

An aerial photograph of a large cruise ship docked at a pier. A long, narrow, grey floating bridge extends from the pier towards the ship. The bridge is supported by several large blue circular floats. The water is a deep blue-green color. The ship has multiple decks with colorful railings and a large funnel.

ANNUAL REPORT 2019-2020

The Port  Authority
of Jamaica

HISTORIC!

*Meet me
in
Port Royal*

Inaugural Highlights
of the first ship call on January 20, 2020





What's Inside

Corporate



- 03 **Corporate Profile**
- 04 **Vision, Mission & Values**
- 06 **Our Business in Brief**
- 08 **Our Maritime Facilities**
- 10 **The PAJ Group**
- 11 **Performance at a Glance**

Organisation



- 30 **Organisational Chart**
- 32 **Senior Executive Management Team**
- 34 **Management Team**
- 36 **Management Discussion & Analysis**
- 47 **Corporate Social Responsibility**
- 49 **Our People**

Business



- 14 **President & CEO's Statement**
- 18 **Business Highlights**
- 20 **Board of Directors**
- 23 **Directors & Corporate Data**
- 24 **Corporate Governance**

Financial



- 55 **Financial Review**
- 62 **Directors' Compensation**
- 63 **Executive Emoluments**
- 64 **Financial Statements**



Corporate

Corporate Profile

Who We Are

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

What We Do

As a regulatory authority, the Port Authority is responsible for:

- Regulating and developing port and port facilities under the Port Authority Act;
- Operating as a Tribunal for establishing wharfage tariffs, through a process of public hearing under the Wharfage Act.
- Administering and regulating Jamaica's pilotage service by arranging for the training and licensing of pilots and for the supervision and management of the pilotage service to facilitate effective and efficient navigation and berthing of vessels in compulsory pilotage areas in Jamaican waters.
- Providing by itself or with assistance of others sufficient boats crews and necessary equipment including tugs for the use of pilots who are engaged in pilotage service.

The Port Authority also maintains the ship channels to ensure that the depths are sufficient for the vessels that use the ports by way of dredging operations. Through the Office of the Harbour Master, the Port Authority also owns, operates and maintains navigational aids, such as buoys, beacons and lighthouses.



OUR



Vision

The Western Hemisphere's
Beacon of Maritime
Excellence.



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.



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.

Our Business in Brief

The Port Authority operates and generates revenues from numerous business segments. The Authority remains committed to assisting the Government of Jamaica (GOJ) in achieving its Vision 2030 goals and as such PAJ's operations are tailored to bring economic growth and development across all areas.

Cargo

Cargo activities are at the core of PAJ's operations. Over the last fiscal year, cargo operations generated approximately 27% of total revenues. The Authority regulates the operations of 14 private ports that handles bulk and liquid cargo such as bauxite, petroleum/fuel, aggregates, steel, cement and other raw materials. Additionally, PAJ regulates 3 public ports that focus on domestic and transshipment cargo.



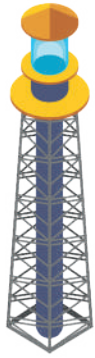
The Kingston Container Terminal (KCT) is operated by Kingston Freeport Terminal Limited (KFTL), a subsidiary of the CMA CGM Group, by way of a Build Operate Transfer (BOT) Concession Agreement (CA) since July 1, 2016. KCT which is owned by PAJ will be operated by KFTL for a 30-year period under the Concession Agreement. Based on the CA, PAJ earns revenue from the annual concession fees which has a fixed portion and a variable portion which is based on the gross revenues earned by KFTL.

The Port of Montego Bay which is owned by the Port Authority, is a multi-use port that handles both cargo and cruise activities. The port is managed by Port Handlers Limited (PHL) through a management agreement. The PAJ maintains responsibility for the development and investments in equipment and systems while PHL manages the daily operations. PHL is paid a management fee in accordance with the management agreement.

Cruise

The development and maintenance of cruise ports across the island is the responsibility of the PAJ. Cruise related activities generate approximately 22% of PAJ's revenues. Jamaica's cruise port facilities include: Port of Montego Bay, Historic Port of Falmouth, Port of Ocho Rios, Ken Wright Pier and the adjoining Errol Flynn Marina and the newly constructed Historic Naval Dockyard in Port Royal. The Historic Port of Falmouth, Errol Flynn Marina and the Historic Naval Dockyard are managed by the Authority. The remaining cruise ports namely; the Port of Montego Bay and Port of Ocho Rios, are operated by PHL and Lannaman and Morris respectively by way of management agreements. To boost market share, marketing initiatives for cruise shipping is undertaken by the Ministry of Tourism in collaboration with the Port Authority of Jamaica under its "Cruise Jamaica" brand.



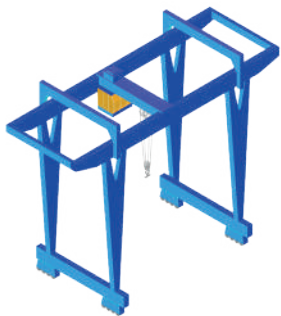


Harbours and Marine Services

The Harbour Master, who is head of the Harbours and Marine Services Department is responsible for ensuring the safe passage and navigation of all vessels in and out of Jamaica's waters. The services provided by the department include:

- the maintenance of the harbour and navigational aids such as buoys and beacons
- the maintenance of lighthouses
- provision of tug services
- the management of marine pilot services.

These operations are extended islandwide at Jamaica's 22 port facilities comprising: 5 cruise ports, 14 private cargo ports (sufferance wharves) and 3 public cargo ports.



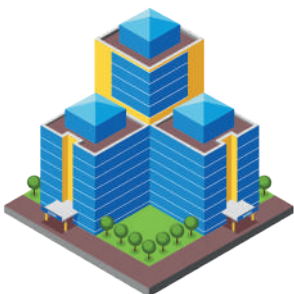
Logistics

Increasing cargo throughput at Jamaica's seaports remains an integral aspect of the plans of the Authority. Through port-centric logistics development, this is possible along with the creation of low skilled and high skilled jobs. The logistics industry will boost economic activities and lead to economic growth and development for Jamaica. PAJ has commenced the build-out of a modern warehouse facility on lands it owns adjacent to the KCT. Currently, PAJ is actively pursuing partnerships with private sector companies to foster the development of logistic activities and operations at this facility.



Security

As the Designated Authority of seaports under the International Maritime Organisation/ International Ship and Port Facility Security (IMO/ISPS) Code, the Authority, is mandated to ensure that the standards, procedures, and security systems at Jamaica's ports comply with the IMO/ISPS Code and best practices.



Special Economic Zones (SEZ)

The PAJ owns approximately 1.6 million sq. ft. of building space across three (3) Special Economic Zone Subsidiaries. These zones are managed by PAJ Subsidiary Companies, one of which is the Montego Bay Freezone (MBFZ) which also manages 238,000 sq. ft. of building space for the Factories Corporation of Jamaica Ltd. These Subsidiaries manage real estate investment properties which are leased to clients primarily involved in the Business Processing Outsourcing (BPO) sector. The BPO industry remains a major source of employment and income for many families in Jamaica. Through involvement in this sector, PAJ plays an integral part in fulfilling the GOJ's job creation and economic growth agenda.

Our Maritime Facilities





Galina Point Lighthouse

Folly Point Lighthouse

Port Antonio

Morant Point Lighthouse

Plumb Point Lighthouse

Morant Cays Lighthouse

Kingston

Port Royal

Portland Point Lighthouse

KEY



Cruise Ports



Cargo Ports



Lighthouses





The PAJ Group Subsidiaries & Associates



Kingston Free Zone Company Ltd.

Leases and manages real estate on properties adjacent to the KCT as well as at the Portmore Informatics Park.



Montego Bay Free Zone Company Ltd.

Leases building spaces and provides real estate management services primarily to the BPO industry in Montego Bay.



Ports Management & Security Ltd.

Implements the International Ship and Port Facility Security (ISPS) Code at the sea ports of Jamaica. Owned by PAJ (51%), Kingston Wharves (25%) and Shipping Association of Jamaica (24%).



Jamaica International Free Zone Dev't Ltd.

Acquires, develops and leases properties for logistics and related activities. Owned by the PAJ (75%) and ZIM Integrated Shipping Services (25%).



Kingston Container Terminal Services Ltd.

A wholly-owned subsidiary of the PAJ, established to provide personnel services and management of the operations of the Kingston Container Terminal.



Montego Cold Storage Ltd.

A 33% associate company whose primary activities are the lease of lands, rental of refrigerated warehouses and 2 apartments it owns.



Security Administrators Ltd.

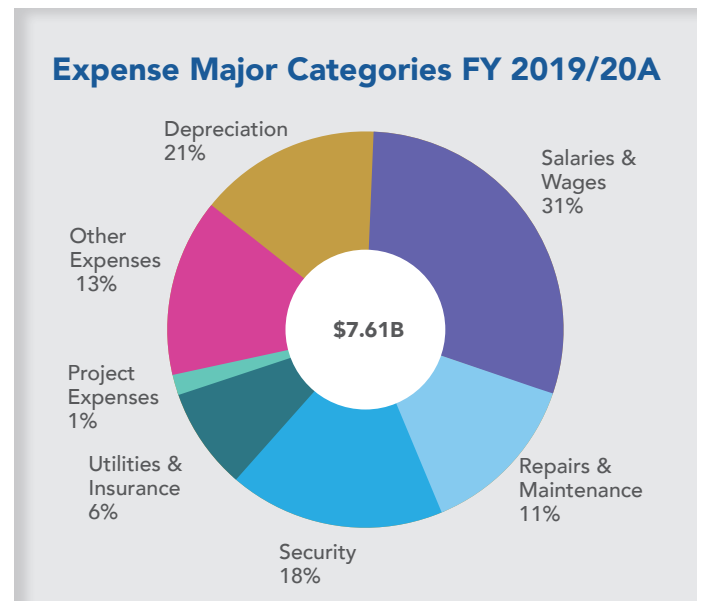
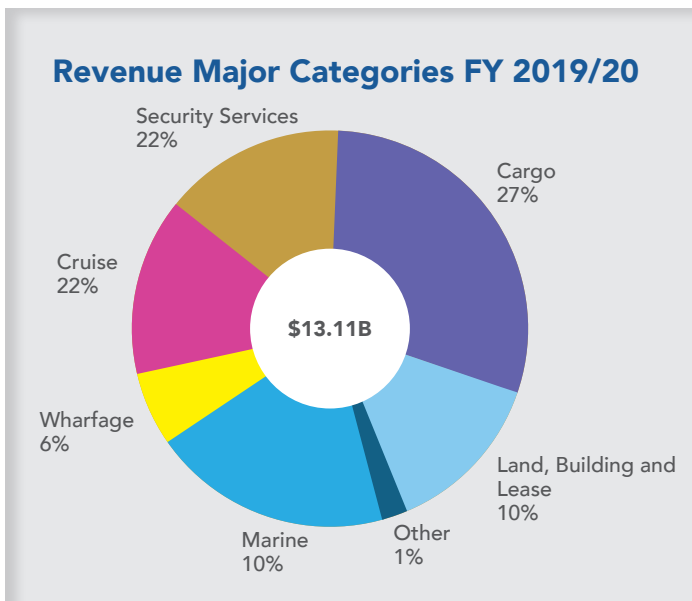
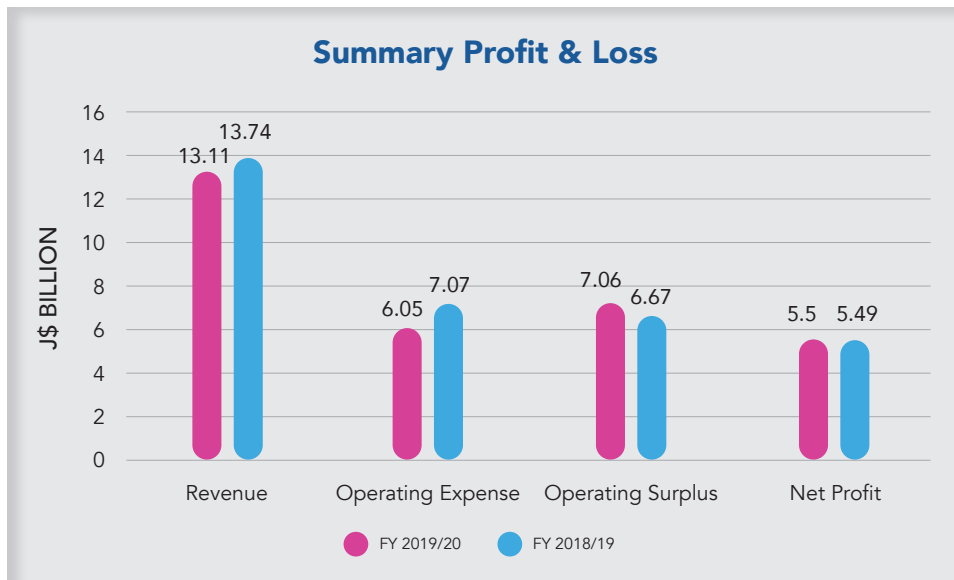
A 33% associate company whose primary activities are the provision of port and general security, and other related services.

* The operations of the Kingston Container Terminal are now managed through a Concession Agreement between the PAJ and Kingston Freeport Terminal Limited with effect from July 1, 2016.



