USD, while its operating expenses are mainly JMD. This provides a natural currency hedge in respect of earnings and cash flow. 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

Comparative financial performance of the Authority for the last four (4) years ended March 31, 2016 are illustrated in the graph below:

EBITDA (J$ BILLIONS)



The Group's Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) of $6.48 billion has remained positive over the four (4) year period, with a marginal increase of $0.58 billion (10%) at March 31, 2016 when compared to March 31, 2015.

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

The asset base of the Group at March 2016 was $58.31 billion, an increase of $0.6 billion (1.09%) over March 31, 2015. Property, Plant and Equipment (PP&E) continues to be the most significant class of assets, representing 44% of the total assets, despite a reclassification of $4.71 billion as held for sale under current assets, further to the agreement for privatisation of the terminal operations at KCT.

PROPERTY, PLANT AND EQUIPMENT (PP&E) OF $25.55 BILLION

The following accounts for the net decrease of approximately $0.027 billion (0.1%) in PP&E:

- Additions for the year of $758.7 million, relating mainly to the purchase of container handling equipment (KCT), land and infrastructure improvements to Ports located in Ocho Rios, Falmouth and Montego Bay.
- Depreciation charges of $1.16B, and other adjustments amounting to $0.014 million.
- Net disposal, write offs and transfers from Intangible Assets amounting to $49.61 million and $0.013 million respectively.
- Adjustments of $423.6 million to the assets held for sale in relation to the privatisation of the Kingston Container Terminal operations.

INVESTMENT PROPERTIES OF $17.28 BILLION

The decrease of approximately $264 million resulted from the sale of two (2) properties at Bogue Estate, St. James amounting to $194 million, along with a fair value gain adjustment of $458 million. The disposal transaction resulted in a gain of $12.76 million.

INVENTORY OF $0.087 BILLION

The balance represents a marginal increase of $0.042 billion (0.05%) over the previous year. This is impacted by the reclassification of Spares inventory associated with the KCT operations as held for sale.

TRADE AND OTHER RECEIVABLES OF $2.91 BILLION

The increase of approximately $439 million (18%) was due primarily to the following:

	$M INCR/ (DECR)
Trade receivables (net of bad debt provision)	265
Prepaid Expenses	(28)
Staff loans	(15)
Sundry & Other receivables	499
Current portion of long term receivables	(282)
	439

Bad debt provision (trade and other receivables) amounted to $217.14 million (2015: $146.37 million).

OTHER

Total liabilities of $39.19 billion as at March 31, 2016 declined by $2.64 billion (6%) over $41.83 billion, at March 31, 2015. Long term loans decreased by $5.44 billion (16%) to $28.75B. The decrease is net of loan repayments of $5.38B, a $2.84B change in the current portion of long term loans and unrealized foreign currency losses and other adjustments of $2.78B. Interest costs on loans were $2.16 billion, a decrease of $95.1 million (4%) over an amount of $2.251 billion as at March 31, 2015.

Cash and short-term deposits amounted to $5.4 billion at March 31, 2016, a decrease of $0.09 billion (2%) over $5.49 billion as at March 31, 2015.

The period ended at March 2016 with net current assets of $4.21 billion, a decrease of $2.61 billion (38%) over $6.82 billion at March 2015.

Trade receivables at March 31, 2016 amounted to $2.9 billion compared to $2.47 billion at March 31, 2015 and Trade Payables were $2.62 billion, compared to $2.68 billion at March 31, 2015.

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 $35.62 billion and $7.5 billion payment for loan and interest cost for the year.

The Port Authority continues to actively pursue other sources of financing for future capital expansion. With this in mind, the successful completion of the privatisation of the terminal operations remains a high priority of the Government of Jamaica (GOJ) and the Authority. Subsequent to the signing of the agreement between Port Authority and Kingston Freeport Terminal Limited on April 7, 2015, focus has been the transition activities. It is expected that the Financial Closure and Hand Over of the the Port will occur by June 30, 2016. See Note 35 to the financial statements.

SUBSIDIARIES, JOINT VENTURES & ASSOCIATED COMPANIES

The subsidiaries of the Authority as at March 31, 2016 reflected combined net assets of $3.46 billion and net profit of $562.43 million. The Group's share of the Associates' profits for the financial year amounted to $14.21 million (March 2015: $10.51 million).

EQUITY

The Group's equity of $17.81 billion at March 2016 (excluding non-controlling interest) increased by $3.03 billion (20%) compared to $14.78 billion at March 2015. The Group displayed net current assets of $4.2 billion at March 2016, in comparison to $6.82 billion at March 2015. The change in the net current assets position is impacted by the scheduled full settlement of a $1.9B loan facility in June 2016.

During the financial year 2015/16, the salaries for the Authority's Senior Executive Staff were as follows:

EXECUTIVE EMOLUMENTS

POSITION/ OF SENIOR EXECUTIVE	SALARY ($)	GRATUITY OR PERFORMANCE INCENTIVE ($)	TRAVELLING ALLOWANCE OR VALUE OF ASSIGNMENT OF MOTOR VEHICLE ($)	PENSION OR OTHER RETIREMENT BENEFITS ($)	SENIORITY PMTS. & OTHER ALLOWANCES ($)	NON-CASH BENEFITS ($)	TOTAL ($)
President & CEO	17,829,945 (Note 1)	NIL	3,541,905	2,674,492 (Note 1)	2,250,668 (Note 2)	NIL	26,297,010
SVP Finance & Information Services	9,790,965	2,447,741	3,064,320	NIL	NIL	NIL	15,303,026
SVP International Marketing & Client Services	10,155,317	NIL	3,064,320	1,238,933 (note 3)	364,351	NIL	14,822,921
SVP Legal, Regulatory & Corporate Affairs	10,155,317	2,999,995	3,064,320	NIL	NIL	NIL	16,219,632
SVP Engineering & Port Development	10,155,317	2,538,829	3,064,320	NIL	NIL	NIL	15,758,466
SVP Business Management & Special Projects	10,155,317	2,629,917	3,064,320	NIL	364,351	NIL	16,213,905
Chief Group Internal Auditor, Assurance & Risk Management Services	8,333,561	2,495,043	3,064,320	NIL	1,646,609	NIL	15,539,533
VP Business Development	8,333,561	2,333,216	2,474,850	NIL	999,305	NIL	14,140,932
VP Harbours & Port Services	8,333,561	2,333,216	2,474,850	NIL	999,304	NIL	14,140,931
VP Security (note 4)	4,861,244	1,215,311	1,068,505	NIL	NIL	NIL	7,145,060
VP Human Resources & Administration	8,333,561	NIL	2,474,850	1,040,687 (note 3)	352,000	NIL	12,201,098
VP Legal, Regulatory & Corporate Affairs (Note 5)	3,953,043	NIL	824,950	NIL	NIL	NIL	4,777,993
VP Information Systems	8,333,561	2,171,390	2,474,850	NIL	352,000	NIL	13,331,801
VP Cruise Shipping & Marina Services	8,333,561	2,507,467	2,474,850	NIL	352,000	NIL	13,667,878
VP Finance	8,333,561	2,419,467	2,474,850	NIL	NIL	NIL	13,227,878
VP Engineering	8,333,561	2,507,467	2,474,850	NIL	352,000	NIL	13,667,878
Senior Director, Government Relations	8,333,561	2,419,467	2,474,850	NIL	NIL	NIL	13,227,878
VP Operations & Engineering (Note 6)	3,636,822	212,908	967,441	NIL	1,098,722	NIL	5,915,893
VP Materials Management	6,925,561	NIL	2,474,850	867,177 (note 3)	NIL	NIL	10,267,588
VP Port Community Systems (Note 7)	1,643,390	410,848	618,713	NIL	NIL	NIL	2,672,951
TOTAL	164,264,287	31,642,282	47,681,084	5,821,289	9,131,310	NIL	258,540,252

Notes:

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

4) VP Security's contractual employment commenced September 1, 2015.

5) VP Legal proceeded on retirement following a six (6) month period contract extension on June 30, 2016.

6) The VP Project Engineer resigned during the period with effect from September 30, 2015.

7) VP Port Community Systems appointed January 1, 2016.

DIRECTORS COMPENSATION

DIRECTORS	FEES	MOTOR VEHICLE UPKEEP TRAVELING OR VALUE OF ASSIGNMENT OF MOTOR VEHICLE	HONORARIA	ALL OTHER COMPENSATION INCLUDING NON-CASH BENEFITS	TOTAL
Director	148,500	55,000	Nil	Nil	203,500
Director	173,000	50,000	Nil	Nil	223,000
Director	61,500	25,000	Nil	Nil	86,500
Director	166,000	50,000	Nil	Nil	216,000
Director	176,500	60,000	Nil	Nil	236,500
Director	183,500	60,000	Nil	Nil	243,500
Director	62,000	40,000	Nil	Nil	102,000
Director	145,000	50,000	Nil	Nil	195,000
Director	162,500	60,000	Nil	Nil	222,500
Director	159,000	45,000	Nil	Nil	204,000
TOTAL	1,437,500	495,000	Nil	Nil	1,932,500

Notes:

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.

Kingston CONTAINER TERMINAL

"UNDOUTEDLY, THE VISION WHICH INSPIRED AND MOTIVATED THE ESTABLISHMENT OF THE KINGSTON CONTAINER PORT IN THE EARLY 1970S WAS THE PRODUCT OF A PASSION AND DETERMINATION "TO MAKE THINGS HAPPEN." **– THE MOST HON. P.J. PATTERSON, FORMER PRIME MINISTER OF JAMAICA**

The Kingston Container Terminal (KCT), one of the island's prime assets, is the outcome of thoughtful and visionary planning and investment, diligent and timely execution as well as the strategic engagement of key stakeholders.

The era of modern port facilities in Jamaica began in the mid 1960s with the construction of a wharf, consisting of 11 berths at Newport West. The establishment of these modern facilities in the port of Kingston coincided with the genesis of the containerisation revolution. By the 1970's, with the rapid acceleration of containerization, shipping lines increased their investment in larger container ships, which stimulated the modernisation of port facilities and the construction of new ports to service these larger vessels. The proliferation of larger vessels with economies of scale and lower unit costs gave rise to hub and spoke type operations where mainline services called on modern facilities equipped to handle them and smaller ports were served by feeder vessels. It was in this evolving environment that the Kingston Container Terminal was conceptualized as it was recognised that Kingston's geo-strategic position, in particular, its proximity to the major trade lanes, was a major advantage.

While the opportunities for the establishment of KCT as a transhipment port would have influenced the investment decision to a great degree, it was "an early vision of globalisation" that compelled the Port Authority, on behalf of the Government to secure the requisite funding and develop the first phase of the KCT during 1973 to 1975.

Over several decades and in several stages, the Terminal was developed in response to the rise in containerised cargo, and has grown in step with the expansion of the transhipment market in the hemisphere. The development of the KCT has been funded through loans (secured by GOJ guarantees) and operating profits.

The growth in containerized trade and the transhipment market, which drove KCT's expansion, also resulted in the development of significant container capacity in the Latin America and Caribbean. This changing industry characteristic intensified competition over the years. Notwithstanding, KCT remained resilient and maintained its position as one of the leading transshipment terminals in the region due to the comprehensive marketing and promotional strategies which supported the developmental plan.

KCT has over the years enjoyed a broad customer base, serving as a regional hub to several lines. ZIM and CMA CGM have consistently used the port of Kingston as their main hub for the last 45 and 40 years, respectively.

The Panama Canal Expansion project which commenced in 2007 is a watershed for the future development and operation of the Terminal. The Canal Expansion is expected to be a game changer, significantly increasing the volume of cargo through the region, creating opportunities for the emergence of the Terminal as a mega-hub.

In recognition of this tremendous opportunity ports in the region embarked upon a range of initiatives to position their facilities to capture the opportunities associated with the Canal Expansion. Driven by the expectation of an increase in the number of larger vessels transiting the region, ports focused their attention on capital expansion – dredging their ship channels; providing increased berthing capacity; installing upgraded container handling equipment and expanding yard capacity. These investments would increase their strategic capability to support the operational requirements of these vessels.

As a strategic imperative, KCT must also undertake significant expansion and investment in port infrastructure and superstructure as well as near-port logistics. However, the financial constraints facing public entities, limit the availability of new development funding to facilitate the re-positioning of the port of Kingston. Government's debt management policy to reduce the Debt to GDP ratio, precludes the issuance of new government guarantees for the future loans of statutory entities, including the PAJ.

It is within this context that the strategic objective to privatize KCT which had long been a goal of the PAJ supported by the Government became more of an imperative. The process to identify and engage a suitable investor to develop and operate KCT has been successful.

On April 7, 2015, the PAJ signed a 30-year concession agreement with Kingston Freeport Terminal Limited (KFTL), a special-purpose vehicle, with 60% ownership by CMA CGM and 40% by Terminal Link.

This Concession Agreement will help to drive national growth objectives. The development and business expansion plans will place the terminal on a higher growth path, improve its market positioning and catalyse other business opportunities in the local economy.

"…only world class standards of infrastructure, equipment and performance can ensure viability."

Hon. Noel Hylton, Former Chairman & CEO, The Port Authority of Jamaica

Old Kingston Harbour Finger pier – 1960s

Pre KCT

Up to the 1960s, Kingston's port infrastructure consisted of finger piers which were dedicated facilities for the handling of the owners cargo. By the middle of the 20th Century the commercial activity of Kingston and surrounding areas had created a demand surpassed the capacity of the existing port infrastructure.

400,000 TEUs

Gordon Cay (KCT 2)

1995-1997 – KCT 2

800,000 TEUs

- The development is concentrated in the eastern section of the Gordon Cay land
- The ship's channel and basin of the Kingston Harbour are dredged to a depth of 13m.
- The South Terminal boasts 640m of new berthing facilities, three state-of-the-art ship to shore (Panamax) Gantry cranes, 1220m of crane rails, 19.5 hectares of terminal yard, 100 reefer positions, security fencing and power lighting, as well as;
- One mile of access road connecting Gordon Cay with the existing North Terminal.