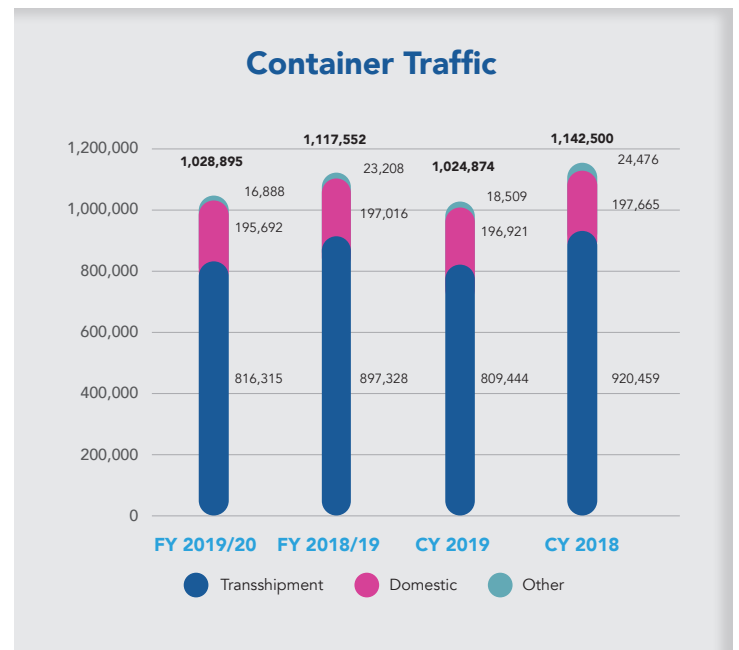
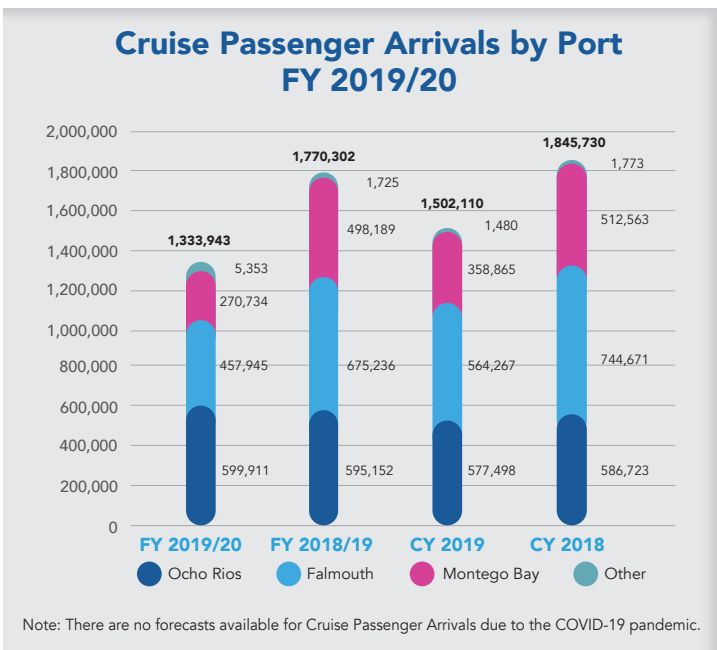
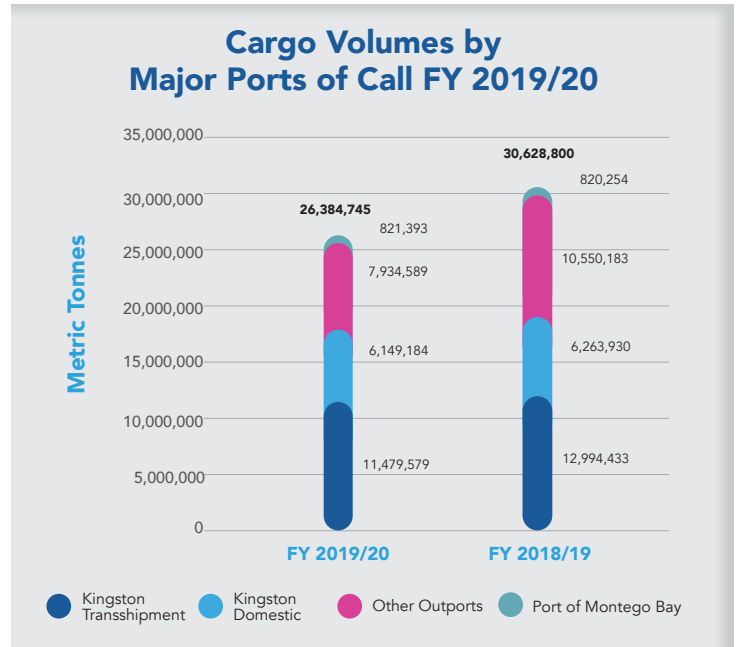
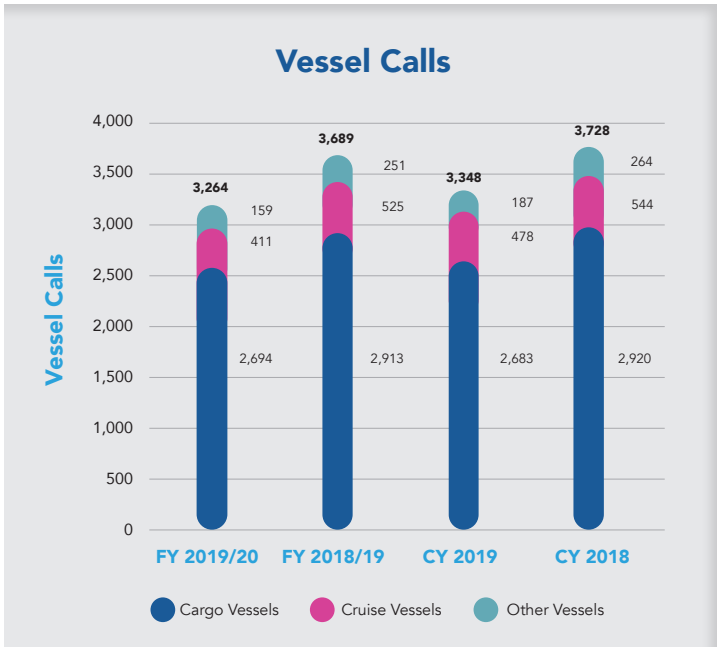
Performance at a Glance

Financial Highlights



Port Statistics Highlights

The information below highlights activities for cruise and cargo ports in Jamaica.





Business



President & CEO's Statement

As a key stakeholder in the development and growth of Jamaica, the Port Authority of Jamaica shares a passion for maximizing opportunities for value creation and nation building. As we reflect on the year under review, the PAJ has demonstrated its consistent drive and commitment to promote economic growth and job creation. The assessment and report on our performance during the year indicate that the organization continues to capitalize on and leverage the competitive advantages of our key business segments.

The complexity and dynamic nature of the global environment in which we operate at times is quite challenging, however, we remain flexible and proactive while re-engineering processes and adjusting strategies to maximize on emerging trends and untapped markets.

One of the significant milestones for the year was the substantial completion of the development of the newest cruise ship facility at the Historic Naval Dockyard in Port Royal. This facility uses a recently developed technology for berthing vessels in sensitive ecological environments. This achievement enabled the PAJ to welcome the first cruise vessel to Kingston on January 20, 2020, which represented the successful collaboration of several GOJ agencies. The aim of this development is to create economic and social benefits and introduce cruise tourism to Jamaica's capital city. The work being done by the Authority is intended to catalyse the greater development of Port Royal as a national entertainment and recreational zone. The PAJ invested over \$3.12 billion on the facility during the current financial year.

Most of the PAJ's business segments operate within the international environment and as such, the organisation was impacted by many uncertainties that presented throughout the year. The economic variables that led to the contraction of the global economy, the US-China trade war and the impact of the COVID-19 pandemic has affected the PAJ's operations and the projections for the financial year.

Despite the challenges, the PAJ Group undertook strategic developmental projects that would boost the operational performance of the respective business segments over the medium term. These projects were considered pivotal because they would enhance and diversify the product offerings of the Port Authority.

"Significant capital investments were undertaken at cargo facilities in an effort to increase business opportunities and volumes handled."

The PAJ's performance over the past financial year and plans for the future are highlighted:

Financial Performance

Throughout the financial year, the PAJ maximised return on investments through cost effective management. Total revenues for the year was \$13.11 billion, down from \$13.74 billion which represents a 4.6% decline when compared to the previous year. On the other hand, total expenses were \$7.61 billion which represents a decrease of 7.7% or \$639 million. At the end of FY 2019/20, the PAJ registered a net profit of \$5.5 billion. The profit for the Authority for FY 2018/19 was recorded at \$5.49 billion. The Group's total assets of \$74.01 billion reflected a 2.35% increase when compared to the \$72.31 billion in FY 2018/19.

Several capital projects were carried forward from the previous financial year and continued during the year with the overall capital investment in PAJ business segments totalling \$6.01 billion.

The financial performance of the Group varied from the initial projections, however, given the challenges faced, the year end figures are an indication of the Authority's resilience.

Harbours and Marine Services

The core of PAJ's operations depends on the provision of efficient maritime services. During the period, the company invested capital to improve maritime operations. Regular pilot boat crew training sessions were conducted, and the Harbours Department was called upon to ensure navigational aids such as buoys, beacons and lighthouses were upgraded across

the island.

In the previous financial year, the Authority signed a 10-year concession agreement with Ocean Towing Limited. The addition of two new tug boats to operate in the port of Kingston has improved operations and the Authority continues to monitor the concession agreement to ensure that deliverables are met.

Cruise

Cruise activities remained a major business segment for PAJ. Despite the challenges, passenger arrivals exceeded 1 million for the ninth consecutive year. Cruise accounted for approximately 22% of revenues generated for the financial year. PAJ's primary focus for the cruise sector involved market share retention, increased visitor spending and improved guest experience. As such, developmental programs were undertaken that targeted these areas, as well as the creation of jobs in communities close to port facilities.

The development of the newest cruise facility at the Historic Naval Dockyard in Port Royal and the upgrade of Fort Charles diversified Jamaica's cruise product offerings. The project included a promenade that was built that leads passengers into the town and the creation of the terminal's sewage system also accommodated the town's sewage.

Additionally, the residents of Port Royal who are important stakeholders in the project were trained as tour guides/story tellers to operate on ship days. These employment opportunities will foster community development and greater economic inclusion in the area.

The cruise terminal at the Port of Montego Bay also benefited from improvements as the terminal was retrofitted and a mezzanine floor was installed to create a

visitor friendly ambiance.

In Falmouth, through collaboration with the Ministry of Tourism and the Tourism Enhancement Fund (TEF), the Hampden Wharf Artisan Village was completed and is to be operationalised in the upcoming financial year. At the village, Jamaican Artisans will be able to produce and showcase their unique craft items and talents while generating income.

In Ocho Rios, the upgrade of Reynolds Pier was a priority during the year to assure a second berth capable of handling the industry's largest vessel. The construction of a reception building, promenade and bus staging area were completed and these projects were geared at improving visitor accommodation and processing time.

Notwithstanding the progress made with these infrastructural developments and upgrades at the cruise facilities, the COVID-19 pandemic continues to negatively impact the cruise industry worldwide. In response to the pandemic, several countries including Jamaica took the unprecedented approach in March 2020 to impose travel restrictions and close their borders and cruise ports. This was done in compliance with the directives of the Government to limit the spread of the virus.

Cargo

The cargo segment of the shipping industry is vital to overcoming this pandemic and the PAJ will provide support to ensure that shipping services are able to continue the undisrupted transport of food, medical supplies and hygiene products. We recognise the need to become adaptable to this fluid situation and focus on building effective response plans and strategies.

The development of the Port Community

System continues to make strides in trade facilitation through collaborations with the Jamaica Customs Agency and other maritime stakeholders. In addition, PAJ continues to invest in the relevant Information and Communications Technology (ICT) that enables the proper integration of our systems which will in turn increase operational efficiency and enhance the quality of services provided in all segments.

Significant capital investments were undertaken at cargo facilities in an effort to increase business opportunities and volumes handled. In the previous financial year, KFTL invested in upgrading facilities and equipment at the Kingston Container Terminal to increase productivity and volumes handled at the port. Throughout the year, the 30-year concession agreement was monitored with the intention of raising the volumes to meet the new capacity of 3.2 million TEU's.

The Port of Montego Bay's cargo business segment received investments with the aim of transforming operations to maximize on business opportunities, such as Liquefied Natural Gas (LNG) supply, as well as increasing activity at the port. The port's facilities were upgraded, which included building of a new berth, paving the container yard and procurement of essential terminal equipment. It is the Authority's intention to create a multi-use port that can manage cruise and cargo operations efficiently.

Logistics

The ability for large firms to do well globally depends on healthy supply chains. Under the Global Logistics Hub Initiative (GLHI) announced by the GOJ, Jamaica's location is being leveraged in the development of a logistics industry.

The PAJ commenced construction of a modern warehouse facility which covers approximately 200,000 sq. ft and the build out of a Container Security Initiative (CSI) building in the Port of Kingston. The CSI facility was completed during the year and the warehouse is scheduled for completion in the next financial year. Currently, PAJ is actively engaging international and local companies to partner with the development of logistics type services on near port lands in Kingston and Montego Bay.

Special Economic Zone (SEZ)

The SEZ Subsidiaries which cater to investors in the BPO sector continue to thrive in Jamaica and remains a major source of employment. The PAJ is involved in this sector through its subsidiary companies, by providing and managing facilities where these operations take place. During the year, construction continued at the Portmore Informatics Park (PIP) which will create an additional 157,000 sq. ft. of building space and is expected to generate 4,000 jobs when fully operationalised. Marketing efforts are well underway, and the target is to have the building fully occupied by the end of the next financial year.

The BPO industry has supported the GOJ in achieving its mandate of job creation and this sector continues to positively impact the livelihood of many families. Additionally, PAJ is contemplating the engagement of private interest to monetize its BPO facilities.

Looking Ahead

The Authority will continue to invest in its human capital through local and international training programs aimed at developing the personal and leadership skills of our employees.

Over the next financial year, the PAJ will continue to assess the impact of the COVID-19 pandemic on our business segments in order to determine the best way forward while remaining cautiously optimistic about the future.

Commendation

The realisation of the many developmental projects and activities would not have been possible without the strong support, creativity and commitment from the hardworking PAJ management and staff across the various business segments and subsidiaries, for which I am grateful.

I also wish to acknowledge the invaluable support of our other stakeholders including our parent ministry - the MEGJC, our industry partners, other government agencies, the private sector as well as the Board of Directors. Your support is highly appreciated.



Professor Gordon Shirley, OJ
President & Chief Executive Officer





Business Highlights

A Look back...



Official tour by the Most Hon. Prime Minister, Mr. Andrew Holness, at the PAJ's Harbours department where he interacted with interns who were a part of the HOPE Programme.



Min. Pearnel Charles Jr. (2nd right) on a tour of the Kingston Freeport Terminal Limited.



PAJ hosts breakfast meeting with stakeholders regarding the Kingston Logistics Park (KLP) development which will consist of a modern 18,000 m² world-class warehouse facility. KLP will enhance import/export logistics and value-added activities.

Newly constructed Container Security Initiative (CSI) Building located at the Kingston Logistics Park.



The warehouses of Hampden Wharf have been transformed into an Artisan Village and Food Arcade as well as a Performing Arts Facility.



Public meeting at Fort Charles to present the Environmental Impact Assessment Report for the Port Royal Cruise Port Development Project.



Cultural Studies expert, Dr. Amina Meeks, conducted a storytelling training course for Port Royal residents.



Stilt walker performing at the inaugural ship call on January 20, 2020 at the Historic Naval Dockyard in Port Royal.

Portmore Infomatics Park provides an additional 157,000 sq. ft. building space spread across four (4) buildings which caters to the needs of stakeholders involved in the outsourcing sector.



Board of Directors

Profiles

The Board of Directors is responsible for guiding the strategic and policy framework of the PAJ and its subsidiaries. It supports management in the effective execution of the objectives, by ensuring high governance standards are maintained, enhancing stakeholder value and developing human capital. Policy and strategy are executed in a manner consistent with GoJ guidelines and in a fiscally responsible manner, ensuring the long term financial viability of the PAJ. The Board of the Port Authority (PAJ) was appointed on June 20, 2016, for a period of three (3) years. The Members of the Board are:

Professor Gordon Shirley, OJ



Chief Position: President & CEO, PAJ. Served as Chairman of the PAJ's Board of Directors from November 2013 to April 2016. Formerly Pro Vice Chancellor and Principal of the University of the West Indies (UWI) from August 2007 to August 2013 and previously served as Executive Chairman of the Jamaica Public

Service Company Limited. In 2001, he was seconded to the Government of Jamaica as Jamaica's Ambassador to the USA and Permanent Representative to the OAS. A graduate of the UWI, St. Augustine with a BSc in Engineering, he also holds a MBA in Operations and Finance and Doctorate in Business Administration from Harvard University.

Dr. Janine Dawkins



Chief Position: Chief Technical Director, Ministry of Transport & Mining. Dr. Dawkins has served on consecutive PAJ Boards with her most recent appointment in April 2016. She has been employed in the Jamaican Government service since 1990, holding key positions which span all modes of transport: land, air and sea as well as the

mining portfolio. She provides technical and policy advice on various aspects of planning and operations. She is a transportation professional, who has wide ranging experience in transportation engineering, policy and legislation. She holds a PhD in Civil Engineering with a major in Traffic Operations, and a minor in City Planning; a BSc in Civil Engineering from the UWI St. Augustine, and an MSc in Civil Engineering from the Georgia Institute of Technology. She also holds a LLB from the University of London.

Mr. Mark Hart, JP



Chief Position: Executive Chairman of Caribbean Producers Jamaica Limited. Appointed in June 2016. He brings to the position years of experience in the private and public sector. He is currently Chairman of Cargo Handlers Limited and Montego Bay Ice, both listed companies. He serves as Chairman and Board Member

of many leading private and public entities including airports, financial institutions, insurance companies as well as many charitable organisations. Mr Hart is a graduate of the University of Miami where he gained a Bachelor's degree in History and Motion Picture Film, and pursued executive training in Accounting and Planning at the Columbia University of New York.

Mr. Edward Gabbidon



Chief Position: CEO, Syncon Technologies Limited. Appointed in June 2016. He has many years of corporate experience in the public and private sector working in the banking, energy and Information and Communications Technology (ICT) industries. He is passionate about capacity development and training and currently serves as the

chairman of Heart Trust/NTA. He spent a considerable amount of his professional career in the ICT sector serving in various executive positions including General Manager at Jamaica Digiport and Vice President, Corporate and SME Sales at LIME. He has a diploma in Project Management Practices and Principles from the University of New Orleans and a EMBA from the University of the West Indies, Mona. Mr Gabbidon is also a FAA certified commercial Pilot.

Mr. Lyttleton Shirley, CD, JP



Appointed in June 2016. Lyttleton 'Tanny' Shirley, has over 42 years of involvement in Jamaica's private and public sectors. Driven by his Engineering background and entrepreneurial spirit, Mr. Shirley is highly regarded by his colleagues as being a visionary in the field of business. In October 2017, he was recognised for his

work in the public and private sectors with the Order of Distinction Commander Class. In 2005, he was also nominated for the Jamaica Observer Business Leader Award. His patriotism has resulted in him serving on a number of Boards. He now serves as Chairman of the Kingston Free Zone, Vice Chairman of the Health for Life and Wellness Foundation, Ministry of Health and is a Director of the Port Authority of Jamaica. Mr. Shirley is the former Chairman of the South East Regional Health Authority (SERHA), a position he held for over eight years. As a Justice of the Peace, Mr. Shirley is actively involved in community and youth development programmes. He is happily married and relaxes by spending time with family and friends.

Mr. Jerome Smalling



Chief Position: CEO, JMMB Merchant Bank. Appointed in June 2016. Boasting an esteemed 24-year career in banking, his experience includes tenures as Branch Manager at Scotiabank Jamaica, Vice President, Personal Banking at RBC Caribbean and Manager, Branch Sales Strategy Initiatives, Royal Bank's National

Office, Toronto Canada. As a business and sales leadership coach, he uses his business development skills to grow assets and profitability, while driving customer value at the financial institutions at which he was based. He holds an MBA and a Bachelor's degree in Business and Professional Management from the H. Wayne Huizenga Business School, Nova South-Eastern University and completed executive training at The University of Pennsylvania's Wharton Business School.

Mrs. Velma Ricketts Walker, JP



Chief Position: CEO/Commissioner of Customs. She has over 19 years of experience in Customs Administration, Trade Facilitation, Risk Analysis, Strategic Planning, International Trade, Security, Compliance and Enforcement. She contributed significantly to Regional Customs Administrations, where as a

Revenue Administration Advisor to the International Monetary Fund (IMF), she assisted regional Customs Administrations with the development and strengthening of their risk management programmes and organizational strategic reform. She is dedicated to improving Jamaica's image in the ease of doing business, logistics and competitive performance. Mrs. Walker currently serves as a Director on the Board of the Jamaica Special Economic Zone Authority (JSEZA) and holds the position of Chairperson for the World Customs Organization's Capacity Building Committee.

Mr. Alston Douglas, OD, JP



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

External Committee Members

Ms. Roxann Linton (Finance Committee)



Chief Position: CEO – First Heritage Co-Operative Credit Union Ltd. A seasoned financial services professional, Mrs Linton has worked with international financial institutions in progressively senior roles, locally, regionally and internationally. She has extensive experience in various areas, including Retail & Commercial

Banking, Compliance and Risk Management. She is a CFA Charterholder and a Certified Public Accountant and earned her Bachelor and Master of Science Degrees in Accounting from the University of the West Indies. Roxann is passionate and committed to improving the lives of less fortunate women and children and has served as the Chairperson of the Operational Board of Junior Achievement of Jamaica and on the Grants Committee of the Canadian Women’s Foundation.

Mr. Donald Patterson (Audit Committee)



A UK-trained Chartered Accountant with Master of Business Administration and over 30 years of senior management, executive and international experience in auditing, administration, systems development, overseas business development, marketing, credit, finance, treasury and general management. Experience in

Jamaica spans auditing, quasi-government operations and two (2) multinational entities - with head offices in the UK and Jamaica - that are involved in manufacturing and financial services (housing finance and development, fund management, remittance services, micro-credit, general insurance, information technology solutions) respectively.

Mr. Mark Tracey (Audit Committee)



Mark Tracey is currently on secondment from the Jamaica Money Market Brokers (JMMB) to the Office of the Prime Minister as a Jamaica House Fellow where he is the Senior Economic Advisor to Minister of Finance. His main focus is the monitoring of the Precautionary Standby Arrangement Jamaica has with the

IMF. He holds an M.Sc. in Economics from the University of the West Indies, with special focus on Financial Economics and Risk Management. Mark also holds a certification in Financial Programming and Policies from the renowned IMF Institute in Vienna, Austria. He is a member of two committees, the acting chair for the PIOJ’s Audit and Finance Committee Operation Restoration that operates a youth programme in Trench Town. He is also a Justice of the Peace for the parish of Kingston.



Directors & Corporate Data

Directors

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

Auditors

KPMG

Corporate Secretary

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

Registered Office

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Tel: 876-922-0290-8
Fax: 876-924-9437
Email: paj@portjam.com
Website: www.portjam.com

Corporate Head Office

Professor Gordon Shirley, OJ
President & Chief Executive Officer

Dr. Carrol Pickersgill, OD, JP
SVP - Legal, Regulatory & Corporate Affairs

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

Mervis Edghill
SVP - Engineering & Port Development

Subsidiaries

KCT Services Limited

Kingston Free Zone Limited
Chairman: Mr. Lyttleton Shirley, CD, JP
Operations and Customer Relations Manager: Ms. Glenice Leachman

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

Montego Bay Free Zone Limited
Chairman: Mark Hart, JP
Manager: Gloria Henry, AVP Operations

Jamaica International Free Zone Development Limited

Chairman: Mr. Lyttleton Shirley, CD, JP
Operations and Customer Relations Manager: Ms. Glenice Leachman

Port Authority Management Services

Chairman: Mr. Edward Gabbidon
Administrative and Technical Services Manager: Laurel Robinson
(separated from the organization during the year)





Corporate Governance

Corporate Governance

The Board of Directors of the Port Authority is the key policymaker of the Authority subject to the directive of the Minister. The Board is appointed by Cabinet on the recommendation of the portfolio Minister, i.e., the Minister of Economic Growth and Job Creation.

In accordance with the Government of Jamaica Policy Framework, the Board has approved the design of an effective corporate governance framework. The corporate governance framework establishes oversight and monitoring of the Authority's strategies to support long-term growth and development with due consideration being given to the interests of various stakeholders.

Following the Board's Evaluation, the Board approved a Board Improvement Plan. The Authority has achieved most of the proposals in the Board Improvement Plan and recently commenced the implementation of an Enterprise Risk Management System to strengthen its audit, risk and control functions.

The Authority's achievements in embracing corporate governance best practices were recognized at the 2019 Public Bodies' Corporate Governance Awards where the Port Authority emerged as 1st Runner up for Most Improved Public Body and 1st Runner up in the category of Board Composition, Function and Structure.

Composition of the Board

During the period under review, the Board executed its functions with eight (8) of the maximum ten (10) members. The Board has been without an appointed Chairman since the departure of Ambassador Dr. Nigel Clarke who resigned to serve as a Member of Parliament. Also, Director, Adam Stewart resigned in the previous year. The Board's composition provided an appropriate balance of skills, experience, qualification as set out in the Port Authority Act and the Public Sector Competency Profile. The Members of the Board were:

Dr. Janine Dawkins

Mr. Alston Douglas, OD

Mr. Edward Gabbidon

Mr. Mark Hart

Mrs. Velma Ricketts Walker

Professor Gordon Shirley, OJ

Mr. Lyttleton Shirley, CD

Mr. Jerome Smalling

The tenure of the Board expired on June 19, 2019 and was extended to October 18, 2019. For the remainder of the Financial Year 2019/2020 there was no appointment of a new Board. The skills of the Board Members are outlined overleaf:

	NAME	EXPERIENCE (YEARS)	GENERAL MAGN'T.	FINANCE & AUDIT ICT	COMMERCE & MARKETING	INT'L RELATIONS	PORT OPERATIONS & GOV. POLICY	ENGINEERING
1	Janine Dawkins	>30					X	X
2	Alston Douglas	>40						X
3	Edward Gabbidon	>25	X	X				
4	Mark Hart	>40	X				X	
5	Velma Ricketts-Walker	>25					X	
6	Gordon Shirley	>35	X				X	X
7	Littleton Shirley	>30	X			X		X
8	Jerome Smalling	>25	X	X	X			

Board Committees

Board Committees are established to provide further oversight of governance to support the Board in effectively performing its duties. Each Committee reports to the Board on its activities. The Board acts on

the recommendation of the Committees. There were five (5) Committees in place during the period April 1, 2019 – March 31, 2020, being:

Finance Committee

The Finance Committee performs an advisory role regarding the Port Authority's financial operations, including:

- Reviewing and making recommendations to the Board Financial Management Policies and Strategies.
- Making recommendations to the Board on matters of finance and accounting in general.

- Highlighting any perceived weaknesses in the accounting and financial systems, with suitable recommendations for addressing such deficiencies.

The Committee membership comprised:

- Mr. Jerome Smalling – Chairman
- Mr. Mark Hart – Board Member
- Ms. Roxann Linton – Co-opted Member

Audit Committee

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

- Practices and procedures which will promote productivity and the quality and volume of service.
- The extent to which the objectives of the Board are being achieved.
- The adequacy, efficiency and effectiveness of the accounting and internal control structure and systems of the Board.

- Audited financial statements that are to be included in the Annual Report of the PAJ.

The Committee comprised:

- Mr. Edward Gabbidon – Chairman
- Dr. Janine Dawkins – Board Member
- Velma Ricketts-Walker – Board Member
- Donald Patterson – Co-opted Member
- Mark Tracey – Co-opted Member



Projects Committee

The roles and responsibilities of the Committee include:

- Monitoring the progress in the implementation of projects.
- Examining from time to time the development of project proposals and make recommendations to the Board on the implementation of such proposals.
- Keeping under review on an ongoing basis the in-house procedural framework related to the implementation of contracts and make recommendations on adjustment mechanisms to facilitate speedier and smoother implementation of projects.
- Developing of strategies to address delays

Pilotage Committee

The roles and responsibilities of the Committee include:

- Examining the disciplinary procedures as established in The Pilotage Act and to make recommendations on changes, if any, that are required to harmonize with conventional industrial relations practices (employer/employee relationship).
- Evaluating the administration of the Pilotage Service in relation to recruitment, training, certification, system of remuneration, dispatching procedures with a view to making recommendations on improvements which are necessary to assist the operations

Corporate Governance Committee

The Corporate Governance Committee exercises an independent review function to assist the Board in fulfilling its oversight responsibilities. The Committee evaluates, monitors the adequacy of and compliance with all governance matters pursuant to the Boards' Policies. Its purpose is to:

- Monitor compliance with applicable laws and regulations.
- Oversee the performance evaluation of the Board.
- Develop and recommend amendments to the Board's corporate governance policies

in the implementation of projects.

- Reviewing development projects of a commercial nature which are part of the Authority's efforts to diversify its revenue base.
- Making such recommendations as relevant with a view to enhancing the operations and performance of the Engineering and Port Development Departments, in particular, and the Port Authority, in general.

The Projects Committee comprised the following members:

- Mr. Lyttleton Shirley, CD – Chairman
- Mr. Edward Gabbidon – Board Member

of the service.

- Reviewing any other areas relating to the provision of Pilotage services which are considered critical to the provision of an efficient service.
- Examining reports of incidents/accidents involving ships under Pilotage's charge and advise on whether an enquiry should be scheduled in accordance with the Pilotage Act.

The Committee members are:

- Dr. Janine Dawkins – Chairperson
- Mr. Alston Douglas – Board Member

and principles.

- Review the organization and operational performance of the Board's Committees.
- Review and recommend short development programmes related to new standards or regulatory related developments, including but not limited to, corporate governance and accounting standards, which can assist directors to properly discharge their role and function.
- Monitor the conduct of the PAJ's operations to ensure adherence to PAJ's Code of Ethics and principles of good corporate citizenship

and that all operations are in line with the Public Sector Corporate Governance Framework.