2001

- KCT 3 is completed
- On completion of this phase of the development in 2001, KCT's capacity stood at 1,200,000 TEUs. This capacity enabled KCT to handle xTEUs in 2001 and On the basis of this capacity, KCT was ranked 65th among the global container ports and second in the Central American and Caribbean Region behind the ports of Panama.
- PAJ commenced preparation for the fourth phase of the expansion, KCT 4.

1,200,000 TEUs

1973 -1975

- Financed by an initial capital investment of J$12 million the Port Authority undertook the development of the first phase of the KCT during 1973 to 1975. This development created the North Terminal which consisted of two Paceco gantry cranes, 2,100 feet of berths and 42 acres of paved terminal area, providing a capacity of 400,000 twenty-foot equivalent units (TEUs).
- Kingston Container Terminal (KCT) was opened. KCT had 59 ships from 2 shipping lines, and handled 12,113 TEUs.

1979

- KCT welcomed 559 vessels from 4 shipping lines. KCT handles 146,061 TEUs, a thousand-fold increase relative to 1975

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

2006
- Commences development of KCT 5.
- Maersk makes KCT its regional hub.

2007
- Panama Canal Expansion project begins

2003-2005 – KCT 4
- North Terminal - Reconstruction of the 1,460 ft of berth, 295 feet of new berth space, 53.3 acres of terminal year, and 4 Super Post Panamax Gantry cranes installed at the North Terminal.
- South Terminal – 300 ft of new berth space, 71.6 acres of additional terminal yard
- A new marine operation building was constructed.
- 12 new straddle carriers and a new technology-enabled security system with x-ray machines for the inspection of containers and cargo packages; as well as electronic surveillance and access control systems.

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

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

2012
- PAJ signs agreement with Mediterranean Shipping Company (MSC) for the commencement of operations at KCT.
- Cabinet approves the establishment of an Enterprise Team charged with oversight and direction of the Privatisation of KCT.

2013
- Twenty-six (26) companies are invited to respond to a Request for Qualification RFQ.
- Request for Proposal undertaken among shortlisted bidders.

2014
- The Request for Proposal returned one proposal from the Terminal Link/CMA CGM consortium. Following an evaluation process, Terminal Link/CMA CGM is declared the Provisional Preferred Bidder and Cabinet approval obtained to negotiate with this entity.

2015
- On April 7, 2015 a 30-year Concession Agreement is signed with Kingston Freeport Terminal Limited (KFTL), a special-purpose vehicle, with 60% ownership by CMA CGM and 40% by Terminal Link.

Terms of the Agreement
- PAJ will retain responsibility for maintenance dredging, provision of ancillary services and enacting regulations and policies
- KFTL has the right to Finance, Expand, Operate, Maintain and Transfer the Kingston Container Terminal (KCT) at the end of the concession period.
- KFTL will be required to dredge the access channel to the Kingston Harbour and the basin to allow for the handling of the larger vessels that will transit the Panama Canal after its expansion.
- Under the agreement, the Port Authority will receive
  - an upfront payment equivalent to the value of the equipment at the Terminal which are to be handed over to the Concessionaire for operation
  - a fixed annual payment paid quarterly in advance representing a lease payment for the facility
  - a variable fee payable monthly in advance.

The PAJ will retain the responsibility for:
- Maintenance dredging of the channel
- The provision of ancillary services such as pilotage and towage
- Enacting regulations and policies in support of the development of the Greater Port of Kingston and the ports of Jamaica

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2016
(EXPRESSED IN JAMAICAN DOLLARS)

CONTENTS

8 Olivier Road
Kingston 8
Jamaica, W.I.

Tel: +1 876 925 2501
Fax: +1 876 755 0413
ey.com

Building a better
working world

Chartered Accountants

INDEPENDENT AUDITOR'S 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, 2016, 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.

Auditor's 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 auditor's 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 auditor considers 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.

EY

Building a better working world

INDEPENDENT AUDITOR'S 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, 2016 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

June 9, 2016

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	25,545,365	25,572,229
Investment properties	6	17,276,311	17,011,993
Intangible assets	7	4,385	8,848
Investment in associates	8(a)	137,712	123,507
Other investments	9	1,296,735	759,029
Long-term receivables	10	14,573	425,694
Retirement benefit asset	11	38,331	-
Deferred tax assets	12	548	3,831
		44,313,960	43,905,131
Current assets			
Inventories	13	86,780	86,738
Trade and other receivables	14	2,909,738	2,471,085
Other investments	9	-	30,027
Cash and short-term deposits	15	5,400,835	5,494,152
		8,397,353	8,082,002
Assets classified as held for sale	35	5,595,097	5,688,061
		13,992,450	13,770,063
Total assets		58,306,410	57,675,194
EQUITY AND LIABILITIES			
Equity			
Reserves	16	6,619,788	6,537,339
Retained earnings	17	11,190,747	8,244,393
		17,810,535	14,781,732
Non-controlling interests	18	1,307,113	1,068,533
		19,117,648	15,850,265
Non-current liabilities			
Retirement benefit liability	11	35,038	43,510
Long-term liabilities	19	28,754,473	34,194,190
Deferred income	20	598,194	626,686
Deferred tax liabilities	12	17,407	8,655
		29,405,112	34,873,041
Current liabilities			
Provisions	21	271,097	222,135
Current portion of long-term liabilities	19	6,865,610	4,027,903
Trade and other payables	22	2,616,098	2,683,798
Bank overdrafts (unsecured)		30,845	18,052
		9,783,650	6,951,888
Total equity and liabilities		58,306,410	57,675,194

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

The financial statements were approved and authorised for issue by the Board of Directors on June 9, 2016 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, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
Revenue	23	20,184,671	18,682,642
Expenses:			
Direct operating		(11,283,429)	(11,097,774)
Administrative		(2,045,646)	(2,312,089)
		(13,329,075)	(13,409,863)
		6,855,596	5,272,779
Share of associated companies' results	8(a)	14,205	10,508
Interest income	27	114,053	189,487
Other gains and losses	24	(1,420,345)	(1,206,719)
Finance charges and interest on loans	25	(2,124,987)	(2,316,992)
PROFIT BEFORE TAXATION		3,438,522	1,949,063
Taxation	26	(141,305)	(72,670)
PROFIT AFTER TAXATION	27	3,297,217	1,876,393
Profits attributable to non-controlling interests	18	(238,580)	(136,571)
NET PROFIT FOR THE YEAR		3,058,637	1,739,822
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on retirement benefit plans	11	(29,834)	(17,296)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(29,834)	(17,296)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28	3,028,803	1,722,526

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

		RESERVES												
	Notes	General 16(a) $'000	Capital 16(b) $'000	Development 16(c) $'000	Equalisation 16(d) $'000	Stabilization 16(e) $'000	Fixed Assets Replacement 16(f) $'000	Insurance 16(g) $'000	Wharfage 16(h) $'000	Total Reserves $'000	Retained Earnings $'000	Total $'000	Non-Controlling Interests $'000	Total $'000
Balance at April 1, 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	11(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)	-	-	-
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
Net profit		-	-	-	-	-	-	-	-	-	3,058,637	3,058,637	238,580	3,297,217
Other comprehensive loss	11(d)	-	-	-	-	-	-	-	-	-	(29,834)	(29,834)	-	(29,834)
Total comprehensive income		-	-	-	-	-	-	-	-	-	3,028,803	3,028,803	238,580	3,267,383
Transfers to reserves of managed operations		-	-	-	-	-	42,431	9,692	30,326	82,449	(82,449)	-	-	-
Balance at March 31, 2016		359,450	5,089,330	305,150	1,630	32	554,791	142,557	166,848	6,619,788	11,190,747	17,810,535	1,307,113	19,117,648

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, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		3,058,637	1,739,822
Adjustments for:		-	
Depreciation and amortisation	5,7	1,164,103	1,766,061
Adjustment to property, plant and equipment	5	14	51
Impairment of property, plant and equipment	5	-	1,009
Write-off of property, plant and equipment	5	3,759	-
Gain on disposal of property, plant and equipment		(1,421)	(18,460)
Gain on disposal of investment properties		(12,759)	-
Increase in fair value of investment properties	6	(458,318)	(589,411)
Interest income	27	(114,053)	(189,487)
Foreign exchange loss (net)		2,221,905	1,398,823
Retirement benefit expense	11	3,237	2,805
Retirement benefit adjustment	11	(32,239)	135
Provision charge	21	136,416	98,812
Profits attributable to non-controlling interests	18	238,580	136,571
Amortisation of deferred income	20	(67,450)	(67,450)
Impairment loss recognised on trade receivables	14	83,205	40,537
Reversal of impairment loss recognised on long-term receivables		(26,698)	(20,583)
Loan fees amortised		12,772	7,621
Taxation charge	26	141,305	72,670
Share of associates' results	8	(14,205)	(10,508)
Finance charges and interest on loans	25	2,124,987	2,316,992
		8,461,777	6,686,010
(Increase) Decrease in operating assets:			
Trade and other receivables		(758,357)	421,595
Inventories		(330,716)	(83,299)
(Decrease) Increase in operating liabilities:			
Trade and other payables		(114,096)	271,090
Retirement benefit contributions	11	(47,635)	(52,934)
Provisions utilised	21	(87,454)	(78,990)
Increase in deferred income	20	38,958	-
Cash generated by operations		7,162,477	7,163,472
Income taxes paid		(82,874)	(78,111)
Interest paid		(2,122,532)	(2,330,866)
Net cash provided by operating activities		4,957,071	4,754,495

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, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		114,291	189,235
Acquisition of property, plant and equipment	5	(758,699)	(974,486)
Proceeds on disposal of property, plant and equipment		1,444	19,067
Proceeds on disposal of investment properties		206,759	-
Other investments (net)		(507,917)	(37,305)
Decrease in long-term receivables		720,141	83,573
Acquisition of intangible assets	7	(58)	(1,702)
Net cash used in investing activities		(224,039)	(721,618)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		650,578	624,233
Repayment of long-term loans		(5,375,587)	(4,928,541)
Decrease in prepaid credit insurance		127,447	185,613
Net cash used in financing activities		(4,597,562)	(4,118,695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		135,470	(85,818)
OPENING CASH AND CASH EQUIVALENTS		5,476,100	5,404,075
Effect of foreign exchange rate changes		(241,580)	157,843
CLOSING CASH AND CASH EQUIVALENTS		5,369,990	5,476,100
Cash and cash equivalents comprises:			
Cash and short-term deposits	15	5,400,835	5,494,152
Bank overdrafts		(30,845)	(18,052)
		5,369,990	5,476,100

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	25,482,547	25,534,056
Investment properties	6	14,743,686	14,561,993
Intangible assets	7	4,278	8,734
Investments in subsidiary, joint venture and associated companies	8(b)	30,508	30,508
Other investments	9	1,283,639	746,757
Long-term receivables	10	90,799	501,920
Retirement benefit asset	11	38,331	-
		41,673,788	41,383,968
Current assets			
Inventories	13	86,780	86,738
Trade and other receivables	14	2,811,748	2,335,397
Cash and short-term deposits	15	3,952,637	4,557,163
		6,851,165	6,979,298
Assets classified as held for sale	35	5,595,097	5,688,061
		12,446,262	12,667,359
Total assets		54,120,050	54,051,327
EQUITY AND LIABILITIES			
Equity			
Reserves	16	6,613,795	6,531,346
Retained earnings	17	8,838,648	6,230,351
		15,452,443	12,761,697
Non-current liabilities			
Retirement benefit liability	11	35,038	43,510
Long-term liabilities	19	28,590,739	34,010,030
Deferred income	20	598,194	626,686
		29,223,971	34,680,226
Current liabilities			
Provisions	21	56,219	53,501
Current portion of long-term liabilities	19	6,834,273	3,998,320
Trade payables and accruals	22	2,523,349	2,542,772
Bank overdrafts (unsecured)		29,795	14,811
		9,443,636	6,609,404
Total equity and liabilities		54,120,050	54,051,327

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 __________ 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, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
Revenue	23	18,782,717	17,356,422
Interest income	27	80,505	158,960
Expenses:			
Administration		(1,702,709)	(1,980,965)
Marine operations		(10,349,906)	(10,160,168)
Finance charges and interest on loans	25	(2,121,668)	(2,313,317)
		4,688,939	3,060,932
Loss on exchange on foreign currency loans		(1,968,359)	(1,545,784)
NET PROFIT FOR THE YEAR	27	2,720,580	1,515,148
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on retirement benefit plans	11	(29,834)	(17,296)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(29,834)	(17,296)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28	2,690,746	1,497,852

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

		RESERVES										
	Notes	General 16(a) $'000	Capital 16(b) $'000	Development 16(c) $'000	Equalisation 16(d) $'000	Stabilisation Fund 16(e) $'000	Fixed Assets Replacement 16(f) $'000	Insurance 16(g) $'000	Wharfage 16(h) $'000	Total Reserves $'000	Accumulated Surplus $'000	Total $'000
Balance at April 1, 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	11(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
Net profit		-	-	-	-	-	-	-	-	-	2,720,580	2,720,580
Other comprehensive loss	11(d)	-	-	-	-	-	-	-	-	-	(29,834)	(29,834)
Total comprehensive income		-	-	-	-	-	-	-	-	-	2,690,746	2,690,746
Transfers to reserves of managed operations		-	-	-	-	-	42,431	9,692	30,326	82,449	(82,449)	-
Balance at March 31, 2016		359,450	5,083,337	305,150	1,630	32	554,791	142,557	166,848	6,613,795	8,838,648	15,452,443

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

THE PORT AUTHORITY

SEPARATE STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		2,720,580	1,515,148
Adjustments for:			
Interest income	27	(80,505)	(158,960)
Foreign exchange loss adjustment (net)		1,738,447	1,394,361
Finance charges and interest on loans	25	2,121,668	2,313,317
Impairment loss recognised on trade receivables	14	67,625	19,826
Amortised cost adjustment on long-term receivables		(26,698)	(20,583)
Increase in fair value of investment properties	6	(375,693)	(499,411)
Depreciation and amortisation	5,7	1,155,165	1,761,268
Gain on disposal of investment properties		(12,759)	-
Gain on disposal of property, plant and equipment		(1,421)	(18,460)
Impairment of property, plant and equipment	5	-	1,009
Adjustment to property, plant and equipment	5	14	(1)
Provision charge	21	71,604	58,738
Amortisation of deferred income	20	(67,450)	(67,450)
Retirement benefit expense	11	3,237	2,805
Retirment benefit adjustment	11	(32,239)	135
Loan fees amortised		12,681	8,125
		7,294,256	6,309,867
(Increase) Decrease in operating assets:			
Trade and other receivables		(780,475)	375,690
Inventories		(330,716)	(83,299)
(Decrease) Increase in operating liabilities:			
Trade payables and accruals		(19,423)	266,289
Provisions utilised	21	(68,886)	(61,408)
Deferred income	20	38,958	-
Retirement benefit contributions	11	(47,635)	(52,934)
Cash generated by operations		6,086,079	6,754,205
Interest paid		(2,119,235)	(2,327,191)
Net cash provided by operating activities		3,966,844	4,427,014