Additionally, responsibilities are outlined in the Terms of Reference of the Committee which is available on the Port

Authority's website.

Currently, the Corporate Governance Committee comprises all members of the Board. The Committee did not meet during the period under review as the tenure of the Board had expired.

Board and Committee Meeting Attendance

During the period under review the Board of the Port Authority had five (5) regular monthly meetings and two (2) Special Meetings due to the expiration of the Board in October 2019. The Committees

met monthly, responded to matters within their Terms of Reference and reported to the Board at its meetings. The table below provides a summary of the attendance at Board Meetings:

Meetings held 2019-2020:	7	4	2	2	5
Attendance	Board	Finance Committee	Audit Committee	Pilotage Committee	Projects Committee
1 Janine Dawkins	5		2	2	
2 Alston Douglas	7			2	
3 Edward Gabbidon	6		2		4
4 Mark Hart	5	2			
5 Velma Ricketts-Walker	4		1		
6 Gordon Shirley	7				
7 Lyttleton Shirley	6				5
8 Jerome Smalling	6	4			
9 Donald Patterson*			2		
10 Mark Tracey*			2		
11 Roxann Linton*		4			

*Co-opted Members

Board Remuneration

Directors are remunerated in accordance with Ministry of Finance & Public Service Circulars in effect. During the year under review, Board and Committee Members

were remunerated based on attendance at meetings using the rates as shown below: The details of payments for the year to each director is included on page 62.

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

Reimbursable traveling allowance is paid at the rate of \$47/KM.



Cruise
JAMAICA

4 PORTS OF CALL.
THOUSANDS OF ATTRACTIONS...
AN UNMATCHED EXPERIENCE!
A WORLD LEADING
AWARD WINNER **#FACTS**



We are the World Travel Awards World's Leading Cruise Destination, 2019.

The Port Authority of Jamaica sustains the dominance of its world leading Cruise Shipping product primarily through consistent investments in port infrastructure development and upgrades. Our award-winning achievements are also as a result of our efforts to improve and enhance towns in which our cruise ports are located. Our success is also supported by strategic marketing initiatives, undertaken singularly as well as collaboratively with the Ministry of Tourism.



@PortAuthorityJa

Cruise Shipping | Marine & Port Services | Cargo Operations
Logistics | Business Process Outsourcing | Port Community System
Website: www.portja.com | Email: pa@portja.com



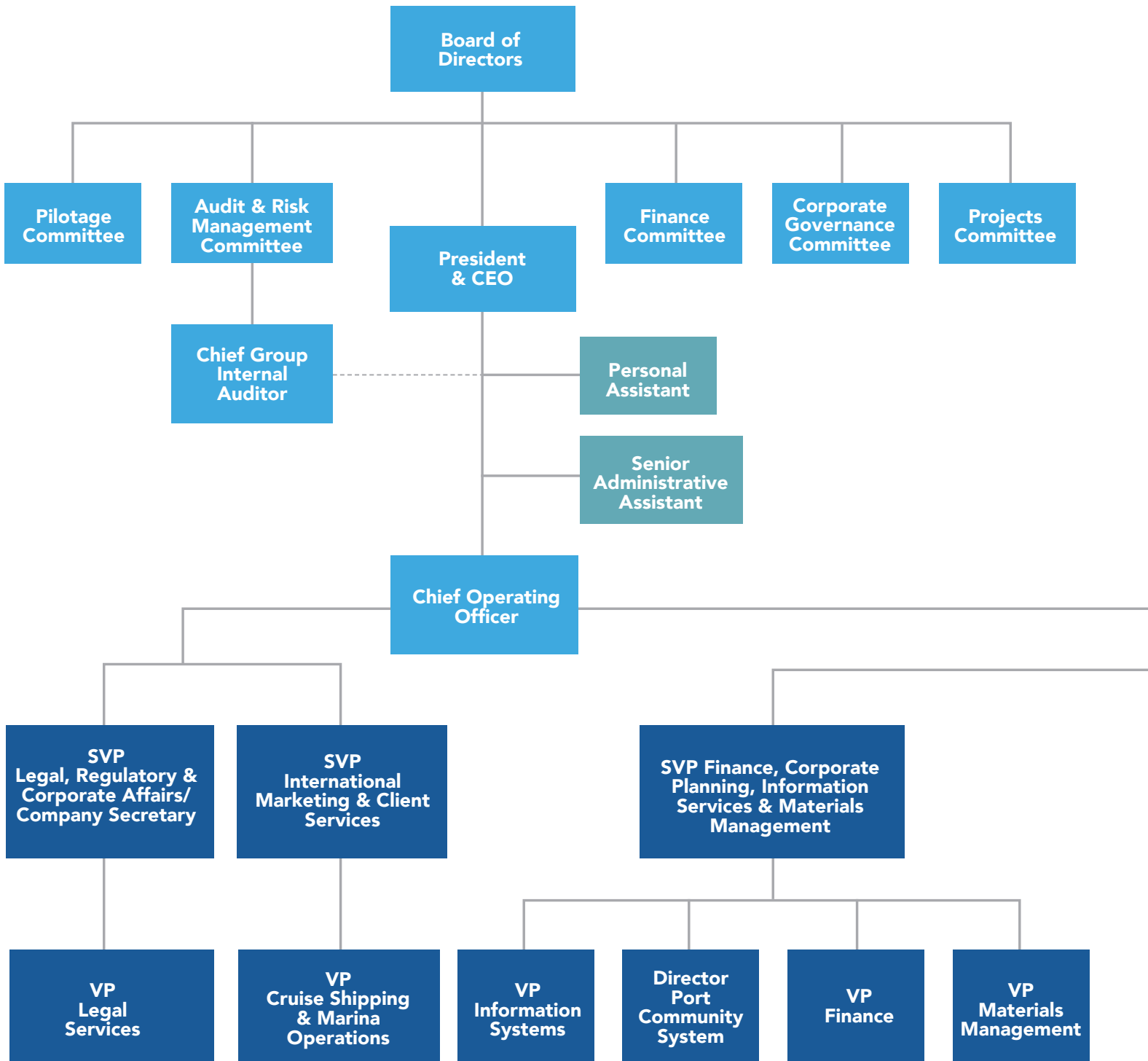


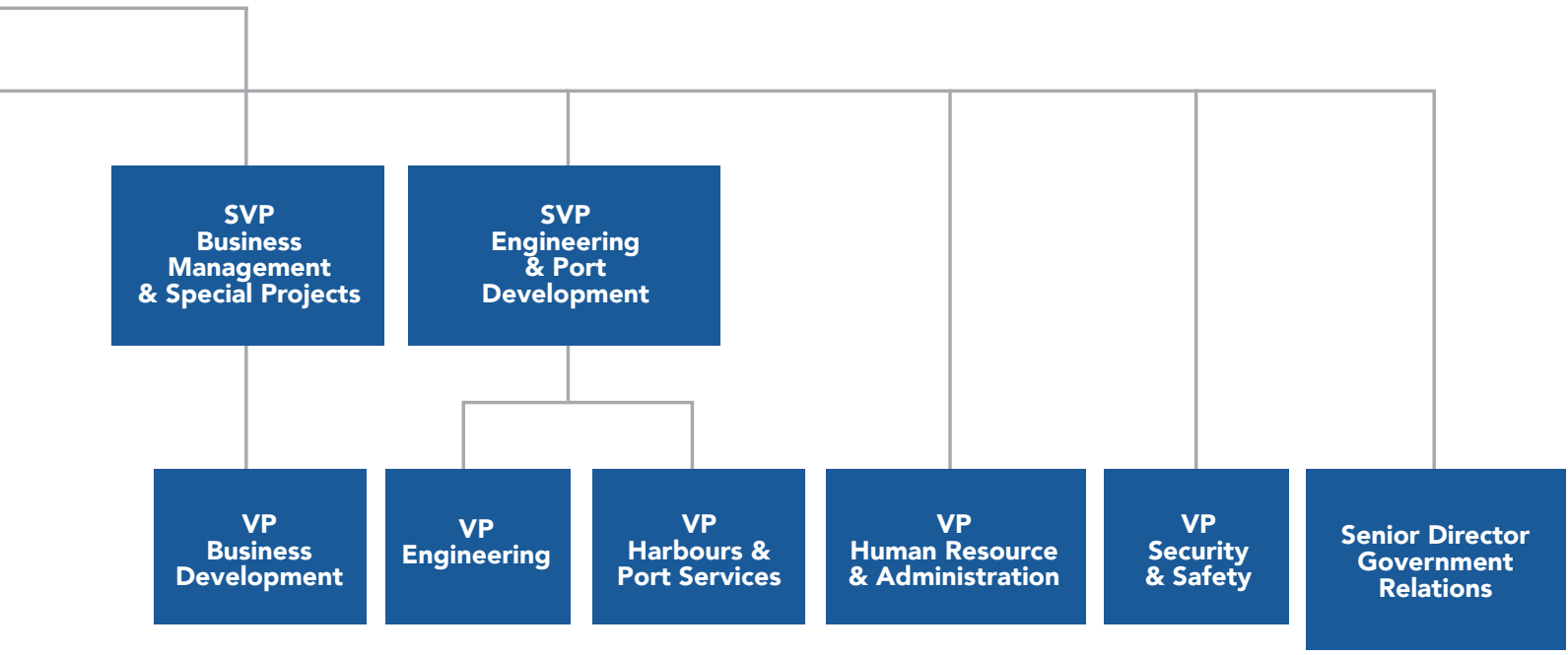
Organisation





The Port Authority of Jamaica Organisational Chart Executive Level







Senior Executive Management Team



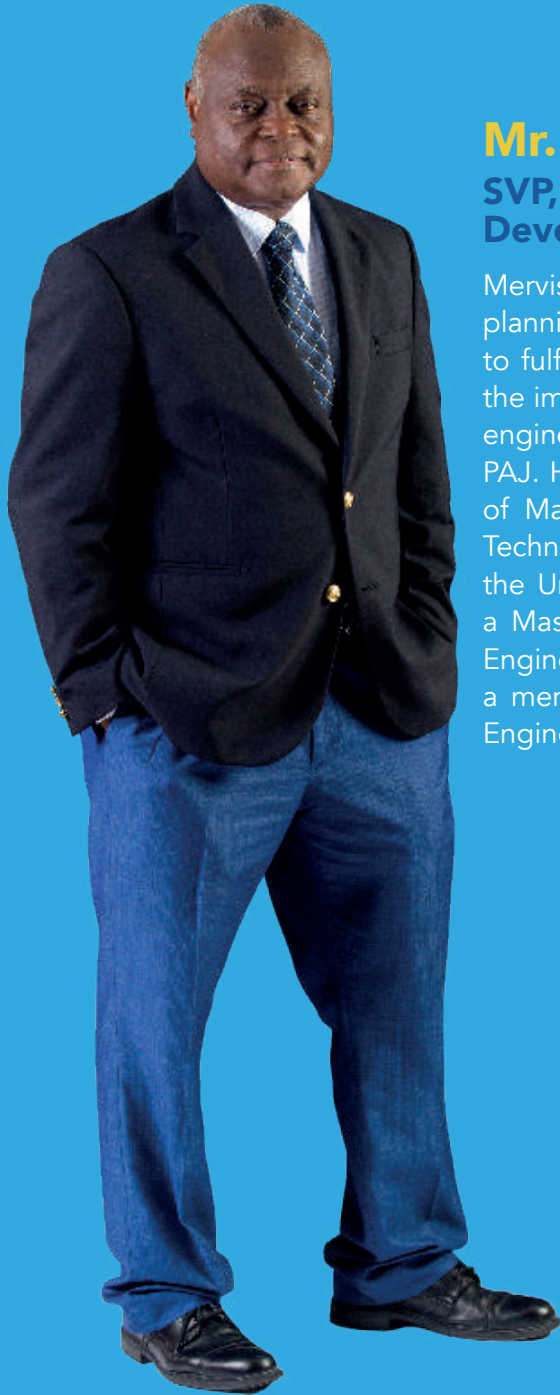
Prof. Gordon Shirley, OJ **President & Chief Executive Officer**

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



Dr. Carrol Pickersgill, OD, JP **SVP, Legal, Regulatory & Corporate Affairs**

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



Mr. Mervis Edghill
SVP, Engineering & Port Development

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

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

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



Management Team

Vice Presidents



Capt. (N) Sydney Innis
VP Security & Safety



David Powell
Chief Group Internal Auditor



Flora Garth
VP Materials Management



Capt. Hopeton Delisser
VP Harbours & Port Services



William Tatham
VP, Cruise Shipping & Marina Operations



Ishamel Leon
VP Finance



Belinda Ward
VP, Human Resource & Administration



Gary Lawrence
VP Engineering



Edmond Marsh
VP Business Development



Norman Lindo
VP Information Systems



Dwain Powell
Director Port Community System

Assistant Vice Presidents



Hortense Innerarity
AVP - Superintendent of Pilotage



Francine Williams
AVP - Internal Audit, Risk & Compliance



Hugh Clarke
Port Manager, Ocho Rios Cruise Ship Terminal



Ewart Henry
AVP - Network & Operations



Dwane Whittaker
Operations Manager, PCS



Candice Banjoko
AVP - Management Accounting



Lt. Col. Kirk Johnson
AVP Security



Sonia Murray
PA to President & CEO



Keisha Holness-Feanny
AVP - Corporate Planning



Robin Reid
Project Manger, Falmouth



Gloria Henry
AVP - Operations & Customer Relations



Libya Andrade
AVP - Financial Accounting



Grace Miller
Performance Services Manager



Andrew Sewell
AVP - Subsidiaries



Una Vanriel
AVP - Compliance & Company Secretary Subsidiaries



Karla Huie
AVP - Business Management & Special Projects



Nadine Gordon
AVP - Human Resources



Kimberley Stiff
AVP - Marketing Communications



Brian Bernal
AVP - Planning & Design



Christopher Hamilton
Project Manager



Raquel Forbes
AVP - Legal, Regulatory & Corporate Affairs



Mark Hylton
Port Manager, Falmouth



Shawn Smith
AVP - Structural & Design Engineer



Lois Pinnock
Senior Manager Property Services

The following employees separated from the organisation during the year:

Retirement: **Wilburn Pottinger**, VP Information Systems | **Paul Robertson**, Senior Director, Government Relations
Capt. Gimen Mendes, Port Captain | **Errol Grant**, AVP - Security

Resignation: **Judith Carty**, AVP - Subsidiaries | **Christine Downer**, Marina Manager | **Dwane Forrester**, Senior Advisor Special Projects
Michele Smith-Cooke, Service Performance, Manager



Boohey BRAFF!