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, 2016
(Expressed in Jamaican dollars)

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		80,462	158,789
Increase in long-term receivables		720,141	83,573
Other investments (net)		(536,839)	(36,342)
Acquisition of intangible assets	7	-	(1,531)
Acquisition of property, plant and equipment	5	(721,422)	(963,739)
Proceeds on disposal of property, plant and equipment		1,444	19,067
Proceeds on disposal of investment properties		206,759	-
Net cash used in investing activities		(249,455)	(740,183)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		650,578	624,233
Repayment of long-term loans		(5,344,836)	(4,890,550)
Decrease in prepaid credit insurance		127,447	185,613
Net cash used in financing activities		(4,566,811)	(4,080,704)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(849,422)	(393,873)
OPENING CASH AND CASH EQUIVALENTS		4,542,352	4,784,802
Effect of foreign exchange rate changes		229,912	151,423
CLOSING CASH AND CASH EQUIVALENTS		3,922,842	4,542,352
Cash and cash equivalents comprise:			
Cash and short-term deposits	15	3,952,637	4,557,163
Bank overdraft		(29,795)	(14,811)
		3,922,842	4,542,352

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

(Expressed in Jamaican dollars)

1 GROUP IDENTIFICATION

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

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

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

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

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

(Expressed in Jamaican dollars)

1 **GROUP IDENTIFICATION (CONTINUED)**

(a) (Continued)

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

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

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

(b) Accounting period

The Authority and all the companies in the Group have prepared financial statements for the year ended March 31, 2016 (2015: March 31, 2015).

2 **ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

2.1 **Current year changes**

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

- **Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions***
  IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group as contribuions are not dependent on years of service.

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

2.1 Current year changes (Continued)

- **Annual Improvements 2010-2012 Cycle**
  With the exception of the improvement relating to IFRS 2 *Share-based Payment* applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these financial statements. They include:

  - **IFRS 2 *Share-based Payment***
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The Group had not granted any awards during the year and thus these amendments did not impact the Group's financial statements.

  - **IFRS 3 *Business Combinations***
    The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment did not impact the Group's accounting policies as there were no business combinations during the year.

  - **IFRS 8 *Operating Segments***
    The amendments are applied retrospectively and clarify that:
    - An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

    These amendments did not have any impact on the financial statements of the Group as it is not required and the Group does not present segment information.

  - **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets***
    The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the revaluation adjustments recorded by the Group during the current year.

  - **IAS 24 *Related Party Disclosures***
    The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment did not result in any changes as such disclosures were already being made by the Group for such services.

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

2.1 Current year changes (Continued)

- **Annual Improvements 2011-2013 Cycle**
  These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these financial statements. They include:

  - **IFRS 3 *Business Combinations***
    The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
    - Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

    This amendment is not relevant to the Group as it is not a joint arrangement.

  - **IFRS 13 *Fair Value Measurement***
    The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

  - **IAS 40 *Investment Property***
    The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not impact the financial statements of the Group.

2.2 Future changes

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

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

  The Group plans to adopt the new standard on the required effective date.

  (i) Classification and measurement
  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.

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

2.2 Future changes (Continued)

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

  (i) Classification and measurement (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.

  The Group does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9.

  (ii) Impairment
  IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

  (iii) Hedge accounting
  This amendment would not apply as the Group does not apply hedge accounting.

- **IFRS 14 *Regulatory Deferral Accounts***
  IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income (OCI). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

- **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.

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

2.2 **Future changes (Continued)**

- **IFRS 15 *Revenue from Contracts with Customers (Continued)***
There is new guidance on whether revenue should be recognised at a point in time or over time, which replaces the previous distinction between goods and services. Where revenue is variable, a new recognition threshold has been introduced by the standard. This threshold requires that variable amounts are only included in revenue if, and to the extent that, it is highly probable that a significant revenue reversal will not occur in the future as a result of re-estimation. However, a different approach is applied for sales and usage-based royalties from licences of intellectual property; for such royalties, revenue is recognised only when the underlying sale or usage occurs. The standard also introduces new guidance on costs of fulfilling and obtaining a contract, specifying the circumstances in which such costs should be capitalised. Costs that do not meet the criteria must be expensed when incurred.

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

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

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

- **IFRS 16 *Leases***
This new standard requires lessees to account for all leases under a single on-balance sheet model, subject to certain exemptions in a similar way to finance leases under IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The standard provides guidance on the two recognition exemptions for leases – leases of "low value" assets and short-term leases with a term of 12 months or less. Lessor accounting is substantially the same as IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted but not before the Group applies IFRS 15. The directors and management have not yet assessed the impact of the application of this standard on the Group's financial statements.

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's financial statements.

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

2.2 Future changes (Continued)

- **Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation***
  The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- **Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants***
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply.

  The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's financial statements as the Group does not have any bearer plants.

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

  For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's financial statements.

- **Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***
  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's financial statements.

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

2.2 Future changes (Continued)

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

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

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group is currently assessing the impact of these amendments on its financial statements.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception***
  The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

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

- **Annual Improvements *2012-2014 Cycle***
  These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

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

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

2.2 Future changes (Continued)

- **Annual Improvements *2012-2014 Cycle (Continued)***

  - **IFRS 7 *Financial Instruments: Disclosures***

    (i) Servicing contracts

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

    (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

    The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

  - **IAS 19 *Employee Benefits***

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

  - **IAS 34 *Interim Financial Reporting***

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

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact 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) as issued by the International Accounting Standards Board (IASB) and the requirements of the Port Authority Act and the Jamaican Companies Act.

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.

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.

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)).

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

All other liabilities are classified 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.

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 40) if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property, plant and equipment (Continued)

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

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

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

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

3.9 Investment properties

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

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

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

3.10 Intangible assets - purchased

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangible assets – purchased (Continued)

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

3.11 Impairment of tangible and intangible assets

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

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

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

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

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

3.12 Financial Instruments

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial Instruments (Continued)

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

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

3.12.1 *Financial assets*

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

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

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

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

(a) *Loans and receivables*

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

Related party identification
A party is related if:

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

(ii) the party is an associate of the Group;
(iii) the party is a joint venture in which the Group is a 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial Instruments (Continued)

3.12.1 Financial assets (Continued)

(a) *Loans and receivables (Continued)*

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

(b) *Held-to-maturity investments*

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial Instruments (Continued)

3.12.1 *Financial assets (Continued)*

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

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

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

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

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

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

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

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

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.12 **Financial Instruments (Continued)**

3.12.1 ***Financial assets (Continued)***

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

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

(d) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the assets have been affected.

For shares (listed and unlisted) classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including long-term receivables, objective evidence of impairment would include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial Instruments (Continued)

3.12.1 *Financial assets (Continued)*

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

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

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what amortised cost would have been had impairment not been recognised. In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of fair value and other reserves. In respect of AFS debt securities, impairment losses are consequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(e) *Derecognition of financial assets*

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

3 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.12 **Financial Instruments (Continued)**

3.12.1 ***Financial assets (Continued)***

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

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

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

3.12.2 ***Financial liabilities and equity***

a) Financial liabilities

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.

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.

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.

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 3.17(a)(ii) below.

(ii) Defined benefit plan

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

Under the rules of this plan, members of the defined contribution plan, 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

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Leasing (Continued)

The Group as lessee

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

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

3.22 Borrowing costs

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

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

3.23 Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of those transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at rates prevailing at that date. Non-monetary item carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. The gain or loss arising on the translation of non-monetary items carried at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. Other exchange gains and losses are recognised in profit or loss for the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where such exchange differences are regarded as an adjustment to interest cost on foreign currency borrowings.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.24 Reclassifications

Certain balances havce been reclassified in the prior year to conform with current year presentation. In particular they related to:

- deposit balaces totaling $4.408 million previously included in current assets being reclassified as non-current assets, and
- spares totaling $595.395 million previously included as inventories being reclassified as assets classified as held for sale.

These reclassifications are not material to the financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors and management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (See below), that the directors and management has made in the process of applying the entity's accounting policies and that has 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 $217.355 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.

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, 2016 is $189.593 million (2015: $216.678 million) with management estimating remaining useful life as approximately 10 years (2015: 11 years).

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

Key sources of estimation uncertainty (Continued)

Property, plant and equipment (Contined)

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, 2016 is $3.153 billion (2015: $3.564 billion) with management estimating remaining useful life as approximately 15 years (2015: 16 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(h)).

Revaluation of investment properties

The Group and the Authority carries its investment properties at fair value totaling $17.276 billion (2015: $17.012 billion) and $14.744 billion (2015: $14.562 billion), respectively, with changes in fair value being recognised in the statement of profit or loss. The Authority engaged external valuation specialists to determine the appropriate valuation techniques and inputs for fair value measurement. In estimating the fair value of an asset or a liability, the Group uses market–observable data to the extent it is available.

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

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

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

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

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

Key sources of estimation uncertainty (Continued)

Employee benefit – retiree medical and group life plan

As disclosed in Note 11, the Group operates a defined benefit pension plan and provides health benefits to certain retired employees of a company that previously managed one of its operations. The amounts shown in the statement of financial position of an asset of approximately $38.331 million (2015:liability of approximtely $13.641 million) in respect of the defined benefit plan and a liability of approximately $35.038 million (2015: $29.869 million) in respect of the retiree medical and group life plans are subject to estimates in respect of periodic costs which net costs would be dependent on future returns on assets, future discount rates, rates of salary increases and mortality rates in respect of the pension plan, and inflation rates and rates of increases in health cost for the retiree medical and group life plan. External actuaries are contracted by the Group in this regard. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. The assumptions are reviewed at each reporting date.

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

The cost of benefits is derived using premium rates supplied by the company to which the retired employees were previously employed. For the benefits scheme, the benefit is derived using information supplied by the Group and the Fund managers in relation to full members of the scheme.

Judgement is also exercised in determining the proportionate share of the health obligation and cost as well as the extent that the surplus or deficit in the plan may affect the future contributions to the plan.

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

Income taxes
Estimates are required in determining the provision for income taxes and tax losses in respect of the Group's subsidiairies. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of ±10% in the final outcome of these estimates would have the effect of approximately $14.131 million (2015: $7.267 million) increase/decrease in tax charge for the year (See Notes 12 and 26).

5 PROPERTY, PLANT AND EQUIPMENT

	The Group												
	Freehold Land $'000	Freehold Buildings $'000	Leasehold Improvements $'000	Tugs, Cranes, Trailers, Straddle Carriers, and Other Equipment $'000	Lighting Berths Berths 10 &11, Pavements $'000	Furniture and Office Equipment $'000	Motor Vehicles/ Motor Cycles $'000	Infrastructure $'000	Dredging $'000	Computers $'000	Equipment Spares $'000	Capital Works-in Progress $'000	Total $'000
At cost or valuation													
April 1, 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 13)	-	-	-	-	-	-	-	-	-	-	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
Additions	-	-	12,123	11,367	-	27,721	8,749	1,257	-	22,844	-	674,638	758,699
Disposals	-	-	-	(1,558,147)	-	-	(6,915)	-	-	(61)	-	-	(1,565,123)
Write-off (Note 5 (f))	-	-	-	-	-	-	-	-	-	-	-	(3,759)	(3,759)
Transfer to (from) assets held for sale (Note 35)	-	-	-	4,603,488	-	44,291	(77,740)	-	-	161,425	-	6,175	4,737,639
Transfer from intangible assets (Note 7)	-	-	-	-	-	-	-	-	-	120	-	-	120
Transfer from works-in progress	-	14,005	972	48,735	-	-	-	-	-	3,873	-	(67,585)	-
Reclassification	-	-	258	(141)	-	(2,873)	-	1,352	-	1,404	-	-	-
Adjustments	-	-	-	-	-	(42)	-	-	-	-	-	18	(24)
March 31, 2016	6,314,631	1,961,787	90,179	5,187,149	11,677,378	251,699	85,398	6,603,727	5,147,621	410,241	-	1,221,079	38,950,889
Depreciation													
April 1, 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(g))	-	-	-	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
Charge for year	-	56,772	1,496	189,119	292,195	14,039	3,765	309,864	263,948	28,397	-	-	1,159,595
On disposals	-			(1,512,301)			(6,915)			(61)			(1,519,277)
Transfer from intangible assets (Note 7)	-	-	-	-	-	-	-	-	-	107	-	-	107
Transfer to (from) assets held for sale (Note 35)	-	-	-	4,172,736	-	35,851	(48,112)	-	-	153,526	-	-	4,314,001
Adjustment	-	-	-	-	-	(10)	-	-	-	-	-	-	(10)
Reclassification	-	-	26	-	-	(1,695)	-	406	-	1,263	-	-	-
March 31, 2016	-	563,561	68,058	4,479,828	2,988,710	190,800	75,952	2,906,906	1,804,273	327,436	-	-	13,405,524
Net book value													
March 31, 2016	6,314,631	1,398,226	22,121	707,321	8,688,668	60,899	9,446	3,696,821	3,343,348	82,805	-	1,221,079	25,545,365
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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Authority

	Freehold Land $'000	Freehold Buildings $'000	Tugs, Cranes, Trailers, Straddle Carriers, Vessels and Other Equipment $'000	Lighting, Docks, Berths 10 and 11 $'000	Infrastructure $'000	Dredging $'000	Furniture and Office Equipment $'000	Computers $'000	Motor Vehicles $'000	Equipment Spares $'000	Capital Works-in Progress $'000	Total $'000
At cost												
April 1, 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 13)	-	-	-	-	-	-	-	-	-	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
Additions	-	-	11,367	-	520	-	14,616	22,015	5,450	-	667,454	721,422
Disposals	-	-	(1,558,147)	-	-	-	-	(61)	(6,915)	-	-	(1,565,123)
Transfer (to) from assets held for sale (Note 35)	-	-	4,603,488	-	-	-	44,291	161,425	(77,740)	-	6,175	4,737,639
Reclassification	-	-	(141)	-	-	-	-	141	-	-	-	-
Transfer from works-in-progress	-	14,005	48,735	-	-	-	-	-	-	-	(62,740)	-
Transfer from intangible assets (Note 7)	-	-	-	-	-	-	-	120	-	-	-	120
Adjustment	-	-	-	-	-	-	(32)	-	-	-	18	(14)
March 31, 2016	6,314,631	1,961,787	5,187,149	11,677,378	6,601,638	5,147,621	169,421	403,056	76,219	-	1,213,349	38,752,249
Depreciation												
April 1, 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(g))	-	-	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
Charge for year	-	56,772	189,119	292,195	309,434	263,948	11,138	25,037	3,079	-	-	1,150,722
On disposals	-	-	(1,512,301)	-	-	-	-	(61)	(6,915)	-	-	(1,519,277)
Transfer (to) from assets held for sale (Note 35)	-	-	4,172,736	-	-	-	35,851	153,526	(48,112)	-	-	4,314,001
Transfer from intangible assets (Note 7)	-	-	-	-	-	-	-	107	-	-	-	107
March 31, 2016	-	563,561	4,479,828	2,988,710	2,906,070	1,804,273	133,270	321,944	72,046	-	-	13,269,702
Net book value												
March 31, 2016	6,314,631	1,398,226	707,321	8,688,668	3,695,568	3,343,348	36,151	81,112	4,173	-	1,213,349	25,482,547
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

(Expressed in Jamaican dollars)

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

- Land

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

- Freehold buildings

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

- Port equipment, plant and machinery

  Port equipment, plant and machinery included at $1.02 billion were valued by Deryck A. Gibson, Licensed Real Estate Appraiser, at March 31, 2000.