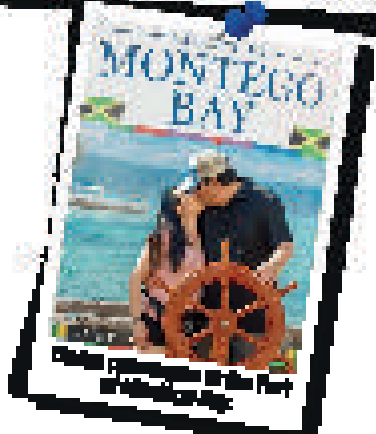
'CAUSE ALL WE DO IS WIN



Richard Clark, President and Managing Director/General Counsel, The Port Authority of Jamaica, with Cultural Ambassador, Sirley Ann Pearson, Legal Representative & Director-General, The Port Authority of Jamaica.



Pedicab at the Port Authority Park



Montego Bay is the Port of Montego Bay

On this day in history, January 25, 2020

- The 1st ship called at the Port Authority of Jamaica's (PAJ) newest port & 5th cruise port of call - Port Royal Cruise Port
- The PAJ won Best World Travel Awards Caribbean's Leading Cruise Destination 2020; Jamaica Caribbean's Leading Cruise Port 2020; Montego Bay Caribbean's Leading Cruise Port 2020; Port of Montego Bay

Achievements for which the PAJ and All of Jamaica can Brag & Show-Off



Cruise Shipping | Marine & Port Services | Cargo Operations
Legislation | Business Process Enhancement | Port Community System
Waterside Development | Cruise Infrastructure





Management Discussion and Analysis 2019-2020

General Overview

The Management Discussion and Analysis (MD&A) will highlight the performance and productivity of the Authority throughout the year. Further details on PAJ's operational and financial performance will also be given. Additionally, PAJ's developmental projects, strategic objectives and future goals across all functional areas will be discussed.

The COVID-19 pandemic is having a profound impact on the global economy and the Authority continues to be negatively impacted especially the Cruise business segment and Cargo to a lesser extent.

According to the International Monetary Fund (IMF), it is anticipated that *"in the Caribbean, lower tourism demand due to travel restrictions and 'the fear factor' – even after the outbreak recedes – will weigh heavily on economic activity. Commodity exporters will also be strongly impacted and a reduction in remittances is likely to add to the economic strain"*.

The impact on global logistics has been significant and a barrage of new headlines underscore the impact on the rapidly changing global supply chain.

Notwithstanding the unprecedented disruption the shipping industry experienced in the last quarter of this financial year, the Authority successfully welcomed the first cruise vessel – the Marella 2 Discovery at the newly built Port Royal Cruise Ship Terminal on January 20, 2020. There were 2 subsequent visits by this vessel in February and March 2020.

Ultimately, PAJ's involvement in various industries are driven and aligned with its mandate of being the principal maritime agency responsible for the regulation and development of the maritime industry. As such, much focus is given to programs that facilitate cargo and cruise ports operations and the provision of reliable marine services. Additional investments in real estate and real estate logistics as well as management services are provided by PAJ's subsidiary companies.

The following table gives a summary of the developmental projects undertaken by the Authority during the year.

	Infrastructure Projects	Targets	Performance
Cruise	Historic Naval Dockyard Cruise Port Development at Port Royal	Construct a terminal facility (land side and marine side) in an environmentally sound manner.	Terminal building completed in January 2020 in preparation for the first ship call.
		The renovation/restoration of Fort Charles as a visitor attraction.	Fort Charles renovations were 95% completed at the end of the financial year.
		Construction of Promenade to facilitate movement of visitors from the port to the town.	Promenade that runs from the terminal to the town of Port Royal was installed in the fourth quarter of FY 2019/20.
	Montego Bay Cruise Ship Terminal	To upgrade Terminal and Berths 5 & 6.	Upgrades substantially completed.
	Falmouth Cruise Ship Terminal Projects	To undertake: The Hampden Wharf Artisan Village Development	Project substantially completed for handover to operational team.
		Seaboard Street Craft Market – Phase 3	Completed.
		Tharpe House Roof Restoration	Stabilization works completed.
	Ocho Rios Cruise Ship Terminal – Reynolds Pier developments Land Side:	To undertake: The construction of a Promenade to facilitate movement of visitors from Reynolds Pier to the town.	This project has been completed
		Construction of New Workshop	Completed.
		Development of a Bus Staging Area	Awaiting relocation of Jamaica Bauxite Mining (JBM) Ltd.
Construction of Reception Building		Building completed.	
New Administration Building		Completed.	
Cargo	Kingston Freeport Terminal Ltd. Concession Agreement (CA)	Continue monitoring CA	Meetings held during the year to monitor CA.
		Continue Refurbishment of Sections 2 and 3 of Gordon Cay based on accelerated program of works	Works have been completed.
	The Port of Montego Bay	Upgrade of Berth 2 and build new Berth 1. Procure new port operating equipment.	Berth 1 completed and Berth 2 upgraded, however paving works outstanding. Equipment being commissioned.
Logistics	Development of a Class A Logistics Park	To commence construction the CSI and warehouse buildings.	CSI building was completed and works have begun on the 18,000 m2 warehouse building.
BPO	Purpose built development for the outsourcing sector at PIP.	Construction of 157,000 sq. ft. of building space across 4 buildings.	Buildings substantially completed and marketing underway.

Business Review

Performance by Segment

Cruise and Marinas

The Cruise Industry is reeling from the effects of the COVID-19 pandemic and the sudden cessation of cruise itineraries has halted global demand and this is expected to continue into the near future.

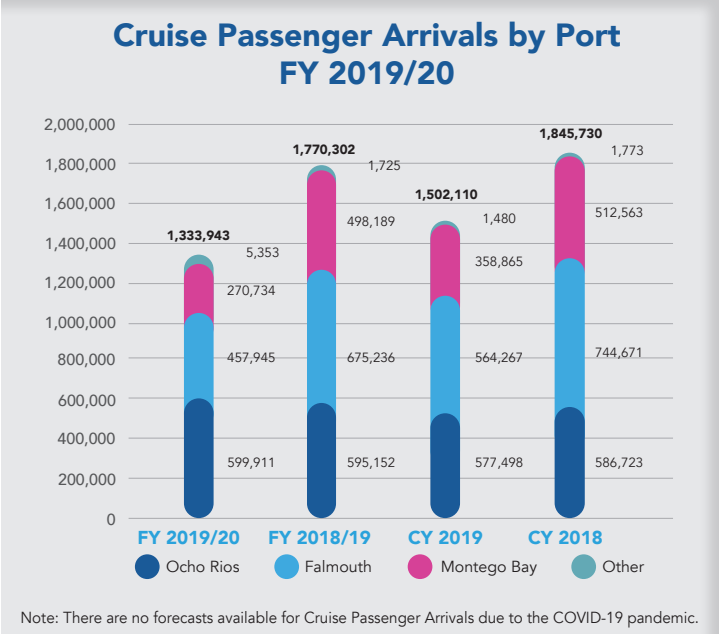
The industry also had to comply with the IMO 2020 rule in January 2020 which required all ships without exhaust-gas scrubbers to consume either sulphur marine gasoil (MGO) or 0.5% fuel known as Very Low Sulphur Fuel Oil (VLSFO) or install scrubbers to able to burn sulphur Heavy Fuel Oil (HFO).

Notwithstanding the Cruise industry's current dilemma, the results from the first three quarters demonstrate that the Caribbean remains a desirable market and Jamaica by extension. The Caribbean region accounts for approximately 37% of the global market share and a passenger capacity of approximately eleven (11) million according to the publication Cruise

Industry News 2020. Through continued innovation and development of cruise port facilities, Jamaica has managed to maintain on average approximately 7.5% of total market share over the last 6 years. This underlies the attractiveness of Jamaica's cruise facilities when compared to other cruise destinations.

The Historic Naval Dockyard in Port Royal which uses SeaWalk Technology to lessen the environmental impact of this development is just one example of the Authority making the necessary investments to increase market share. The SeaWalk is an articulated floating pier and was used to preserve Port Royal's rich underwater assets. The development of Fort Charles as an attraction will enhance the cruise product offering at this location.

The graph below depicts the performance of Jamaica's cruise industry over the last two fiscal years.



The cruise passenger arrivals for FY 2019/20 totalled 1,333,943 passengers across all ports. This represents a decline of 25% when compared to the previous Financial Year. The relative decline in cruise passenger arrivals for FY 2019/20 was anticipated, but not to the extent realized. The cruise industry is a global one, therefore, developments internationally will impact the industry. The relative decline was due to a myriad of factors, but the major contributors were:

- Coronavirus outbreak resulted in a total lockdown of the cruise industry globally in the fourth quarter of FY 2019/20
- The collapse of Thomas Cooke which is a major source of homeporting passengers for Montego Bay

Cruise Market Outlook

Cruise lines have announced the voluntary suspension of cruises given the COVID-19 situation until May 2020 and in some instances until July 2020. The result is that some lines in trying to preserve resources are going to reduce shoreside pay by 20% and shift to a four-day work week while some major cruise lines have secured term loan facility to enhance their company's liquidity position.

- US travel restrictions on Cuba with the removal of Cuba from itineraries for the northern Caribbean and forced cruise lines to the eastern Caribbean islands instead
- Cayman Port Referendum which resulted in cruise lines being forced to re-route vessels to the Eastern Caribbean

The PAJ'S objective of creating diverse and competitive cruise port facilities proved beneficial as Jamaica was the recipient of numerous awards at the renowned World Travel Awards 2020. The list of awards included: Caribbean's Leading Cruise Destination, Caribbean's Leading Cruise Port – Falmouth, Caribbean Leading Home Port – Montego Bay.

Despite the concerns, it is expected that once the impact of the Coronavirus pandemic has subsided, the cruise industry will rebound. It is anticipated that the Caribbean will continue to dominate the Global Cruise Industry in terms of market share. Experts are predicting that the global cruise industry will reach an annual passenger capacity of roughly 41 million by 2027. Currently, the industry is estimated at US \$40 billion, thus making it a highly competitive business.

Cruise
JAMAICA
THE PORT AUTHORITY OF JAMAICA



However, the Authority remains cautiously optimistic as this is dependent on the speed of recovery of the global industry especially the primary source market for cruise passengers which is the United States, and how they are able to contain the spread of the virus and resume cruising, considering that cruise ships were considered a major factor in the spread of the outbreak in the initial stages. Cruise lines continue to compete with increased investments in infrastructure and improved marketing efforts. The focus of many lines now lies in increasing their on board offering and diversifying their products and services. As such,

investments in bigger ships and exclusive islands that offer a variety of products and services are becoming common.

The Authority acknowledges this increased competition and to overcome these challenges, many infrastructural developments have been undertaken that will improve and diversify Jamaica's product offering. The development of the Historic Naval Dockyard in Port Royal improved and diversified Jamaica's cruise product offering and PAJ recognizes that these investment projects are required for Jamaica to maintain its market share.

Cargo Operations

The cargo segment of our business continues to be impacted by the COVID-19 pandemic and according to SeaIntelligence Consulting, the impact on container shipping lines from the pandemic could total about 17 million twenty-foot equivalent units (TEUs) and that amounts to about 10% of global volumes in a normal world.

The strict containment measures imposed by governments around the world has resulted in substantially lower global

economic growth and consequently lower demand for shipping. Container and dry bulk shipping are at the front line when it comes to feeling the fallout.

The widespread quarantines in China in February coincided with holiday celebrations of the Lunar New Year, which caused large parts of the work force to be stuck in foreign provinces. Chinese industrial production for January-February combined fell by 13.5% compared to the year before and declined 26.6% from January to February, a sharp contrast to the 6.9% growth in December according to International Shipping News. It further states that the hit on the Chinese economy in February 2020 provides some indication as to how the virus will impact the advanced economies in Europe and the western hemisphere.

The global economy plays a huge role in the movement of cargo especially with the advent of globalisation and the increased connectedness between countries. World maritime trade has steadily declined and



according to the United Nations Conference on Trade and Development (UNCTAD), maritime trade was recorded at 4.1% in 2017, 2.7% in 2018 and 2.6% in 2019.

The steady decline in global container throughput can be explained by the declining global economic growth rate. The vast economic uncertainties that have persisted affected demand globally resulting in less cargo movement between countries. Some of these uncertainties include:

- The US-China trade war
- The Brexit Uncertainty
- Weaker performance in some key developed markets such as Germany, Italy and China

The International Monetary Fund (IMF), in October, had to revise downward its global growth rate projects to approximately 3% because of the prior mentioned factors.

Despite the challenges faced by the global industry, the Concessionaire (KFTL) undertook development projects and employed strategies to make Jamaica's cargo ports competitive. The Authority and other maritime entities also continued to invest in the development of port facilities, infrastructure, equipment, technology and human resources to improve operating efficiencies and improve the quality of service provided.

The volumes recorded at Jamaica's cargo ports declined for FY 2019/20. The total volume of metric tonnes handled was approximately 26.4 million tonnes. This reflected a decline of approximately 14% or 4.2 million tonnes. These numbers

reflect the state of the global economy which recorded lower than expected growth. FY 2018/19 recorded a 25% increase when compared to FY 2017/18. This uptick in cargo movement was mainly due to the frontloading of cargo by many shippers in order to negate the impact of the pending US-China tariffs.

There was a notable decline in the volumes recorded at Jamaica's outports. This was a result of decreased economic activities globally as well as the closure of one of Jamaica's major bauxite plant, Alpart. The previous growth recorded at outports in FY 2018/19 was mainly due to the expansion of the Bauxite-Alumina industry in Jamaica.

The Port of Montego Bay received significant investment in an attempt to boost the capacity and volumes processed at the port.