- Lighthouses, harbour lights, beacons including associated buildings located in Westmoreland, St. Elizabeth, St. Thomas, Clarendon, Portland, St. Mary and Port Royal included at $165 million were valued by Winston Madden for Commissioner of Land (Valuation) in February 2003 on the transfer of these assets to the Authority by the Government of Jamaica.

All valuations were recorded at the respective dates of valuation.

Subsequent additions are stated at cost.

(c) The Authority has pledged certain lands with a carrying value of $2.493 billion (2015: $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 (2015: $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 (2015: $692.484 million).

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

(g) During 2014/15, 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.

5 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(h) 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, 2014	11,662,634	4,759,948	16,422,582
Increase in fair value (Note 23)	445,063	144,348	589,411
Fair value, March 31, 2015	12,107,697	4,904,296	17,011,993
Disposal	(194,000)	-	(194,000)
(Decrease) Increase in fair value (Note 23)	(996,287)	1,454,605	458,318
Fair value, March 31, 2016	10,917,410	6,358,901	17,276,311

	The Authority		
	Land (Note 6(a)) $'000	Buildings (Note 6(b)) $'000	Total $'000
Fair value, April 1, 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
Disposal	(194,000)	-	(194,000)
(Decrease) Increase in fair value (Note 23)	(1,036,512)	1,412,205	375,693
Fair value, March 31, 2016	9,882,185	4,861,501	14,743,686

(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.

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 by of valuations carried out between January and March 2016 (2015: January 2015) by Allison Pitter & Company and C.D. Alexander Realty Company Limited (2015: C.D. Alexander Realty Company Limited), who have 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, 2016 (2015: 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 values of the Group's commercial/industrial investment properties comprising land valued at $10.917 billion (2015: 12.108 million) and buildings valued at $6.359 billion (2015: $4.904 million) were determined based on the sale and market comparable approach that reflects recent transaction prices for similar properties and the capitalisation of the net income method (investment approach) by the application of between 8% and 9% income capitalisation rate and discount cash flow method.

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

(d) The property rental income earned by the Group from its investment properties all of which are leased under operating leases amounted to $625.720 million (2015: $562.735 million). Direct operating expenses arising from the investment properties during the period amounted to $77.654 million (2015: $77.325 million).

(e) Certain charges in respect of a long-term loan have been registered on land and building valued at $1.393 billion (2015: $1.350 billion) at the end of the reporting period (See Notes 19(d) and 19(g)).

7 INTANGIBLE ASSETS

	The Group $'000	The Authority $'000
Cost		
Balance, April 1, 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
Additions	58	-
Transfers to property, plant and equipment (Note 5)	(120)	(120)
Balance, March 31, 2016	107,000	106,575
Amortisation		
Balance, April 1, 2014	91,119	90,923
Charge for year	7,095	7,038
Balance, March 31, 2015	98,214	97,961
Charge for year	4,508	4,443
Transfers to property, plant and equipment (Note 5)	(107)	(107)
Balance, March 31, 2016	102,615	102,297
Carrying amount:		
March 31, 2016	4,385	4,278
March 31, 2015	8,848	8,734

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

8 INVESTMENTS IN SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

(a) Investments in associates

	The Group	
	2016 $'000	2015 $'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	125,008	110,803
	137,712	123,507

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

	The Group	
	(Unaudited) 2016 $'000	(Unaudited) 2015 $'000
Total assets	352,149	263,256
Total liabilities	(58,454)	(46,726)
Net assets	293,695	216,530
Group's share of associates' net assets	97,898	72,177
Revenue	512,622	521,194
Profit for the year	42,615	31,525
Group's share of associates' profit for the year	14,205	10,508

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

(b) Investments in subsidiaries and joint ventures

	The Authority		
	2016 $'000	2015 $'000	
Shares at cost			
Subsidiary companies			
Kingston Free Zone Co. Ltd. (KFZ)	12,410	12,410	
Montego Bay Free Zone Co. Ltd. (MBFZ)	-	-	*
Ports Management and Security Ltd. (PMS)	-	-	**
Jamaica International Free Zone Development Ltd. (JIFZ)	10,725	10,725	***
Port Authority Management Services Ltd. (PAMS)	-	-	****
KCT Services Limited	-	-	*****
	23,135	23,135	
Joint venture			
Boundbrook Wharves Development Company	-	-	******
Associated companies			
Security Administrators Ltd.	7,353	7,353	
Montego Cold Storage Limited	20	20	
	7,373	7,373	
Total investments in subsidiaries and joint venture	30,508	30,508	

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

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

	KFZ $'000	MBFZ $'000	PMS $'000	JIFZ $'000	The Group 2016 $'000	The Group 2015 $'000
Total assets	1,465,100	576,013	901,201	1,449,108	4,391,422	3,771,371
Total liabilities	(79,650)	(181,354)	(176,789)	(349,784)	(787,577)	(733,357)
Net assets	1,385,450	394,659	724,412	1,099,324	3,603,845	3,038,014
Revenue	296,059	415,614	2,003,756	132,755	2,848,184	2,512,977
Profit for the year	107,762	43,121	346,289	68,659	565,831	349,945
Attributable to non-controlling interest	30,173	21,560	169,682	17,165	238,580	136,571

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	
	2016	2015
	$'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, 2016, 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Loans and receivable				
Deposit (See 9(a) below)	1,260,769	724,609	1,252,347	716,745
Staff mortgage deposits (See 9(b) below)	35,966	34,420	31,292	30,012
	1,296,735	759,029	1,283,639	746,757
Held to maturity				
Government of Jamaica Investment Debenture (Note 9(c))	-	19,930	-	-
Government of Jamaica Fixed Rate Benchmark Investment Note (Note 9(c))	-	10,097	-	-
	-	30,027	-	-
	1,296,735	789,056	1,283,639	746,757
Comprising:				
Long-term portion	1,296,735	759,029	1,283,639	746,757
Current portion	-	30,027	-	-
	1,296,735	789,056	1,283,639	746,757

9 OTHER INVESTMENTS (CONTINUED)

(a) This amount includes:

i) Approximately US$6,248,000 (2015: US$6,242,000) 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 0.125% (2015: 0.0468% to 0.1093%) per annum. At March 31, 2016, interest receivable amounted to $0.497 million (2015: $0.394 million) for the Group and the Authority.

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

iii) A fixed deposit of US$69,119 (J$8.422 million) (2015: US$68,405 (J$7.864 million)) hypothecated to secure a long-term loan by a subsidiary company (See Note 19(g)) and held at an interest rate of 1.391% (2015: 1.391%). At March 31, 2016, interest receivable amounted to $34,000 (2015: $32,000) for the Group.

(b) This represents savings account balances held at Victoria Mutual Building Society at a rate of approximately 0.20% - 8% (2015: 7 - 8%) per annum for the Group and approximately 0.20 - 3.15% (2015: 7%) per annum for the Authority. At March 31 2016, interest receivable amounted to $0.269 million (2015: $0.472 million) for the Group and $0.178 million (2015: $0.387 million) for the Authority.

(c) These represented investments at a interest rate of 7.25% per annum which matured February 2016. At March 31, 2015, interest receivable amounted to approximately $0.289 million.

10 LONG-TERM RECEIVABLES

	The Group		The Authority	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Motor car loans (Note 10(a))	-	102	-	102
Staff housing assistance fund (Note 10(b))	14,532	16,049	14,532	16,049
Deposit – Jamaica Public Service Co. Ltd.	3,475	3,475	3,475	3,475
Due from shipping lines US$Nil (2015: US$5,874,421) net of amortised cost adjustment of US$Nil (2015: US$233,196 ($26.698 million)) (Note 10(c))	-	672,552	-	672,552
Advances to related companies (net) (Note 10(d))	-	-	76,226	76,226
Other	506	19,778	506	19,778
	18,513	711,956	94,739	788,182
Current portion included in trade and other receivables (Note 14)				
- other	(3,940)	(3,771)	(3,940)	(3,771)
- shipping lines	-	(282,491)	-	(282,491)
	(3,940)	(286,262)	(3,940)	(286,262)
	14,573	425,694	90,799	501,920

10 **LONG-TERM RECEIVABLES (CONTINUED)**

(a) Motor car loans

This balance related to amounts outstanding under motor car lease agreements between the Authority and its staff and was recoverable over a period of three to five years and bore interest at 5% - 8% per annum calculated on the reducing balance basis. The loans were secured by bills of sale over the motor cars and were repaid during the year.

(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

During the year, the Board of Directors at its meeting held on November 23, 2015, approved an amount of US$2.2 million (J$262.68 million) to be offset against the non-current trade receivables in settlement of a claim presented by a shipping line. During the year, the shipping line paid US$3.2 million (J$384.18 million). The remaining balance of US$0.71 million (J$85.20 million) has been included in trade receivables, comprising an amount of US$0.22 million (J$25.59 million) which is to be paid by April 2016 as well as an amount for which a bad debt provision of US$0.49 million (J$58.61 million) has been reflected. (2015: This balance represented amounts outstanding from shipping lines. Repayment commenced April 2013 and was scheduled for completion by July 2017. No interest was charged to the shipping lines. However, a consequent write-down of $26.698 million was recognised at year end to record the outstanding interest free balance at amortised cost).

(d) Advances to related companies (net)

This comprises the following:

	The Authority	
	2016	**2015**
	$'000	**$'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.

11 POST EMPLOYMENT BENEFITS

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

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

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

The plan is funded by contributions from the employees and the Authority. The employees contribute at a rate of 5% of annual pensionable salaries and may also elect to pay additional voluntary contributions of 5% of pensionable salaries in order to secure additional benefits on retirement or otherwise. Pension benefits are determined on a prescribed basis and are payable at a rate of 2% of the employee's average earnings over the three years prior to retirement from the fund times the number of years pensionable service. Normal retirement is 65 years. The Group meets the balance of the cost of the Plan's benefits and administrative expense as determined by the external actuary. As at March 31, 2016, the Authority contributed at a rate of 10% (2015: 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 29, 2016 (2015: April 7, 2015) by Duggan Consulting Limited, Fellow of the Institute of Actuaries. This valuation was in respect of extrapolated balances at March 31, 2016 (2015: March 31, 2015). 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 most recent actuarial valuation of the retiree medical plan assets and the present values of the obligations were carried out at January 29, 2016 (2014: January 7, 2015) by Eckler Partners Limited (Consulting Actuaries) in respect of extrapolated obligations as at March 31, 2016 (2015: March 31, 2015). The present value of the obligation and the related current service costs and past service cost, were measured using the projected unit credit method.

11 POST EMPLOYMENT BENEFITS (CONTINUED)

(a) Key assumptions used:

	The Group and The Authority	
	2016	2015
	%	%
Discount rate	9.0	9.5
Future salary increases	5.5	5.0
Future pension increases	Nil	NIL
Health cost inflation	6.0	6.5
	Years	Years
Life expectation for pensioners retiring at the age of 65:		
- Defined Benefit Plan		
Male	21.83	21.83
Female	25.58	25.58
- Retiree Medical Plan		
Male	27.68	27.68
Female	19.17	19.17

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

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2016	2015	2016	2015	2016	2015
	$000	$000	$'000	$'000	$'000	$'000
Present value of obligation	87,591	60,216	35,038	29,869	122,629	90,085
Fair value of plan assets	(125,922)	(92,455)	-	-	(125,922)	(92,455)
	(38,331)	(32,239)	35,038	29,869	(3,293)	(2,370)
Adjustments for supplemental pension for members of the defined contribution plan (*)	-	45,880	-	-	-	45,880
Net (asset) liability recognised in statement of financial position	(38,331)	13,641	35,038	29,869	(3,293)	43,510

(*) During the year, $13.641 million (2015: $18 million) was paid in respect of supplemental pension due for the defined contribution plan.

11 POST EMPLOYMENT BENEFITS (CONTINUED)

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

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2016	2015	2016	2015	2016	2015
	$000	$000	$'000	$'000	$'000	$'000
Balance, beginning of the period	13,641	46,053	29,869	30,155	43,510	76,208
Adjustment to the plan at start of the year	-	135	-	-	-	135
Net expense to profit and loss	617	160	2,620	2,645	3,237	2,805
Total re-measurement to other comprehensive income	22,695	15,616	7,139	1,680	29,834	17,296
Contributions by employer:						
- regular	(29,404)	(30,323)	(4,590)	(4,611)	(33,994)	(34,934)
- supplemental	(13,641)	(18,000)	-	-	(13,641)	(18,000)
Adjustment for supplemental pension for members of the defined contribution plan	(32,239)	-	-	-	(32,239)	-
Balance, end of the period	(38,331)	13,641	35,038	29,869	(3,293)	43,510

(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
	2016	2015	2016	2015	2016	2015
	$000	$000	$'000	$'000	$'000	$'000
Current service cost	4,418	2,762	-	-	4,418	2,762
Interest obligation	6,308	4,678	2,620	2,645	8,928	7,323
Interest income on plan asset	(10,109)	(7,280)	-	-	(10,109)	(7,280)
Net costs for year included in profit and loss	617	160	2,620	2,645	3,237	2,805
Items in Other Comprehensive Income:						
Remeasurement loss on obligation	18,148	12,706	7,139	1,680	25,287	14,386
Remeasurement loss on assets	4,547	2,910	-	-	4,547	2,910
Total remeasurement for other comprehensive income	22,695	15,616	7,139	1,680	29,834	17,296
Total	23,312	15,776	9,759	4,325	33,071	20,101

11 POST EMPLOYMENT BENEFITS (CONTINUED)

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

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2016	2015	2016	2015	2016	2015
	$000	$000	$'000	$'000	$'000	$'000
Opening defined benefit obligation	60,216	47,491	29,869	30,155	90,085	77,646
Current service cost	4,418	2,762	-	-	4,418	2,762
Interest cost	6,308	4,678	2,620	2,645	8,928	7,323
Contributions from plan participants						
- compulsory	5,035	5,401	-	-	5,035	5,401
- voluntary	2,225	1,951	-	-	2,225	1,951
Benefits paid	(8,759)	(14,773)	(4,590)	(4,611)	(13,349)	(19,384)
Remeasurement loss on obligation for other comprehensive income	18,148	12,706	7,139	1,680	25,287	14,386
Closing defined benefit obligation	87,591	60,216	35,038	29,869	122,629	90,085

The remeasurement loss comprises:

	The Group and The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2016	2015	2016	2015	2016	2015
	$'000	$000	$'000	$000	$'000	$000
- changes in financial assumption	7,421	4,814	1,025	-	8,446	4,814
- experience adjustment	10,727	4,215	2,340	1,680	13,067	5,895
- change in demographic assumptions	-	3,677	3,774	-	3,774	3,677
	18,148	12,706	7,139	1,680	25,287	14,386

(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
	2016	2015	2016	2015	2016	2015
	$000	$000	$'000	$'000	$'000	$'000
Opening fair value of plan assets	92,455	65,318	-	-	92,455	65,318
Adjutment to fund at start of year	-	(135)	-	-	-	(135)
Interest income on plan assets	10,109	7,280	-	-	10,109	7,280
Contributions (employer and employees)	36,664	37,675	-	-	36,664	37,675
Benefits paid	(8,759)	(14,773)	-	-	(8,759)	(14,773)
Remeasurement loss on obligation for Other Comprehensive Income	(4,547)	(2,910)	-	-	(4,547)	(2,910)
Closing fair value of the plan assets	125,922	92,455	-	-	125,922	92,455

11 **POST EMPLOYMENT BENEFITS (CONTINUED)**

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

	The Group and The Authority	
	2016	2015
	$'000	$'000
Deposit Administrator Fund	110,264	80,424
Pooled Investment Fund	9,506	4,566
Pooled Money Market Fund	6,152	7,465
	125,922	92,455

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

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

	2015			
	The Group and The Authority			
Assumptions	Sensitivity level	Impact on defined benefits obligation $'000	Sensitivity level	Impact on defined benefits obligations $'000
Financial				
Estimated health care cost increase	+1%	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

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

11 POST EMPLOYMENT BENEFITS (CONTINUED)

(i) The Authority expects to make a contribution of $12 million (2015: $8.656 million) to the health benefit scheme and $18 million (2015: $18 million) to the defined benefit plan during the next financial year.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years (2015: 19 years). The average liability duration of the retiree medical plan is 5.1 years (2015: 6.9 years).

Defined Contribution Plan
The Group participates in a defined contribution pension scheme administered by the Trustees and managed by Guardian Life Insurance Company Limited. The Scheme is funded by eligible employees' contribution of five percent (5%) plus an optional contribution of five percent (5%). The Authority contributes at a rate of ten percent (10%) of pensionable salaries. The contributions by the Group and the Authority for the year amounted to $75.102 million and $36.810 million (2015: $113.805 million and $39.59 million) respectively.

12 DEFERRED TAX (LIABILITIES) ASSETS

This comprises:

	The Group	
	2016 $'000	2015 $'000
By transaction type		
Deferred tax assets	54,527	45,280
Deferred tax liabilities	(71,386)	(50,104)
	(16,859)	(4,824)
By entities		
Deferred tax assets	548	3,831
Deferred tax liabilities	(17,407)	(8,655)
	(16,859)	(4,824)

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

	The Group	
	2016 $'000	2015 $'000
Balance at beginning of the year	(4,824)	(9,158)
(Charged) credited to income for the year (Note 26(a))	(12,035)	4,334
Balance at end of the year	(16,859)	(4,824)

12 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:

	The Group										
	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, 2014	564	1,028	96	36,536	-	38,224	(5,690)	(425)	(7,363)	(33,904)	(47,382)
(Charged) credited to income for the year	(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)
Credited (charged) to income for the year	6	(177)	-	11,479	(2,061)	9,247	(1,069)	(3,175)	(6,081)	(10,957)	(21,282)
At March 31, 2016	6	906	-	53,274	341	54,527	(7,241)	(3,856)	(9,755)	(50,534)	(71,386)

13 INVENTORIES

	The Group and The Authority	
	2016	2015
	$'000	$'000
Spares	50,071	44,768
Fuel	29,541	35,723
Other	7,168	6,247
	86,780	86,738

The cost of inventories recognised as an expense during the year was $1.073 billion (2015: $888.422 million).

The cost of inventories recognised as an expense includes $1 million (2015: $0.174 million) in respect of write-downs of inventory to net realisable value.

Inventories net of provisions for obsolescence amounting to $330.694 million (2015: $595.395 million) was transferred to assets held for sale in accordance with the terms of the privitisation of Kingston Container Terminal concession agreement.

During 2014/15 inventory items such as spare parts, standby equipment and servicing equipment totaling $6.602 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).

14 TRADE AND OTHER RECEIVABLES

	The Group		The Authority	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade	2,424,830	2,088,968	2,163,490	1,814,083
Provision for bad debts	(217,139)	(146,374)	(79,773)	(24,939)
	2,207,691	1,942,594	2,083,717	1,789,144
Deposits and prepayments	69,599	97,460	66,648	95,358
Staff receivables	36,553	51,905	35,731	46,547
GCT recoverable	10,161	9,418	-	-
Advances to subsidiaries and joint venture (Note 14(a))	-	-	46,007	51,256
Current portion of long-term receivables (Note 10)	3,940	286,262	3,940	286,262
Sale of assets not yet finalised	214,498	-	214,498	-
Sundry receivables	367,296	83,446	361,207	66,830
	2,909,738	2,471,085	2,811,748	2,335,397

The average credit period on services rendered is 30 days.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

It is the policy of the Group to minimise credit and the associated risks of non-collection. The management of credit risk is therefore given priority. Therefore, despite the majority of the Group's major debtors being entities within the maritime industry which have developed long-standing relationships with the Group, the Group has established a credit quality review process, and has credit policies and procedures which require regular analysis of the ability of debtors to meet their obligations.

The credit policy requires that each customer must be analysed individually for creditworthiness prior to the Group offering them a credit facility. Management also has the option to strengthen the credit terms for individual accounts if it is felt that the customer's financial strength has declined.

The credit evaluation process includes inter alia, reviewing the number of years that the customer has been in business, the volume of business conducted with the Group, reviewing financial statements and obtaining bank references for the customer. In certain instances an irrevocable bank guarantee is required prior to granting credit. The credit policy also addresses specific actions that will be taken when receivables are outstanding for periods in excess of the credit periods granted.

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

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

As at March 31, 2016, trade and other receivables of $1.019 billion (2015: $1.114 billion) for the Group and $0.944 billion (2015: $1.068 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 39 days (2015: 54 days).

Ageing of past due but not impaired

	The Group		**The Authority**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
31-60 days	767,310	577,010	740,795	562,044
61-90 days	127,644	140,665	121,925	134,887
Over 90 days	124,014	396,193	81,238	371,110
	1,018,968	1,113,868	943,958	1,068,041

Quarterly reviews are performed on all receivables to verify the quality of the receivables as well as to determine whether the amounts outstanding are collectible.

Among the matters considered are the age of the receivable, the payment patterns of the customer, whether there is any history of default, whether there are any known difficulties in the cash flows of the customer, as well as the circumstances surrounding the specific balances being reviewed. Provisions are made where balances owed are considered to be impaired.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impaired receivables

	The Group		The Authority	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at beginning of the year	146,374	197,461	24,939	95,822
Impairment losses recognised	83,205	40,537	67,625	19,826
Impairment losses reversed	(13,238)	(91,624)	(12,791)	(90,709)
Amount written off	(18)	-	-	-
Foreign exchange adjustment	816	-	-	-
Balance at end of the year	217,139	146,374	79,773	24,939

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Over 90 days	217,139	146,374	79,773	24,939

(a) Advances to subsidiaries and joint venture

This comprises the following:

	The Authority	
	2016 $'000	2015 $'000
Kingston Free Zone Company Limited	3,568	2,907
Montego Bay Free Zone Company Limited	4,342	3,783
Ports Management and Security Limited	9,118	16,943
Jamaica International Free Zone Company Limited	-	8,061
Port Authority Management Services Limited	116,943	107,526
Boundbrook Wharves Development Company Limited	18,313	18,313
	152,284	157,533
Provision for impairment losses	(106,277)	(106,277)
	46,007	51,256

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for impairment

	The Authority	
	2016 $'000	2015 $'000
Balance at the beginning of the year	106,277	99,007
Impairment losses recognised	-	7,270
Balance at the end of the year	106,277	106,277

15 CASH AND SHORT-TERM DEPOSITS

		The Group				The Authority			
		2016		2015		2016		2015	
		US$'000	J$'000	US$'000	J$'000	US$'000	J$'000	US$'000	J$'000
Cash	- J$	-	72,108	-	38,074	-	44,020	-	26,819
	- US	14,683	1,781,939	7,579	867,850	12,617	1,531,325	6,454	739,081
Short-term deposits	- J$	-	660,060	-	572,819	-	181,582	-	247,164
	- US$	23,777	2,886,728	33,840	4,015,409	18,092	2,195,710	29,725	3,544,099
		38,460	5,400,835	41,419	5,494,152	30,709	3,952,637	36,179	4,557,163

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 $443.426 million (2015: $358.865 million) designated in respect of the partial funding of fixed asset replacement (Note 16(f), employer's liability insurance reserve (Note 16(g) and wharfage reserves (Note 16(h)). The Jamaican dollar deposits are at interest rates ranging from 0.2% - 6.6% (2015: 2.25% - 10.5%) per annum for the Group and 0.2% - 6.4% (2015: 3.25% - 10.5%) per annum for the Authority. The United States dollar deposits are at interest rates ranging from 0.25% - 3% (2015: 0.15% - 3.75%) per annum for the Group and 0.25% - 3% (2015: 0.15% - 3.55%) per annum for the Authority.

16 RESERVES

	The Group		The Authority	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
General (Note 16(a))	359,450	359,450	359,450	359,450
Capital (Note 16b))	5,089,330	5,089,330	5,083,337	5,083,337
Development (Note 16(c))	305,150	305,150	305,150	305,150
Equalisation (Note 16(d))	1,630	1,630	1,630	1,630
Stabilisation (Note 16(e))	32	32	32	32
Fixed assets replacement (Note 16(f))	554,791	512,360	554,791	512,360
Insurance (Note 16(g))	142,557	132,865	142,557	132,865
Wharfage (Note 16(h))	166,848	136,522	166,848	136,522
	6,619,788	6,537,339	6,613,795	6,531,346

(a) General

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

(b) Capital

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

(c) Development

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

(d) Equalisation

This represents profits realised from the hiring of motor vessels by the Pilotage Department transferred from retained earnings.

(e) Stabilisation

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

16 **RESERVES (CONTINUED)**

(f) Fixed assets replacement

This represents transfers from retained earnings to offset the cost of replacing fixed assets. It is partially funded by bank deposits totaling $174.880 million (2015: $132.530 million) (Note 15).

This comprises:

	The Group and The Authority	
	2016	**2015**
	$'000	**$'000**
Transfer from retained earnings	759,318	716,887
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)
	554,791	512,360

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 $105.058 million (2015: $95.366 million) for future claims against employer's insurance liability for the Authority's Container Terminal Operations which is funded by bank deposits of $105.056 million (2015: $92.865 million). (Note 15).

(h) Wharfage fund reserve

This represents a percentage of gross wharfage revenue that is transferred annually to a reserve fund for any port development and expenditure. The percentage transferred for the year represents 16% (2015: 16%) of total direct gross wharfage revenue. It is partially funded by bank deposits totaling $163.490 million (2015: $133.470 million (Note 15).