Cargo Volumes

26.4M metric tonnes

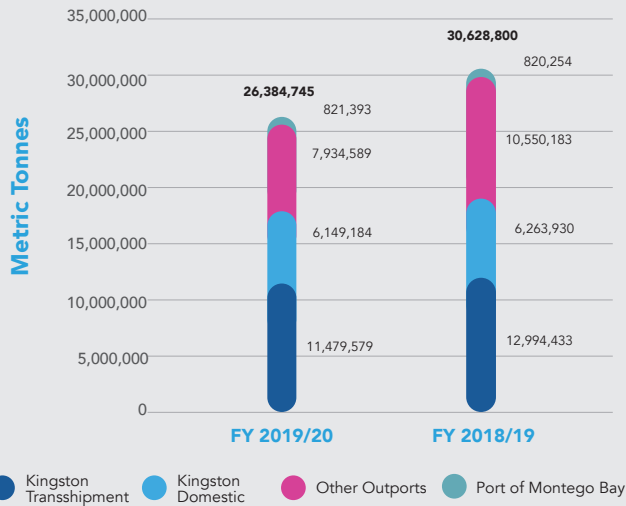


Cargo Market Outlook

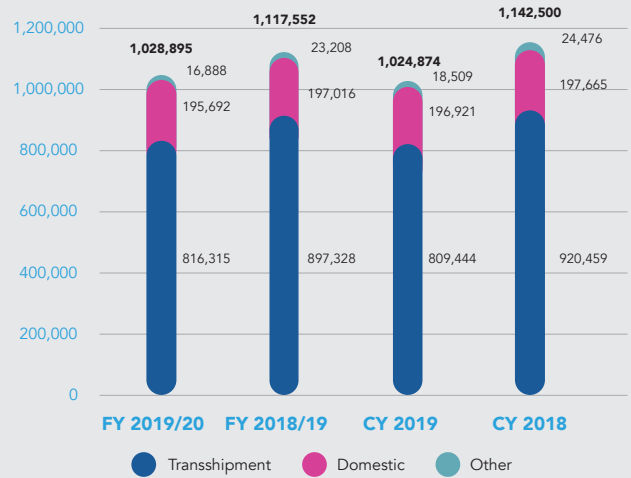
The pandemic continues to impact global shipping demand for 2020 negatively. The speed of the virus spread makes it difficult to assess the full consequences, nevertheless, we see a need to update our 2020 forecast to make some of this uncertainty tangible according to the maritime organisation BIMCO.

The impact of the new IMO 2020 Cleaner Fuel Bill on Cargo was expected to slow down the global container growth rate according to Hellenic Shipping News. It is anticipated that the higher costs to comply with the new low sulphur emissions regulations would be passed on to consumers which will in turn manifest itself as lower global demand for goods. While the market adjusts to the new IMO 2020 Bill and the impact of coronavirus, experts are predicting yet another year of

Cargo Volumes by Major Ports of Call FY 2019/20



Container Traffic



global container growth rates below the expected average of 3% but this may be adjusted.

The creation of a modern multiuse port is being undertaken at the Port of Montego Bay through collaboration with private entities.

In Kingston, both KFTL and Kingston Wharves Limited, continue to invest significantly in increasing port capacity, technology and operating efficiency.

Given the global situation currently, the PAJ will continue to monitor the impact of the coronavirus and anticipates stability or a return of the industry.

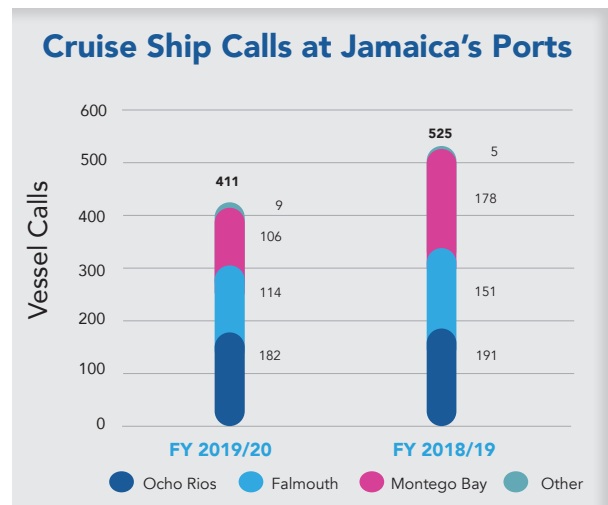
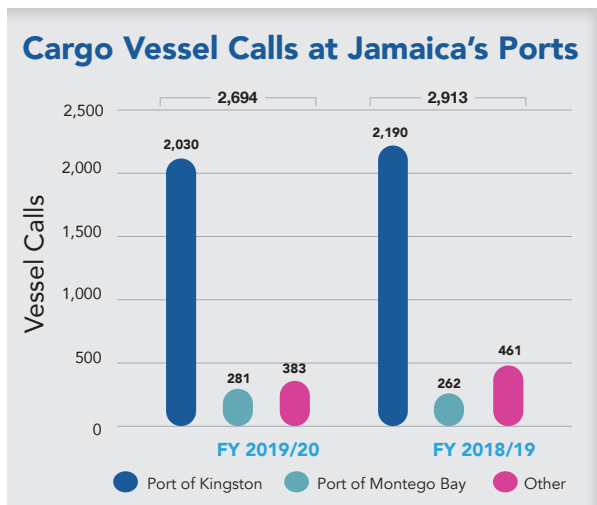
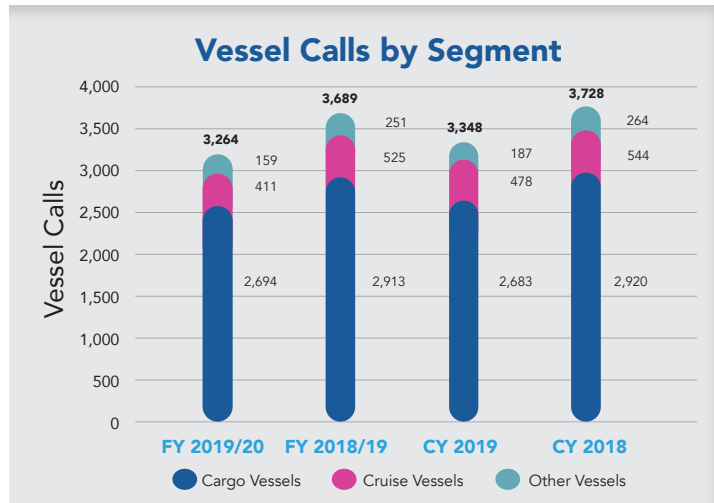
Harbours and Marine Services

A crucial role of PAJ is to ensure Jamaican waters remain safe for the passage and navigation of vessels. Therefore, the provision of efficient pilotage and towing services, adequate navigational aids and the dredging and maintenance of ship channels remain priority areas for the Authority.

Throughout the Financial Year, total vessel calls declined by 12% when compared to FY 2018/19. Cruise and cargo registered a decline of 22% and 8% respectively. The slower than expected global economy growth rate was a contributing factor and the impact of the coronavirus outbreak in the last quarter of FY 2019/20 triggered

declines, especially for cruise which came to a complete halt in early March 2020.

The charts overleaf summarize cargo and cruise vessel calls at major ports:



Business Process Outsourcing

The Business Process Outsourcing has become a major source of employment in Jamaica in the recent years with approximately 30,000 workers. The growth of the BPO industry promotes inclusive and sustainable economic growth and the Authority remains committed to the expansion and advancement of this sector.

The BPO service sector is operated on lands operated by PAJ's subsidiary companies: Kingston Free Zone, Jamaica International Free Zone and Montego Free Zone. PAJ continued to invest in the BPO sector across FY 2019/20. For this Financial Year, the completion of the Portmore

Informatics Park (PIP) in St. Catherine was an area of primary focus. This modern facility provides an additional 157,000 sq. ft. of building space and is estimated to create an additional 4,000 jobs when fully occupied. Marketing efforts are well underway and it is anticipated that full occupancy will be achieved by the end of FY 2020/21.

Based of the GOJ's directive, the PAJ reviewed its options for monetising BPO related assets. This initiative is geared at monetising some of the real estate investments made by PAJ in constructing BPO facilities island wide.

The tables below reflect the performance of the SEZ Subsidiaries Operations:

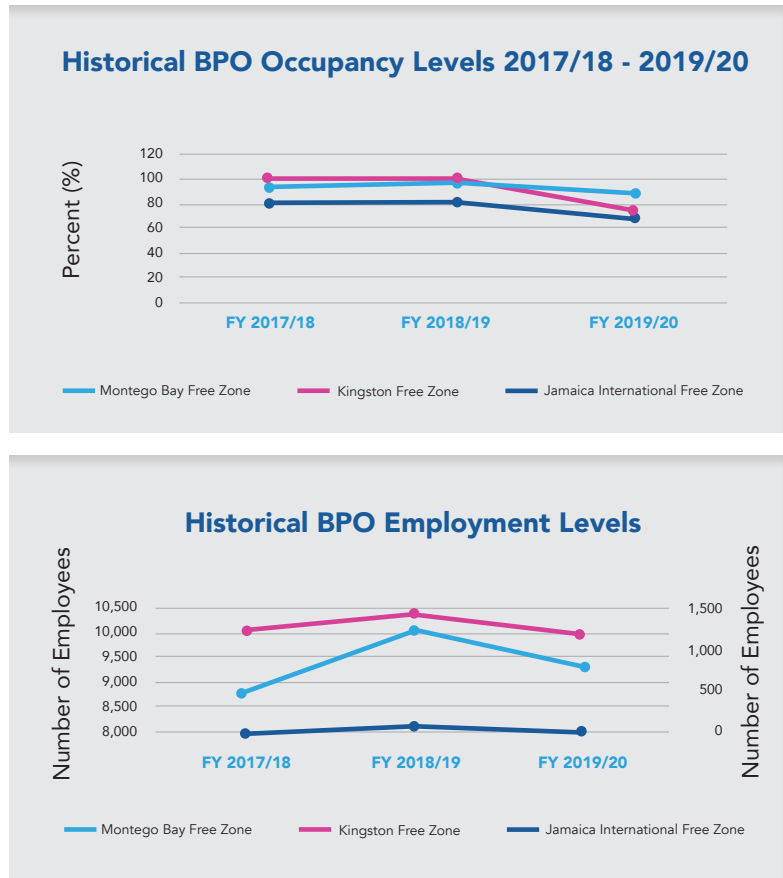
SPECIAL ECONOMIC ZONE OPERATIONS: Operators & Employment as at 31 March 2020

Number of Operators/ Lessees	BPO	Other	31-Mar-20	31-Mar-19	% Change
Montego Bay Free Zone	19	26	45	48	-6%
Kingston Free Zone/Portmore Informatics	2	33	35	33	6%
Jamaica International Free Zone	nil	1	1	3	-67%
Total	20	60	80	84	-5%
Employment					
Montego Bay Free Zone	8,968	391	9,359	10,033	-7%
Kingston Free Zone/Portmore Informatics	900	294	1,194	1,424	-16%
Jamaica International Free Zone	nil	77	80	77	4%
Total	9,868	762	10,663	11,534	-8%

SPECIAL ECONOMIC ZONE OPERATIONS: Available Space & Occupancy Levels At 31 March 2020

	AVAILABLE SPACE (sq. ft.)					USED SPACE (sq. ft.)					Occupancy (%)	
	BPO	Other Office	Factory, Warehousing & Distribution	Paved Area	Total	BPO	Other Office	Factory, Warehousing & Distribution	Paved Area	Total	31-Mar-20	31-Mar-19
Montego Bay Free Zone	461,931	nil	204,000	nil	665,931	390,233	nil	204,000	nil	594,233	89.2	97.9
Kingston Free Zone/Portmore Informatics	110,000	9,000	296,264	nil	415,264	11,000	9,000	291,764	nil	311,764	75.1	100.0
Jamaica International Free Zone	nil	68,791	34,801	348,803	452,395	nil	20,451	34,801	252,012	307,264	67.9	79.9
Total	571,931	77,791	535,065	348,803	1,533,590	401,233	29,451	530,565	252,012	1,213,261	-	-

Special Economic Zone Subsidiaries Overview



Port Centric Logistics

Jamaica’s geographical position in the Caribbean makes it an ideal place for transshipment cargo operations and logistics services. Therefore, the GOJ introduced the Global Logistics Hub Initiative (GLHI) as a ploy to maximise Jamaica’s location within the Caribbean. The GLHI was aimed at capitalising on the trade and business opportunities that emanated from the expansion of the Panama Canal.

With the development and investments taking place at the Port of Kingston to increase capacity and volumes, it is anticipated that the volumes of transhipped cargo would increase accordingly.

The PAJ has invested significantly in this concept and the Kingston Logistics Park (KLP) is expected to be the

standard-bearer. The KLP is expected to attract foreign investors who would assist in the development, operations and maintenance of the facilities for a contracted period.

Firms are expected to be involved in the manufacturing, assembling, warehousing and distribution of goods. These value-added activities are to be provided at the KLP, thus making Kingston an integral aspect of global supply chains for many firms.

Proof of the Authority’s commitment to the development of the Logistics Industry in Jamaica is the development of a modern 200,000 sq. ft. facilities that is to be completed and fitted by the end of FY 2020/21.





Port Community System (PCS)

The PCS is an electronic platform that was geared at fostering integration and transparency between members of the port community. Through collaboration with major stakeholders, including Jamaica Customs, the platform targeted improvements in productivity and efficiency when dealing with trade and cargo logistics activities.

The PCS is integrated with the Jamaica Customs Automated System for Customs Data (ASYCUDA) and together both systems cut back on the paperwork and manual tasks that are usually required. The PCS enhances Jamaica's imports/exports and transshipment activities through increased functional readiness.

Since the launch of the PCS in January 2016 many goals have been accomplished:

- Launch of the Transshipment Module
- All Shipping Agents within Jamaica utilise the PCS
- Implementation of the Maritime Import Module
- Implementation of PCS Gate Out Authorisation (Kingston)
- Data Recovery Site which provides geographic redundancy

Over the last Financial Year, the PCS Operations Unit continued the necessary work required to fully implement the PCS by year end FY 2020/21.

Activities during the last financial year included:

- Monthly training sessions with stakeholders and how to use the PCS System efficiently
- Implementation of the Maritime Export Module (Kingston)
- PCS Manifests are also being delivered to and used by a Container Terminal and two major Warehouse Operators.

It is anticipated that during the next financial year the PCS will see upgrades that includes:

- Implementation of the Maritime Export Module at all ports
- Implementation of a Truck Appointment System (TAS) to reduce congestion at ports
- Implementation of an Import Module for the Airport Community

Corporate Social Responsibility

Environmental Activities

The PAJ has undertaken an integrative approach in the execution of its development mandate while addressing the main challenges of Vision 2030 Goal 4 which is focused on achieving a healthy natural environment for Jamaica.

Locally, pollution of the Kingston Harbour negatively impacts not only the fisheries and ecosystems within the Harbour but also the maritime community. As part of private sector collaboration on environmental conservation, the PAJ is an avid participant in the Grace Kennedy Foundation (GKF) Clean Harbour Initiative which aims to improve the water quality of the Kingston Harbour and its environs.

The PAJ also collaborated with the Port Royal Community Development Committee (CDC) and assisted with the cleanup of Foreshore Road Beach.