This comprises:

	The Group and The Authority	
	2016	**2015**
	$'000	**$'000**
Transfers from retained earnings	311,056	280,730
Amount drawn down for property purchase	(144,208)	(144,208)
	166,848	136,522

17 RETAINED EARNINGS

This comprises accumulated surplus as follows:

	The Group	
	2016 $'000	2015 $'000
The Authority	8,838,648	6,230,351
Its Subsidiaries	2,227,091	1,903,239
Its Associates	125,008	110,803
	11,190,747	8,244,393

18 NON-CONTROLLING INTEREST IN SUBSIDIARY COMPANIES

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

	The Group	
	2016 $'000	2015 $'000
Ordinary shares in:		
Kingston Free Zone Company Limited	5,965	5,965
Montego Bay Free Zone Company Limited*	-	-
Boundbrook Wharves Development Company Limited**	-	-
Ports Management and Security Limited *** (Note 18(a))	128,600	128,600
Jamaica International Free Zone Limited	3,575	3,575
	138,140	138,140
Share of profits in subsidiary companies attributable to minority shareholders' interest:		
Opening balance	926,805	790,234
Movement for year	238,580	136,571
Closing balance	1,165,385	926,805
	1,303,525	1,064,945
Share of capital reserve	2,331	2,331
Share of pre-acquisition profits	1,257	1,257
	1,307,113	1,068,533

* Denotes 1 ordinary share totalling $1.00.
** Denotes 98 'B' ordinary shares totalling of $98.
*** Denotes 49 ordinary shares totalling $49 and 23 non-redeemable preference shares totalling $128.6 million.

18 NON-CONTROLLING INTEREST IN SUBSIDIARY COMPANIES (CONTINUED)

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

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

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

19 LONG-TERM LIABILITIES

	The Group		The Authority	
These comprise:	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
(a) Non-government loans				
Foreign currency loans (Note 19(d)(i))	15,626,208	19,256,896	15,437,915	19,049,818
Local currency loan (Note 19(d)(ii))	4,411,750	4,435,950	4,411,750	4,435,950
	20,037,958	23,692,846	19,849,665	23,485,768
(b) Government loans (Note 19(h))				
Foreign currency loans	15,437,025	14,551,695	15,437,025	14,551,695
Local currency loans	74,531	38,143	67,362	30,974
	15,511,556	14,589,838	15,504,387	14,582,669
(c) Lease liability				
Foreign currency (Note 19(i))	2,713	14,227	2,713	14,227
	35,552,227	38,296,911	35,356,765	38,082,664
Loan interest payable	344,830	342,375	344,808	342,375
Prepaid credit insurance (Note 19(m))	(195,074)	(322,521)	(195,074)	(322,521)
Loan fees	(81,900)	(94,672)	(81,487)	(94,168)
	35,620,083	38,222,093	35,425,012	38,008,350
Current portion:				
Long-term liabilities	(6,986,204)	(4,148,060)	(6,954,800)	(4,118,386)
Prepaid credit insurance	113,416	107,385	113,416	107,385
Amortised loan fees	7,178	12,772	7,111	12,681
Current portion of long-term liabilities	(6,865,610)	(4,027,903)	(6,834,273)	(3,998,320)
	28,754,473	34,194,190	28,590,739	34,010,030

19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans

Interest Rate %	Lender	Repayment Instalments		The Group 2016 Foreign Currency $'000	2016 JMD $'000	2015 Foreign Currency $'000	2015 JMD $'000
(i) Foreign currency loans							
LIBOR + 1.50	HSBC US$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US$	49,397	6,028,569	68,037	7,827,215
3.00	European Investment Bank Loan #1.7391	Semi-annually until 2015/2016)	US$	-	-	137	15,742
	MBFZ 70 Acre		YEN	-	-	1,238	1,187
			SF	-	-	85	10,078
			STRL	-	-	7	1,124
			EURO	-	-	9	1,139
3.00	European Investment Bank Loan #20.729 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Annually until 2020/2021	EURO	4,603	637,521	5,445	678,343
3.56	European Investment Bank Loan #20.553 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Semi-annually until 2019/2020	US$	9,265	1,130,711	11,396	1,311,057
3.38	European Investment Bank Loan #1.8902	Semi-annually until 2016/2017	US$	906	110,604	2,686	309,044
	Gordon Cay		SF	72	9,078	212	25,229
			STRL	25	4,417	75	12,827
Nil	Commerzbank	Semi-annually until 2015/2016	EURO	-	-	489	60,858
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche A	Semi-annually until 2014/2015	US$			-	-
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche B	Semi-annually until 2016/2017	US$	284	34,622	563	64,756
	Carried forward				7,955,522		10,318,599

19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (Continued)

Interest Rate %	Lender	Repayment Instalments		The Group 2016 Foreign Currency $'000	2016 JMD $'000	2015 Foreign Currency $'000	2015 JMD $'000
(i) Foreign currency loans (Continued)							
	Brought forward				7,955,522		10,318,599
8.755	Bank of Nova Scotia (US$44M) refinanced (Note 19(j)(i))*	Quarterly until 2020/2021	US$	19,235	2,347,458	23,482	2,701,448
5.97	Bank of Nova Scotia – Europe (US$48.65M)	Quarterly until 2017/2018	US$	8,509	1,038,464	13,368	1,537,888
8.95	Bank of Nova Scotia – (US$39.4M) refinanced (Note 19(j)(ii))*	Quarterly until 2021/2022	US$	23,593	2,879,386	27,523	3,166,391
LIBOR+0.35	FirstCaribbean International Bank (Note 19(f))	Quarterly until 2021/2022	US$	8,954	1,092,767	11,011	1,266,721
LIBOR+2.62	FirstCaribbean International Bank (Note 19(g))	Quarterly until 2020/2021	US$	1,542	188,293	1,800	207,078
3.05	Insurance Financing	Monthly until 2014/2015	US$	-	-	511	58,771
	Insurance Financing	Monthly until 2015/2016	US$	1,019	124,318		-
					15,626,208		19,256,896
(ii) Local currency loan							
8.44	Scotia Investments Jamaica Limited (Note 15(j)(iii))	Semi-annually until 2016/2017			1,912,176		1,935,687
14.50	NCB Insurance Company Limited ($2B) & Sagicor Life Jamaica Limited ($500M)	In full March 2054			2,499,574		2,500,263
					4,411,750		4,435,950
TOTAL					20,037,958		23,692,846
Secured							
Guaranteed by the Government of Jamaica					16,098,384		19,595,257
Charge on the assets (Note 5(c))					2,722,489		2,772,097
Unsecured - Evidenced by Promissory Notes					1,217,085		1,325,492
					20,037,958		23,692,846

Three months LIBOR at March 31, 2016 was 0.6286% (2015: 0.27075%)
Six months LIBOR at March 31, 2016 was 0.8997% (2015: 0.40065%)
Prime at March 31, 2016 was 3.5% (2015: 3.25%).

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

19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (Continued)

Interest Rate %	Lender	Repayment Instalments		The Authority 2016 Foreign Currency $'000	2016 JMD $'000	2015 Foreign Currency $'000	2015 JMD $'000
(i) Foreign currency loans							
LIBOR + 1.50	HSBC US$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US$	49,397	6,028,569	68,037	7,827,215
3.00	European Investment Bank Loan #1.7391	Semi-annually until 2015/2016	US$	-	-	137	15,742
	MBFZ 70 Acre		YEN	-	-	1,238	1,187
			SF	-	-	85	10,078
			STRL	-	-	7	1,124
			EURO	-	-	9	1,139
3.00	European Investment Bank Loan #20.729 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Annually until 2020/2021	EURO	4,603	637,521	5,445	678,343
3.56	European Investment Bank Loan #20.553 (KCT 3 WESTERN EXPANSION) (Note 19(e))	Semi-annually until 2019/2020	US$	9,265	1,130,711	11,396	1,311,057
3.38	European Investment Bank Loan #1.8902	Semi-annually until 2016/2017	US$	906	110,604	2,686	309,044
	Gordon Cay		SF	72	9,078	212	25,229
			STRL	25	4,417	75	12,827
Nil	Commerzbank	Semi-annually until 2015/2016	EURO	-	-	489	60,858
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche A	Semi-annually until 2014/2015	US$	-	-	-	-
LIBOR +0.25	Wells Fargo Bank N.A. X-ray Loan – Tranche B	Semi-annually until 2016/2017	US$	284	34,622	563	64,756
	Carried forward				7,955,522		10,318,599

THE PORT AUTHORITY AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

19 LONG-TERM LIABILITIES (CONTINUED)

(d) Non-government loans (Continued)

Interest Rate %	Lender	Repayment Instalments		The Authority 2016 Foreign Currency $'000	2016 JMD $'000	2015 Foreign Currency $'000	2015 JMD $'000
(i) Foreign currency loans							
	Brought forward				7,955,522		10,318,599
8.755	Bank of Nova Scotia (US$44M) refinanced (Note 19(j)(i))*	Quarterly until 2020/2021	US$	19,235	2,347,458	23,482	2,701,448
5.97	Bank of Nova Scotia – Europe (US$48.65M)	Quarterly until 2017/2018	US$	8,509	1,038,464	13,368	1,537,888
8.95	Bank of Nova Scotia – (US$39.4M) refinanced (Note 19(j)(ii))*	Quarterly until 2021/2022	US$	23,593	2,879,386	27,523	3,166,391
LIBOR+0.35	FirstCaribbean International Bank (Note 19(f))	Quarterly until 2021/2022	US$	8,954	1,092,767	11,011	1,266,721
3.05	Insurance Financing	Monthly until 2014/2015	US$		-	511	58,771
	Insurance Financing	Monthly until 2015/2016	US$	1,019	124,318		-
					15,437,915		19,049,818
(ii) Local currency loan							
8.44	Scotia Investments Jamaica Limited (Note 19(j)(iii))	Semi-annually until 2016/2017			1,912,176		1,935,687
14.5	NCB Insurance Company Limited ($2B) & Sagicor Life Jamaica Limited ($500M)	In full March 2054			2,499,574		2,500,263
					4,411,750		4,435,950
TOTAL					19,849,665		23,485,768
Secured							
Guaranteed by the Government of Jamaica					16,098,384		19,595,257
Charge on the assets (Note 5(c))					2,534,196		2,565,019
Unsecured - Evidenced by Promissory Notes					1,217,085		1,325,492
					19,849,665		23,485,768

Three months LIBOR at March 31, 2016 was 0.6286% (2015: 0.27075%)
Six months LIBOR at March 31, 2016 was 0.8997% (2015: 0.40065%)
Prime at March 31, 2016 was 3.5% (2015: 3.25%).

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

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

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

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

(g) On March 22, 2007, a subsidiary entered into a 15 year loan facility with FirstCaribbean International Bank (the Bank), inclusive of 12 months moratorium on principal payable, by way of a promissory note for US$3,600,000 for contribution towards the purchase price of commercial real estate. Up to December 31, 2011, interest was charged based on the US dollar six months LIBOR plus a spread of 2.62% or such other rate as declared by the Bank every five years. Effective January 1, 2012, the rate was changed by the Bank to a set percentage for a period of six months, after which it would be subject to change by the Bank periodically. At March 2015 the rate was 3.844% per annum.

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

The loan is secured as follows:

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

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

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

d) Hypothecation of fixed deposits in the amount of US$68,405 (2015: US$68,405) (excluding interest receivable with the Bank (Note 9(a)(iii)) with 10-day top up (cure) feature, failing which unconditional guarantees, joint and several of partners are required (i.e. minority interest 100% and the Authority 100%). In the event that only one party provides its guarantee then that party must be the Authority with 100% cover.

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

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

(h) Government of Jamaica (GOJ) - Loans

	The Group		The Authority	
	2016	**2015**	**2016**	**2015**
	$'000	**$'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)
(vi) Ministry of Finance Fixed Interest Rate at 7.5% repayable quarterly until 2036 (Note 19 (j)(v)	36,388	-	36,388	-
	74,531	38,143	67,362	30,974
(vii) Foreign currency loans: GOJ Petrocaribe 5% payable semi-annually in arrears 2012 - 2037 (US$126.52 million) (evidenced by promissory notes (Note 19(j)(iv))	15,437,025	14,551,695	15,437,025	14,551,695
	15,511,556	14,589,838	15,504,387	14,582,669

(i) Lease liability

	The Group 2016	The Group 2015	The Authority 2016	The Authority 2015
X-ray machine Seaboard Freight (US$0.201 million) at 0% per annum repayable monthly until 2014/2015	-	4,402	-	4,402
X-ray machine Kingston Logistic Centre (US$0.203 million) at 0% per annum repayable monthly until 2015/2016	2,713	9,825	2,713	9,825
	2,713	14,227	2,713	14,227

(Expressed in Jamaican dollars)

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

(i) Lease liability (Continued)

	Minimum Lease Payments	
	2016	**2015**
	US$	**US$**
No later than 1 year	22,608	106,919
Between 1 – 5 years	-	22,608
	22,608	129,527

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.
v) Ministry of Finance $36 million loan is for a period of 20 years at fixed interest rate of 7.5% inclusive of two years moratorium on principal and is repayable quarterly beginning March 2019.

(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, 2016, the Authority did not meet the debt service covenant ratios for certain loans and a negative covenant in respect of a particular loan. Based on the loan agreements, these breaches did not result in the loans becoming callable by the lenders. As at March 31, 2016, the Authority has obtained waivers in respect of these breaches for the period up to March 31, 2017.