The PAJ continues to incorporate developmental considerations due to climate change, with coastline projects having to account for sea level rise in their design as well as the ability to withstand tropical storms and hurricanes. Other resilience strategies include water and energy conservation measures such as rainwater harvesting in development projects to deal with the impact of climate change. This is exemplified in the Portmore Informatics Park – BPO development currently underway.

The PAJ has also made investments in capacity building regarding climate resilience through various workshops. These include the Ministry of Tourism Climate Change workshop for Tourism Stakeholders. Staff was also trained in the use of the Caribbean Climate Online Risk Adaptation Tool (CCORAL), which would enable decision makers to identify actions that minimize climate-related loss.



PAJ staff and other participants at the beach clean-up in Foreshore Road Beach.



Mrs. Juliet Campbell-McPherson, principal of the St. Michael's Primary School, Mrs. Diana Brown of the PAJ (back centre) and students at the school's annual Sports Day, held on April 11, 2019. PAJ donated refreshments towards the event.

Inter-agency and academic collaboration in environmental activities were also highlighted during the year with the National Tree Planting Day activities which was held in October. The PAJ in collaboration with the Urban Development Corporation (UDC) and the University of the West Indies (UWI) planted mangrove seedlings in the Palisadoes-Port Royal Protected Area.

Breakfast Programme

The breakfast feeding programme is one of the Port Authority's premier community outreach programmes from which three inner city schools benefit, namely, Trench Town Primary, Calabar Primary and St. Michael's Primary, all located in Kingston.

Other CSR Activities

- Rehabilitation of the Port Royal Jetty
- Upgrades to the Port Royal Basic School infrastructure



Renovated outdoor facilities of the Port Royal Basic School.



The PAJ rehabilitated the Jetty located in Port Royal for the benefit of residents.



Upgrades to the Computer Room at Port Royal Basic School.





Our People

TRAINING AND DEVELOPMENT

The Human Resource and Administration Department provides employees with opportunities for personal and professional growth through education, training, and workplace experiences while also supporting the organization's goals and mission.

Highlights

Executives received training in Port Security Management, Business Analytics and Big Data, Governance Risk & Control, Emergency Preparation Response & Recovery, Digital Marketing and Social Media Analytics, Port Legislation, Operations and Management, among others.

Collaborated with the Caribbean Maritime University (CMU) to provide seamen with refresher courses and recertification of seamen licences.

Partnered with the Heart Foundation of Jamaica to deliver cardiopulmonary resuscitation (CPR) and First Aid training, to select members of staff. Training areas included, control of blood flow, bandage injuries and CPR procedures which are critical skills needed to respond to and prepare for emergencies.

Partnered with HEART/Housing Opportunity, Production and Employment (HOPE) Programme to provide unattached youths with work experience, with a view to helping with their personal and professional development and to further prepare them to become productive members of society.

Partnered with the Management Institute for National Development (MIND), to provide supervisors with Performance Management training, to strengthen their knowledge of employee performance management functions, and to equip them with the requisite skills to prepare and manage the process effectively.



Heart Foundation of Jamaica delivers cardiopulmonary resuscitation (CPR) and First Aid training to PAJ employees. 1st row: from left: Marvalyn Clarke, Instructor Shaniel Dennis-Blackwood, Maxine Burton 2nd row: Shaday Buchanan, Doniesh Wright, Lishan Rainford, Mishonie Swack, Tanique Hayles, Annette Fearon, Carla Davy. 3rd Row: Andre Crooks, Daniel Lewis, Cassius McDonald, Sharada Palmer, Lance Hartley



Performance Management Training for Harbours Department Supervisors conducted in March 2020.





The Honourable Prime Minister's visit to the HOPE Interns at the PAJ's Harbours Department.



Co-ordinator of the HOPE Programme, Mrs. Diana Brown introduces intern Kemar Campbell to Prime Minister, Hon. Andrew Holness, during a meet and greet session.



Staff representatives from Kingston and St. James, participated in a port tour at the newly developed Historic Naval Dockyard in Port Royal.



Team PAJ at the 2020 Sagicor Sigma Run.

PAJ partnered with the University of the West Indies (UWI) and the University of Technology (UTECH) to provide training opportunities for student at the 3rd year level, through the Authority's Work Experience Programme. The general purpose is to assist in their transition process and to give them insight into workplace dynamics.

Worked in partnership with the International Procurement Institute (INPRI) to provide specialized training and education, in keeping with the GOJ Procurement Guidelines.

HOPE PROGRAMME

In July 2019, The Most Hon. Andrew Holness visited the PAJ's Harbours Department, to observe the HOPE interns in training during a meet and greet session.

TOUR OF PAJ FACILITIES

A priority of the Authority is to ensure that all new and current employees are given the opportunity to learn about the Authority's businesses.

In an extensive and interactive on-boarding exercise, new employees are able to tour selected sites owned and operated by the Authority. Mr. Dion Chance, facility manager at the Ocho Rios Fishing Village, conducted a tour of the facility during a staff port tour. The Ocho Rios Fishing Village was one of the sites visited by employees. Employees also toured the Falmouth Cruise Ship Terminal, Montego Bay Free Zone and Historic Naval Dockyard in Port Royal.

SPORTS

Corporate 5K Events

The PAJ sponsored and participated in several corporate walk/run 5K events. These included Digicel Foundation Run for Special Needs, Sagicor SIGMA Run, CB Group UWI 5K and Smart Kids 5K.



Business House Competitions

The Port Authority entered the 2019 Business House Domino Competition and competed against other corporate entities. The team played a total of twelve (12) matches involving nine (9) league matches and three (3) knockouts. The PAJ exited the tournament in the quarter final round of the League.

The PAJ Five-A-Side Football Team had a successful Business House Competition campaign. Their journey ended at the quarter final round. At the award ceremony, Mr Delon White was recognised as the lead goal scorer in Division 2.

The Association of Sports & Cultural Clubs of Caribbean Port Authorities (ASCCCPA)

The ASCCCPA consists of the following ten (10) member countries across the region: Barbados, Trinidad & Tobago, St. Vincent and the Grenadines, St. Kitts & Nevis, St. Lucia, Grenada, Antigua & Barbuda, British Virgin Islands, Dominica and Jamaica.

The Association hosts a sporting event each year, on a rotating basis among the countries. PAJ employees have developed networks with the other Port Authorities in the region to communicate with and gain insights into some of the social and cultural issues common to the various authorities.

STAFF WELFARE ACTIVITIES

Pensioners' Function

The PAJ continues to provide lifetime health insurance for our pensioners in recognition of their vulnerability in a challenging economic climate. Through the pensioners support initiative, they are assisted with grocery expenses twice per year, once in Easter and in Christmas.

The annual Pensioners Luncheon is a much-anticipated event which gives pensioners an opportunity to share a meal and reminisce with colleagues and management. The Luncheon held on December 18, 2019 was attended by 70 retirees.



PAJ's Domino Team accompanied by the team's managers at the Pilotage Department.



Mr. Delon White, receives the "Leading Goal Scorer" trophy for scoring 24 goals during the Business House Football competition.



PAJ Football Team and Coach at one of the 2019 Business House Five-a-Side Football Competition, held at the NWC Playfield in Mona.



PAJ representatives at the 2019 Annual Port Games – Grenada, June 2019





Trustee and MC, of the Appreciation Function, Capt. Hopeton Delisser interacting with Retirees



PAJ employees who participated in the inaugural Fit Fest Thursday as part of the organisation's wellness activities.

The pensioners are former employees of the PAJ, Kingston Container Terminal and Kingston Terminal Operators and were addressed by the President & CEO.

Wellness Programme

The Human Resource & Administration Department hosts an annual Health Fair to help promote healthier lifestyles among employees. The event was held over the period October 15 - November 15, 2019 and included activities such as cardiovascular and cancer screening, dermatology, optical and medical services. There was also a presentation on "Mental Health".

On November 7, 2019, the grounds of the Pilotage Department came alive when the first Fit Fest Thursday was held under the theme "Soca Reggae Workout & Lyme". Business entities such as Cari-Med, Herbal Life and Facey Commodity provided participants with samples of their products. Spa on the Go also provided free back massages.

Scholarship for Employees' Children

The Port Authority assisted children of employees to pursue educational opportunities through the award of scholarships tenable at approved secondary schools and tertiary institutions for the 2019-20 academic year. The value of each scholarship was \$60,000 (secondary) and \$250,000 (tertiary).

The students had the highest grades in the Primary Exit Profile Examinations or were already enrolled in a school with at least an A- average for their most recent final semester exams were awarded at the secondary level. Newly matriculated entrants to a recognised university or full-time students already enrolled in a tertiary programme who attained at least a 3.0 grade point average in the previous year of study were assessed for assistance at the tertiary level.

An Evaluation Committee comprising a representative from HR, the employee's bargaining unit/ union, and the Internal Audit department reviewed applications in accordance with the guidelines and recommended the following awards:

Department/Subsidiary	Institution
Tertiary Scholarships	
Falmouth Cruise Port Engineering Montego Bay Free Zone	Montego Bay Community College University of Technology Sam Sharpe Teachers' College
Secondary Scholarships	
Finance Harbours Finance Business Management and Special Projects	Wolmer's Boys Wolmer's Boys Wolmer's Boys Immaculate Conception



WE WILL RISE.





Financial



Financial Review

Year Ended March 31, 2020

FINANCIAL HIGHLIGHTS

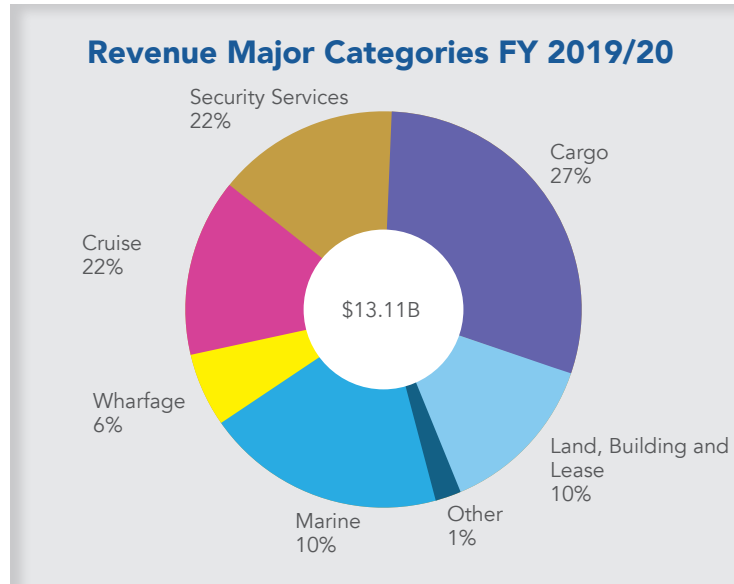
REVENUE

Revenue for FY 2019/20 was \$13.11 billion, a reduction of \$629.40 million or 5% over 2019 (\$13.74 billion). Major revenue segments with increases were Cargo (4%), Leases (7%) and Wharfage 6%. Cruise revenue reduced by 19% due to the fall off in passenger arrivals for quarter January to March 2020 with the onset of COVID-19 pandemic.



Table1: Revenue

Revenue	Mar. 2020	Mar. 2019	Increase/ Decrease over Mar. 2019	% of Mar. 2020 Revenue	% of Mar. 2019 Revenue
	\$'000	\$'000	%	%	%
Cargo	3,539,974	3,412,051	4%	27.0%	24.8%
Cruise	2,915,469	3,618,426	-19%	22.2%	26.3%
Wharfage	843,956	794,880	6%	6.4%	5.8%
Marine	1,329,218	1,620,240	-18%	10.1%	11.8%
Land, building and equipment lease	1,364,256	1,272,700	7%	10.4%	9.3%
Security services	2,928,566	2,786,986	5%	22.3%	20.3%
Other	186,844	230,396	-19%	1.4%	1.7%
Operating Revenue	13,108,283	13,735,679	-5%	100.0%	100.0%



EXPENSES

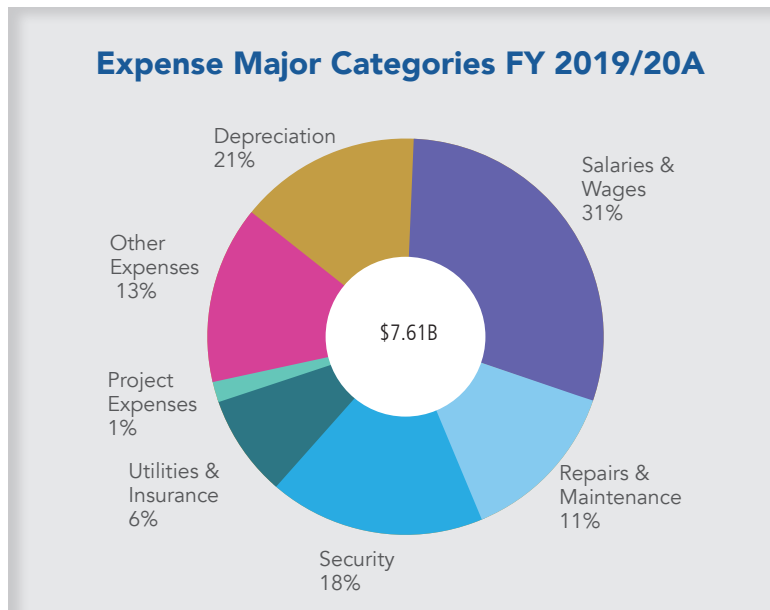
Expenses of \$7.61 billion reduced by \$638.59 million or 7.74% over 2019 (\$8.25 billion). Includes: direct expenses of \$4.73 billion, 2019 (\$4.66 billion) and administrative \$2.83 billion: 2019 (\$3.59 billion).

Direct operating expense of \$4.73 billion increased by \$64.34 million or 1.4% over 2019 (\$4.66 billion). Includes depreciation \$1.57 billion, 2019 (\$1.19 billion), security expense \$1.4 billion, 2019 (1.05 billion), Staff cost \$673.24 million, utility \$217.36 million repairs and maintenance \$282.56 million.

Administrative expenses of \$2.83 billion reduced by \$759.80 million or 26.84% over 2019 (\$3.59 billion). Staff cost of \$1.61 billion (56.89%), 2019 (\$1.70 billion) or 43% is the major expense item.