20 DEFERRED INCOME

	The Group and The Authority	
	2016	2015
	$'000	$'000
Balance at the beginning of the year	626,686	694,136
Additions during the year (Note 20(b))	38,958	-
Amortised during the year	(67,450)	(67,450)
Balance at the end of the year	598,194	626,686
Comprising:		
Government grants (Note 20(a))	45,941	25,598
Assets transferred (Note 20(b))	552,253	601,088
	598,194	626,686

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

21 PROVISIONS

	The Group		The Authority	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At April 1	222,135	202,313	53,501	56,171
Provision for the year	136,416	98,812	71,604	58,738
Utilised during the year	(87,454)	(78,990)	(68,886)	(61,408)
At March 31	271,097	222,135	56,219	53,501

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

22 TRADE AND OTHER PAYABLES

	The Group		The Authority	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade	596,245	449,064	491,841	345,589
Amounts to be disbursed in respect of specific projects	337,691	334,416	337,691	334,416
Accruals	663,555	686,203	636,934	665,397
Rental deposits	174,979	168,661	-	-
Related company (Note 22(a))	28,795	28,795	-	-
Advances from subsidiary companies (Note 22(b))	-	-	444,019	307,708
Income tax payable	84,923	38,527	-	-
Others	729,910	978,132	612,864	889,662
	2,616,098	2,683,798	2,523,349	2,542,772

(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	
	2016	2015
	$'000	$'000
Montego Bay Free Zone Company Limited (Note 22 (b)(i))	110,000	105,000
KCT Services Limited (Note 22 (b)(ii))	245,002	191,102
Jamaica International Free Zone Company Limited (Note 22 (b)(ii))	136	-
Ports Management & Security Limited (Note 22 (b)(ii))	88,881	11,606
	444,019	307,708

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

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

23 REVENUE

	The Group		The Authority	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Container terminal	12,094,481	10,990,480	10,131,488	9,320,200
Facility fees – net	2,814,804	2,570,848	2,814,804	2,570,848
Wharfage	1,170,953	1,054,060	1,170,953	1,054,060
Harbour fees	924,082	852,220	924,082	852,220
Tug fees	763,350	756,408	763,350	756,408
Equipment lease	107,524	103,334	700,742	669,057
Land and building lease	657,327	618,163	229,153	217,142
Port Antonio Marina	97,958	82,639	97,958	82,639
Oil Royalty	134,731	129,370	134,731	129,370
Pilotage	129,996	114,313	129,996	114,313
Ground lease – Falmouth	80,168	75,305	80,168	75,305
Other	736,799	727,631	687,068	652,558
Investment property fair value adjustment (Note 6)	458,318	589,411	375,693	499,411
Foreign currency gain	-	-	528,351	344,431
Gain on disposal of property, plant and equipment and investment properties	14,180	18,460	14,180	18,460
	20,184,671	18,682,642	18,782,717	17,356,422

24 OTHER GAINS AND LOSSES

	The Group	
	2016 $'000	2015 $'000
Foreign exchange loss (net) (Note 24(a))	(1,420,345)	(1,206,719)

(a) This includes a foreign exchange loss of $1.980 billion (2015: $1.557 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Interest on long-term liabilities	2,155,800	2,250,945	2,152,572	2,247,286
Interest on overdrafts and other	57,620	52,921	57,620	52,921
Amortised cost on loans	(88,433)	13,126	(88,524)	13,110
	2,124,987	2,316,992	2,121,668	2,313,317

26 TAXATION

Current and deferred tax have been calculated using the tax rate of 25% (2015: 25%).

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

	The Group	
	2016 $'000	2015 $'000
Current taxation	129,330	73,194
Prior year taxation	(60)	3,810
Deferred tax adjustments (Note 12)	12,035	(4,334)
	141,305	72,670

(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	
	2016 $'000	2015 $'000
Profit before taxation	3,438,522	1,949,063
Tax at the domestic income tax rate of 25%	859,631	487,267
Tax effect of expenses not deductible for tax purposes	4,894	3,444
Tax effect of income not subject to tax	(704,444)	(405,742)
Tax effect of unused tax losses	2,230	1,792
Tax effect of employment tax credit	(22,014)	(19,962)
Tax effect of expenses deductible for tax purposes	1,155	2,248
Tax effect of tax losses utilised	-	(52)
Tax effect of other adjustments	(87)	(135)
Prior year tax charge	(60)	3,810
	141,305	72,670

(c) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses of subsidiary companies aggregating approximately $118.721 million (2015: $109.803 million) are available to be set off against future taxable profits of those companies. At March 31, 2016 and 2015, no deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future taxable profits.

27 PROFIT AFTER TAXATION

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

	The Group		The Authority	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
(a) Revenue (Expense) on:				
Interest income on financial asset at amortised cost				
Interest income on long-term receivables	1,380	1,810	1,380	1,810
Held to maturity investments	2,162	2,153	-	-
Income from short-term deposits	110,502	184,968	79,125	157,150
Other	9	556	-	-
	114,053	189,487	80,505	158,960
Impairment recoveries (losses) on financial assets at amortised costs				
- Trade receivables	(69,967)	51,087	(54,834)	70,883
- Advances to subsidiaries, associates and joint venture	-	-	-	(7,270)
Amortised costs adjustment on financial assets				
- Long-term receivables	26,698	20,583	26,698	20,583
Finance changes and interest on loan at amortised cost	(2,124,987)	(2,316,992)	(2,121,668)	(2,313,317)
b) Gains (Losses)				
Net foreign exchange (losses) gains on financial instruments at amortised costs				
- Foreign currency loans	(1,980,325)	(1,556,666)	(1,968,359)	(1,545,784)
- Short-term deposits and other investments	559,980	349,947	528,351	344,431
c) Other				
Audit fees - current year	16,336	14,700	11,025	10,500
Prior year	3,178	-	3,041	-
Cost of inventories recognised in expenses	1,073,000	888,422	1,073,000	888,422
Impairment of property, plant and equipment	-	1,009	-	1,009
Gain on disposal of investment properties	(12,759)	-	(12,759)	-
Gain on disposal of property, plant and equipment	(1,421)	(18,460)	(1,421)	(18,460)
Depreciation and amortisation	1,164,103	1,766,061	1,155,165	1,761,268
Fair value gain on investment properties	458,318	589,411	375,693	499,411

28 COMPREHENSIVE INCOME

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

	The Group	
	2016	2015
	$'000	$'000
The Authority	2,690,746	1,497,852
The subsidiary companies	323,852	214,166
The associated companies	14,205	10,508
	3,028,803	1,722,526

29 COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments

At the end of the reporting period, approximately $8.99 billion (2015: $1.165 billion) had been committed and contracted by the Group and relates to costs to be borne under the KCT Concession Agreement, infrastructure projects at Montego Bay Freeport, Ocho Rios, motor vehicle for Harbours and other projects. In respect of the prior year, the costs applied to the foregoing except for those related to the KCT Concession Agreement.

At March 31, 2016, commitments in respect of a three (3) year contract for maintenance of the X-ray machines had a balance amounting to $14.06 million (US$0.128 million) (2015: $88.153 million (US$769.9 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, 2016, the resolution of the matter was still pending.

Contingent assets

Arising from the signing of the Concession Agreement between Kingston Freeport Terminal Limited and the Authority, an inflow of US$75 million is anticipated pending both parties acceptance of the terms of Concession Agreement.

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)	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Subsidiaries						
Jamaica International Free Zone Development Limited	-	-	4,730	9,000	80,590	88,787
Kingston Free Zone Company Limited	40,535	35,350	3,500	3,500	3,568	2,907
Montego Bay Free Zone Company Limited	181,827	173,429	3,500	3,500	(110,158)	(105,717)
Ports Management and Security Limited	593,218	565,516	37,500	16,500	(79,763)	5,337
Port Authority Management Services Limited	-	-	8,963	8,963	116,943	107,526
KCT Services Limited	-	-	-	-	(245,002)	(191,102)
	815,580	774,295	58,193	41,463	(233,822)	(92,262)
Provision for impairment (Note 14(a))	-	-	-	-	(106,277)	(106,277)
Joint venture						
Boundbrook Wharves Development Limited	-	-	-	-	18,313	18,313
	815,580	774,295	58,193	41,463	(321,786)	(180,226)
Included in the following balances:						
Long-term receivables (Note 10(d))	-	-	-	-	76,226	76,226
Trade and other receivables (Note 14)	-	-	-	-	46,007	51,256
Trade and other payables (Note 22)	-	-	-	-	(444,019)	(307,708)
	815,580	774,295	58,193	41,463	(321,786)	(180,226)
Key management personnel	-	-	18,005	25,928	7,486	23,532

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Short-term benefits	332,027	334,397	252,719	254,688
Pension	9,621	11,815	5,821	8,275
Other	508	88	-	-
	342,156	346,300	258,540	262,963

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Short-term benefits - (directors fees and expenses)	4,194	4,467	1,933	1,705

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.

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets				
Available-for-sale (at cost)				
Investments in subsidiaries, joint venture and associates	137,712	123,507	30,508	30,508
Loans and receivables - (at amortised cost)				
Other investments	1,296,735	759,029	1,283,639	746,757
Long-term receivables	14,573	425,694	90,799	501,920
Trade and other receivables	2,829,978	2,364,207	2,745,100	2,240,039
Cash and short-term deposits	5,400,835	5,494,152	3,952,637	4,557,163
	9,542,121	9,043,082	8,072,175	8,045,879
Held-to-maturity investment - (at amortised cost)				
Other investments	-	30,027	-	-
Total financial assets	9,679,833	9,196,616	8,102,683	8,076,387
Financial liabilities - (at amortised cost)				
Long-term liabilities	35,620,083	38,222,093	35,425,012	38,008,350
Trade and other payables	1,867,620	1,959,068	1,886,415	1,877,375
Bank overdraft	30,845	18,052	29,795	14,811
Total financial liabilities	37,518,548	40,199,213	37,341,222	39,900,536

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.

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.

<u>Management of market risk</u>
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, 2016, the Group had US$ denominated balances amounting to US$48.762 million (2015: US$47.729 million) of which US$10.317 million (2015: US$6.310 million) (Note 9(a)) is held in respect of funding certain loans amounting to US$19.761 million (2015: US$13.196 million) and €4.603 million (2015: €5.445 million (Note 19(e) and 19(g)) at the end of the reporting period.

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

Financial risk management policies and objectives (Continued)

(b) Foreign currency risk management (Continued)

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

The Group

	Liabilities		Assets		Net Liabilities	
	2016	2015	2016	2015	2016	2015
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
United States dollar	31,011,080	33,540,373	9,407,738	9,175,724	21,603,342	24,364,649
Japanese yen	-	1,187	-	-	-	1,187
Swiss franc	9,078	35,307	-	-	9,078	35,307
Pound sterling	4,417	13,951	-	-	4,417	13,951
EURO	637,521	740,340	-	-	637,521	740,340

The Authority

	Liabilities		Assets		Net Liabilities	
	2016	2015	2016	2015	2016	2015
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
United States dollar	30,633,534	33,157,726	8,397,507	8,499,970	22,236,027	28,339,438
Japanese yen	-	1,187	-	-	-	3,874
Swiss franc	9,078	35,307	-	-	9,078	73,775
Pound sterling	4,417	13,951	-	-	4,417	26,028
EURO	637,521	740,340	-	-	637,521	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 6% devaluation (2015: 1% revaluation and 10% devaluation) in the Jamaican dollar against the relevant foreign currencies. The above sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the percentage changes as in foreign currency rates as described above. The sensitivity analysis includes external loans where the loan is denominated in a currency other than the currency of the borrower.

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

Financial risk management policies and objectives (Continued)

(b) Foreign currency risk management (Continued)

If the Jamaican dollar strengthens by 1% or weakens by 6% against the relevant currencies (2015: strengthens by 1% or weakens by 10%), the income will increase or (decrease) by:

	The Group							
	Revaluation		Devaluation		Revaluation		Devaluation	
	2016				2015			
	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	216,033	-6	(1,296,201)	+1	243,646	-10	(2,436,465)
Japanese yen	+1	-	-6	-	+1	12	-10	(119)
Swiss franc	+1	90	-6	(545)	+1	353	-10	(3,531)
Pound sterling	+1	44	-6	(265)	+1	140	-10	(1,395)
EURO	+1	6,375	-6	(38,251)	+1	7,403	-10	(74,034)

	The Authority							
	Revaluation		Devaluation		Revaluation		Devaluation	
	2016				2015			
	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	222,360	-6	(1,334,162)	+1	246,578	-10	(2,465,776)
Japanese yen	+1	-	-6	-	+1	12	-10	119
Swiss franc	+1	90	-6	(545)	+1	353	-10	3,531
Pound sterling	+1	44	-6	(265)	+1	140	-10	1,395
EURO	+1	6,375	-6	(38,251)	+1	7,403	-10	74,034

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

The Group's sensitivity to foreign currency has decreased during the period due to the decreased foreign currency loan balances offset by increased investment in bank deposits.

(c) Interest rate risk

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest. 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.

<u>Management of interest rate risk</u>
The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings by monitoring the movements in the market interest rates closely. The Group's exposure to interest rates on financial assets and financial liabilities is detailed below.

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

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

	The Group				
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 2016					
Assets					
Investment in associates	-	-	-	137,712	137,712
Other investments	-	1,282,815	12,971	949	1,296,735
Long-term receivables	-	9,735	857	3,981	14,573
Trade and other receivables	-	-	-	2,829,978	2,829,978
Cash and short-term deposits	5,352,249	-	-	48,586	5,400,835
Total assets	5,352,249	1,292,550	13,828	3,021,206	9,679,833
Liabilities					
Long-term liabilities	6,534,211	13,003,167	15,730,706	351,999	35,620,083
Trade and other payables	-	-	-	1,867,620	1,867,620
Bank overdraft (unsecured)	29,795	-	-	1,050	30,845
Total liabilities	6,564,006	13,003,167	15,730,706	2,220,669	37,518,548
Total interest rate sensitivity gap	(1,211,757)	(11,710,617)	(15,716,878)	800,537	(27,838,715)
Cumulative gap	(1,211,757)	(12,922,374)	(28,639,252)	(27,838,715)	

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

	The Group				
	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 associates	-	-	-	123,507	123,507
Other investments	29,738	714,666	12,155	32,497	789,056
Long-term receivables	-	11,252	1,127	413,315	425,694
Trade and other receivables	-	-	-	2,364,207	2,364,207
Cash and short-term deposits	5,077,888	-	-	416,264	5,494,152
Total assets	5,107,626	725,918	13,282	3,349,790	9,196,616
Liabilities					
Long-term liabilities	3,683,175	16,060,427	18,128,947	349,544	38,222,093
Trade and other payables				1,959,068	1,959,068
Bank overdraft (unsecured)	14,811	-	-	3,241	18,052
Total liabilities	3,697,986	16,060,427	18,128,947	2,311,853	40,199,213
Total interest rate sensitivity gap	1,409,640	(15,334,509)	(18,115,665)	1,037,937	(31,002,597)
Cumulative gap	1,409,640	(13,924,869)	(32,040,534)	(31,002,597)	

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

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

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

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

	The Authority					
	Due within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	No Specific Terms of Repayment $'000	Non-Interest Bearing $'000	Total $'000
At March 31, 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	-	342,375	38,008,350
Trade payables and accruals	-	-	-	100,000	1,777,375	1,877,375
Bank overdraft (unsecured)	14,811	-	-	-	-	14,811
Total liabilities	3,668,403	15,942,097	18,070,286	100,000	2,119,750	39,900,536
Total interest rate sensitivity gap	497,120	(15,216,468)	(18,069,159)	(100,000)	1,064,358	(31,824,149)
Cumulative gap	497,120	(14,719,348)	(32,788,507)	(32,888,507)	(31,824,149)	

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

Financial risk management policies and objectives (Continued)

(c) Interest rate risk (Continued)

Interest rate sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date is outstanding for the whole year. A 100 basis points increase/decrease (2015: 250 basis points increase or 100 basis points decrease) for local borrowing and a 100 basis points increase and 50 basis points decrease (2015: 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 100 basis points higher or 50 basis points lower (2015: 200 basis points higher or 50 basis points lower) on its foreign currency borrowings and investments profit for the period would decrease by approximately $36.917 million or increase by $18.458 million (2015: profits for the period would decrease by $102.593 million or increase by $25.648 million). For the local borrowings and investments if if interest rates were 100 basis points higher or lower (2015: 250 basis point higher and 100 basis points lower) and all other variables were held constant, the profit for the year would increase/decrease by approximately $16.471 million (2015: the profit for the year would increase by approximately $5.694 million or decrease by $2.278 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 31(e) below.

(d) Credit risk management

Credit risk is the risk that a party to a financial instrument will default on its contractual obligations resulting in financial loss to the Group. Financial assets that potentially subject the Group to credit risk primarily consists of trade receivables investment in associates, other investments, long-term receivables and cash and bank deposits. The maximum exposure to credit risk is the amount of $9.680 billion (2015: $9.197 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 22% and 29% (2015: 46% and 19%) 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.

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 78% (2015: 11.07%) 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.

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			
	2016			
	TERM TO MATURITY/RE-PRICING			
	Due Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Financial Liabilities				
Interest bearing				
Variable rate loans	2,683,928	4,828,701	32,211	7,544,840
Fixed rate loans	5,898,354	13,567,521	33,200,367	52,666,242
Bank overdrafts	30,845	-	-	30,845
Non-interest bearing				
Trade and other payables	1,867,620	-	-	1,867,620
Total	10,480,747	18,396,222	33,232,578	62,109,547

	The Group			
	2015			
	TERM TO MATURITY/RE-PRICING			
	Due Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
Financial Liabilities				
Interest bearing				
Variable rate loans	1,868,483	6,824,115	1,745,986	10,438,584
Fixed rate loans	4,148,719	15,864,591	34,691,076	54,704,386
Bank overdrafts	18,052	-	-	18,052
Non-interest bearing				
Trade and other payables	1,959,068	-	-	1,959,068
Total	7,994,322	22,688,706	36,437,062	67,120,090

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

Financial risk management policies and objectives (Continued)

(e) Liquidity risk management (Continued)

Non-derivative financial liabilities (Continued)

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

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

Financial risk management policies and objectives (Continued)

(e) Liquidity risk management (Continued)

Non-derivative financial liabilities (Continued)

	The Authority				
	2015				
	TERM TO MATURITY/RE-PRICING				
	Due Within 1 Year $'000	1-5 Years $'000	Over 5 Years $'000	No Specific Repayment Term $'000	Total $'000
Financial Liabilities					
Interest bearing					
Variable rate loans	1,831,367	6,687,021	1,684,262	-	10,202,650
Fixed rate loans	4,148,719	15,864,591	34,683,907	-	54,697,217
Bank overdraft	14,811	-	-	-	14,811
Non-interest bearing					
Trade and other payables	1,569,667	-	-	307,708	1,877,375
Total	7,564,564	22,551,612	36,368,169	307,708	66,792,053

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 2016 TERM TO MATURITY/REPRICING				
	Due Within 1 Year $'000	1 - 5 Years $'000	Over 5 Years $'000	No Specific Maturity $'000	Total $'000
Financial Assets					
Investment in associates	-	-	-	137,712	137,712
Other investments	-	1,283,648	13,353	-	1,297,001
Long term receivables	-	11,474	857	3,981	16,312
Trade and other receivables	2,896,626	-	-	-	2,896,626
Cash and short-term deposits	5,411,353	-	-	-	5,411,353
Total Financial Assets	8,307,979	1,295,122	14,210	141,693	9,759,004

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				
	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	-	780,811	12,525	-	793,336
Long term receivables	-	445,028	1,327	23,253	469,608
Trade and other receivables	2,202,013	288,423	-	-	2,490,436
Cash and short-term deposits	5,530,294	-	-	-	5,530,294
Total Financial Assets	7,732,307	1,514,262	13,852	146,760	9,407,181

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

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

Financial risk management policies and objectives (Continued)

(e) Liquidity risk management (Continued)

Non-derivative financial assets (Continued)

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016
(Expressed in Jamaican dollars)

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

Financial risk management policies and objectives (Continued)

(e) Liquidity risk management (Continued)

Non-derivative financial assets (Continued)

	The Authority				
	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	2,026,589	288,423	-	51,256	2,366,268
Cash and short-term deposits	4,587,291	-	-	-	4,587,291
Total Financial Assets	6,613,880	1,482,274	1,327	181,243	8,278,724

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Debt	35,650,928	38,240,145	35,454,807	38,023,161
Cash and short-term deposits	(5,400,835)	(5,494,152)	(3,952,637)	(4,557,163)
Net debt	30,250,093	32,745,993	31,502,170	33,465,998
Equity	19,117,648	15,850,265	15,452,443	12,761,697
Net debt to equity ratio	158%	207%	204%	262%

The Group's strategy remains unchanged from the year ended March 31, 2015.

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

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities, fair values are determined using various estimations techniques based on market conditions existing at the end of the reporting period. Generally, judgement is necessarily, required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair values (Continued)

The following methods and assumptions have been used:

(i) The carrying amounts of cash and short-term deposits, trade receivables, trade payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.
(ii) The carrying amounts of other investments and financial assets included in long-term receivables are assumed to approximate fair value as their applicable interest rates are market determined.
(iii) The carrying amounts of variable rate loans, totalling approximately $7.344 billion (2015: $9.366 billion) are assumed to approximate the fair values.
(iv) The fair value of loan in the amount of $7.169 million (2015: $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			
	2016		2015	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Fixed rate loans	10,868,738	12,354,917	11,931,423	14,567,860
Concessionary rate loans	17,332,068	12,014,671	16,992,549	12,516,697

Fair value measurement

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

<u>Quantitative disclosures fair value measurement hierarchy</u>

	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, 2016				
Assets measured at fair value:				
- Investment properties	-	-	17,276,311	17,276,311
- Investment in associates	-	-	137,712	137,712
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	12,354,917	-	12,354,917
Concessionary loans	-	12,014,671	-	12,014,671
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

32 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value measurement (Continued)

	The Authority			
	Quoted prices in active market Level 1 $'000	Significant observable inputs Level 2 $'000	Significant unobservable inputs Level 3 $'000	Total $'000
At March 31, 2016				
Assets measured at fair value:				
- Investment properties	-	-	14,743,686	14,743,686
- Investment in subsidiary, joint venture and associated company	-	-	30,508	30,508
Liabilities for which fair values are disclosed:				
- Long-term liabilities:				
Fixed rate loans	-	12,354,917		12,354,917
Concessionary loans	-	12,014,671		12,014,671
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

33 OTHER DISCLOSURES

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

	The Group		The Authority	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Salaries, wages and allowances	4,247,601	3,865,319	810,375	783,618
Statutory contributions	379,789	347,478	81,142	79,164
Pension contributions	29,659	49,734	15,450	33,932
Health scheme contributions	47,778	55,079	47,778	55,079
Travelling and other	206,473	181,610	135,565	118,083
	4,911,300	4,499,220	1,090,310	1,069,876

34 OPERATIONS IN JOINT VENTURE

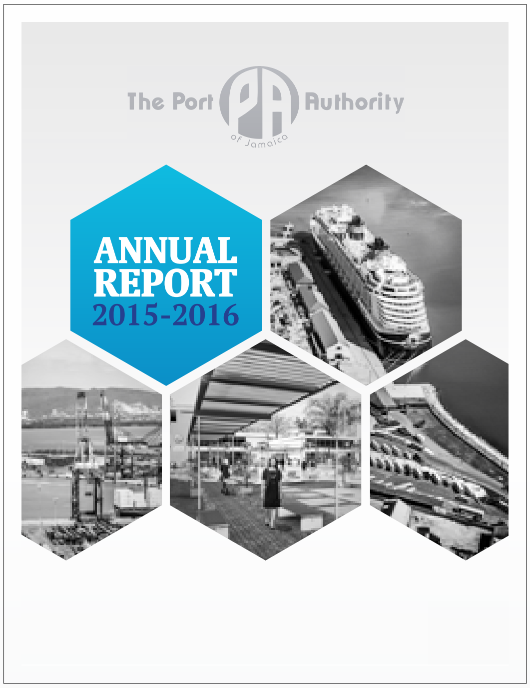
The Banana Export Company Limited (BECO), 49% stakeholder in Boundbrook Wharves Development Company Limited and the lessee of one of the Authority's piers, ceased operations as of December 31, 2009 and it is the intention of BECO to transfer its shareholdings in the venture to the Authority. At the end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

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

The privatisation of the Container Terminal Operations is currently in progress following the signing of the Concession Agreement between the Port Authority of Jamaica and Kingston Freeport Terminal Limited (KTFL) on April 7, 2015. The Concessionaire, Kingston Freeport Terminal Limited (KTFL) will assume responsibility for the Container Terminal Operations as per the agreed terms outlined in Concession Agreement.

The financial close is expected to occur within the first quarter of the financial year 2016/17.

Assets classified as held for sale
An amount of $5.595 billion (2015: $5.688 billion) from Property, Plant and Equipment and Inventory (specifically spares) has been classified as held for sale in connection with the privitisation of the Authority's Container Terminal Operation referred to above. No impairment loss was recognised or reclassification of these assets as the directors of the Group expect that the fair values less costs to sell is higher than the carrying amount.



Corporate Data

The Port Authority of Jamaica
15 -17 Duke Street, Kingston
Tel: (876) 922-0290
Fax: (876) 948-3575
Email: paj@portjam.com
Website: www.portjam.com

Concept & Creative Direction

Marketing Communications Department
The Port Authority of Jamaica

Design & Layout

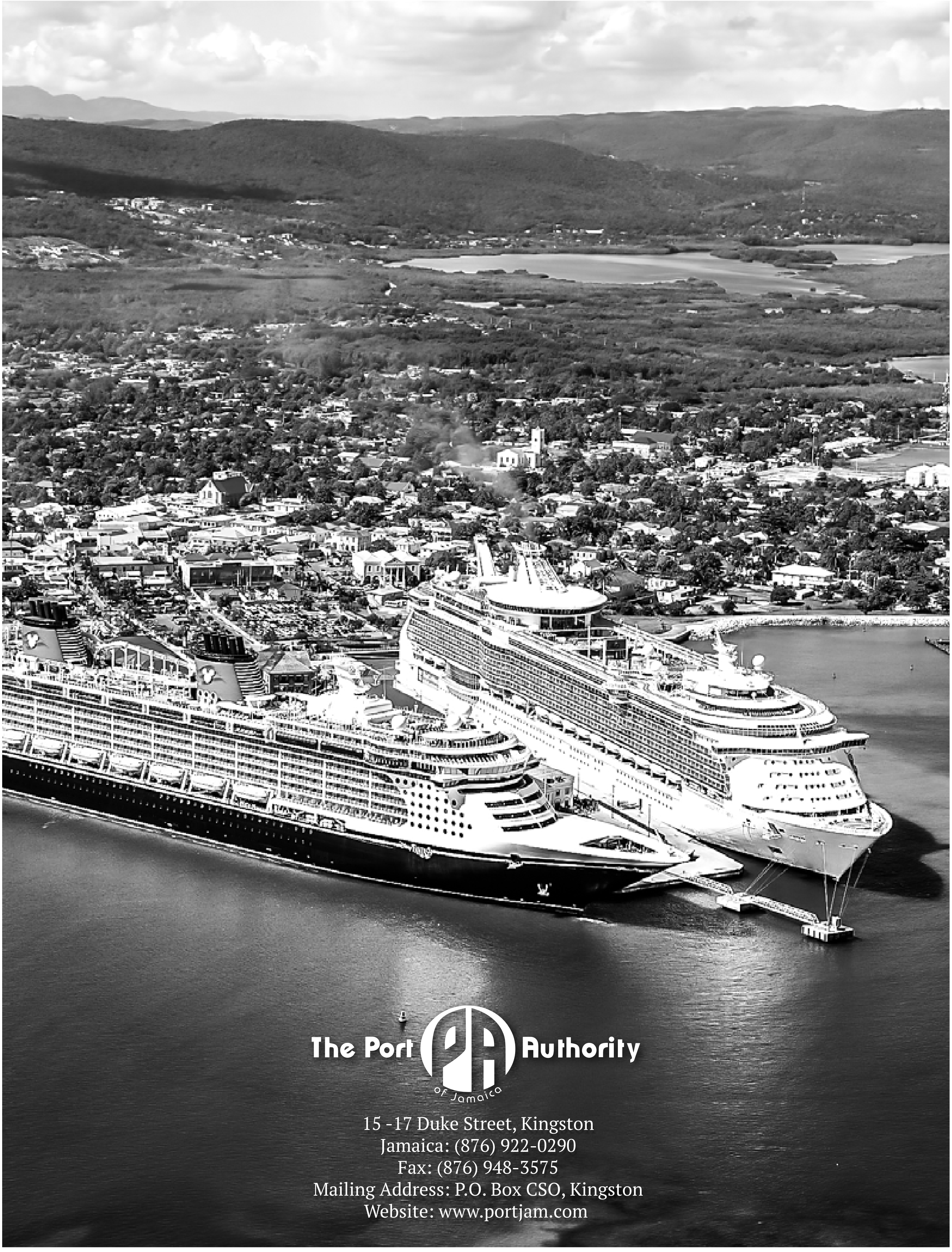
Dzinology
Dzinology.com

Auditors

Ernst & Young Chartered Accountants

Printers

Lithographic Printers Ltd.



The Port Authority of Jamaica

15 -17 Duke Street, Kingston
Jamaica: (876) 922-0290
Fax: (876) 948-3575
Mailing Address: P.O. Box CSO, Kingston
Website: www.portjam.com