Table 2: Operating Expenses

Operating Expenses	Mar. 2020	Mar. 2019	Increase/ Decrease over Mar. 2019	% of Mar. 2020 Ex- penses	% of Mar. 2019 Expenses
	\$'000	\$'000	%	%	%
Salaries & Wages	2,330,716	2,463,902	-5%	31%	30%
Repairs & Maintenance	828,137	1,137,539	-27%	11%	14%
Tug Hire	0	178,268	-100%	0%	2%
Security	1,398,147	1,046,199	34%	18%	13%
Utilities & Insurance	460,192	575,986	-20%	6%	7%
Project Expenses	51,457	508,132	-90%	1%	6%
Other Expenses	977,961	1,155,296	-15%	13%	14%
Total Operating Expenses	6,046,610	7,065,322	-14%	79%	86%
Depreciation	1,568,312	1,188,190	32%	21%	14%
Total Expenses	7,614,922	8,253,512	-8%	100%	100%



PROFIT BEFORE TAXATION

Profit before taxation of \$3.11 billion, a reduction of 52% \$2.34 billion, 2019 (\$5.44 billion). Main items contributing to this reduction includes:

Unrealized foreign exchange loss of \$1.572 billion on long term loans, 2019 (\$227.68 million). During the period JMD vs USD depreciated by average of J\$8.924 (10.70%).

Other gains of \$1.26 billion include \$921.52 million gain on revaluation of investment property, 2019 (\$1.31 billion).

Finance and Interest cost of \$2.03 billion, 2019 (\$1.80 billion)

Taxation for the year of \$202.06 million, 2019 (225.21 million).

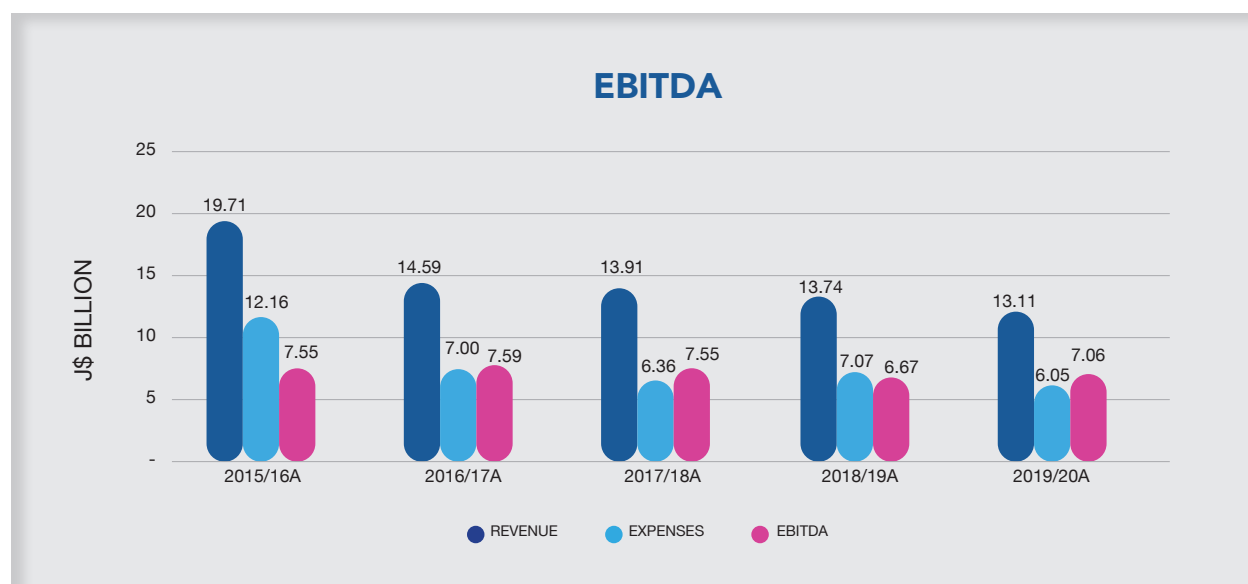
OVERVIEW OF PERFORMANCE ON OPERATING INCOME, EXPENSES & EARNINGS BEFORE INTEREST TAX AND DEPRECIATION (EBITDA)

TOTAL COMPREHENSIVE INCOME

Total Comprehensive Income (TCI) for the year was \$2.89 billion, a reduction of \$2.26 billion (52%), compared to earnings in 2019 (\$5.15 billion). This includes \$451 million of non-controlling interest, 2019 (378.61 million).

EARNINGS BEFORE TAX INTEREST AND DEPRECIATION (EBITDA)

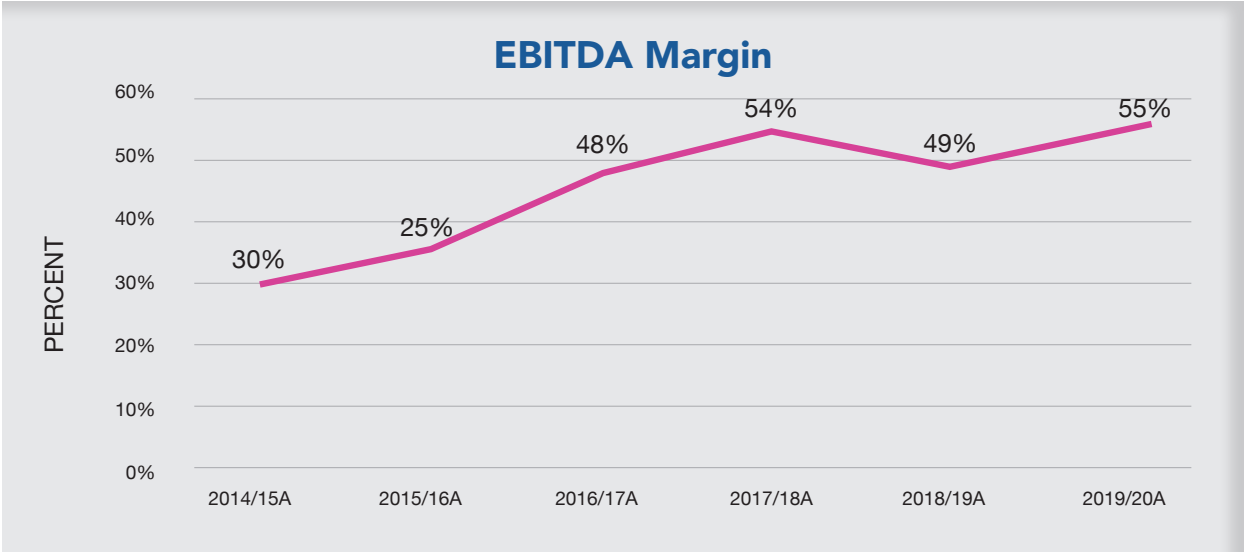
Comparative financial performance of the Authority for the last five (5) years ended March 31, 2020 based on EBITDA (adjusted for non cash gains) is illustrated in the graph below.



The Group's Earnings of \$6.75 billion before interest (\$1.8 billion), Tax (\$225 million), Depreciation and Amortization (\$1.2 billion) (EBITDA) was \$6.75 billion at March 31, 2020 and has remained positive over the five (5) year period. 2019 (\$6.67)

EBITDA MARGIN

The EBITDA margin increased over the past 4 years, and remained relative stable, increasing by 6% to 55%, 2019 (49%). The financial performance of the Group is expected to improve in the medium to long term based on the investments in its core businesses, to grow revenue and improve operating efficiency.



EXCHANGE LOSS ON FOREIGN CURRENCY LOANS

In compliance with International Financial Reporting Standards (IFRS), The Authority converts its foreign currency loans to Jamaican dollars (J\$) at the year-end exchange rate. March 2020:US\$1= J\$135.39 (2019: US\$1= J\$126.47). Approximately 52% of the Authority's long-term loans are denominated in foreign currency mostly USD, 2019 (68%).

Net unrealised exchange loss at year end was \$1.57 billion due to the conversion of foreign currency loans offset by \$364M net exchange rate gain on US\$ cash, receivables and payables.

Approximately 90% of the Authority's annual income is denominated and collected in USD and or J\$ equivalent, while operating expenses are mainly JMD. This provides a natural currency hedge, thereby reducing the overall exchange rate risks. As part of the strategy to manage the exchange rate risks, all new loans are in J\$. Within the next financial year, all foreign currency loans will be fully paid out, except the PetroCaribe, and the PAJ is working with the lender to covert the loan to J\$.



STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

TOTAL ASSETS

The total asset of the Group at March 2020 was \$74.01 billion, an increase of \$1.71 billion (2.36%) , 2019 (\$72.31 billion). Property, Plant and Equipment (PP&E) \$42.69 billion, continues to be the highest value class of assets, representing 58% of the total assets, investment property of \$22.18 billion (29.98%) and cash and short term investments of \$4.68 billion (6.33%). The following summarizes the main assets and changes for the year:

Property Plant and Equipment (Note 5)

Property plant and equipment of \$42.69 billion increased by net \$2.49 billion (net of \$1.66 billion depreciation), was due mainly to the investment in the business units, cruise, cargo, BPO and marine services, with construction and upgrade of infrastructure, Cargo (New berth) was built in the Port of Montego Bay, Cruise new cruise terminal built in Port Royal, and work continued in Ocho Rios Reynolds Pier facilities and for the Business Process Outsourcing and the logistic building, construction of the buildings are substantially completed.

Investment Properties (IP) (Note 7)

Investment Property value of J\$22.19 billion, increased by \$2.11 billion, due mainly to to fair value gain on valuation undertaken as required by IFRs.

Other Investments (Note 10)

Other investment value of \$1.50 billion, reduced by \$55.63 million. This is the value of hypothecated funds held in trust for additional security as per loan agreement, such as European Investment Bank (EIB). The EIB loan will be fully paid out on July 15, 2020.

Trade and Other Receivables (Note 15)

The value of \$2.19 billion, reduced by \$577.45 million. Net of IFRS 9 Impairment losses of \$133 million. Regular reviews are performed on all receivables to ensure that amounts are collected within the agreed credit term.

Cash and Short Term Deposits (Note 16)

Cash and short-term deposits of \$4.69 billion decreased by \$2.61 billion. The reduction is due mainly to the decline in investment in capital projects during the year.

TOTAL EQUITY & LIABILITIES

Total equities and liabilities was \$74.13 billion, an increase of \$1.71 billion, 2019 (72.31 billion). This is comprised of equity \$37.13 billion (50.17%) of the total, of which \$2.84 billion is non-controlling interest. Non Current liabilities of \$31.34 billion (42.34%): 2019 (\$29.98 million) and Current Liabilities of \$5.54 billion: 2019 (\$8.08 billion). See details on each major balance below.

Non Current Liabilities

No current Liabilities of \$31.33 billion includes:

Long Term Loan of \$29.40 billion increased by \$842 million. Total Loan balance of \$32.06 billion includes current portion of \$2.66 billion. The increase is due mainly to a new loan of J\$5.05 billion, used to repay previous loan of US\$27.7 million. and provide J\$1 billion working capital to for financing of key projects which includes Port Royal and construction of new berth at the Cargo Port of Montego Bay.

Current Liabilities (Note 23)

Current liabilities of \$5.54 billion was reduced by \$1.38 billion: 2019 (\$8.08 billion). It includes:

- Current portion of long term loan \$2.66 billion: 2019 (\$4.04 billion). The reduction is due mainly to the refinancing of US\$ loan (11yrs @10% per.annum) with with longer term \$J loan 25 yrs @ 8.15%). The amount includes mainly accrual for capital projects and other operating expendiutes.
- Trade and other payments of \$2.67 billion includes

SUBSIDIARIES, COMPANIES

As at March 31, 2020, the value of non-controlling interest in the subsidiary companies was net assets of \$7.26 billion: 2019 (\$6.19 billion) and net profits of \$1.07 million: 2019 (\$1.02 billion).

EQUITY

The Group's equity of \$34.29 billion at March 2020 (excluding non-controlling interest of \$2.84 billion) increased by \$2.44 billion (7.65%). 2019 (\$31.85 billion).





Directors' Compensation

April 2019 - March 2020

Name	Position	Board Fees	Committee Fees	Motor Vehicle Upkeep Traveling or Value of Assignment of Motor Vehicle	Honoraria	All Other Compensation including Non-Cash Benefits	TOTAL
Janine Dawkins	Director	70,000	36,800	19,881	Nil	Nil	126,681
Alston Douglas	Director	107,000	13,800	15,040	Nil	Nil	135,840
Edward Gabbidon	Director	93,000	50,600	20,266	Nil	Nil	163,866
Mark Hart	Director	70,000	13,800	89,300	Nil	Nil	173,100
Velma Ricketts-Walker	Director	65,000	6,900	11,938	Nil	Nil	83,838
Gordon Shirley (Note 1)	Director	Nil	Nil	Nil	Nil	Nil	Nil
Lyttleton Shirley	Director	84,000	57,500	20,492	Nil	Nil	161,992
Jerome Smalling	Director	102,000	41,400	5,264	Nil	Nil	148,664
Mark Tracey	External Committee Members	Nil	13,800	414	Nil	Nil	14,214
Roxann Linton	External Committee Members	Nil	32,200	1,297	Nil	Nil	33,497
Donald Patterson (Note 2)	External Committee Members	Nil	Nil	Nil	Nil	Nil	Nil
TOTAL		591,000	266,800	183,892	Nil	Nil	1,041,692

Note: 1 Professor Gordon Shirley is an employee of the PAJ and does not earn Board Fees.

2 Compensated as a Consultant to the PAJ.





Executive Emoluments

April 2019 - March 2020

Name & Position of Senior Executive	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Seniority and Retroactive Payments & Other Allowances (\$)	Non-Cash Benefits (\$)	TOTAL (\$)
Gordon Shirley – President & CEO	23,616,301.20	5,904,075.30	2,464,280.40	Nil	5,332,407.74 (Note 1)	Nil	37,317,064.64
Elva Williams-Richards SVP Finance & Information Services	13,451,024.40	3,410,009.46	4,264,001.28	Nil	3,105,590.45	Nil	24,230,625.59
Dr. Carrol Pickersgill SVP Legal, Regulatory & Corporate Affairs	13,451,024.40	3,362,755.92	4,264,001.28	Nil	3,330,678.45	Nil	24,408,460.05
Mervis Edghill SVP Engineering & Port Development	13,451,024.40	3,410,009.46	4,264,001.28	Nil	4,079,692.07	Nil	25,204,727.21
David Powell Chief Group Internal Auditor, Assurance & Risk Management Services	11,038,053.48	2,822,441.93	4,264,001.28	Nil	4,760,055.86	Nil	22,884,552.55
Edmond Marsh VP Business Development	11,038,053.48	2,830,638.10	3,443,753.76	Nil	3,698,173.09	Nil	21,010,618.43
Capt. Hopeton Delisser VP Harbours & Port Services	11,038,053.48	2,814,406.50	3,443,753.76	Nil	3,667,480.34	Nil	20,963,694.08
Capt. Sydney Innis VP Security & Safety	11,038,053.48	2,759,513.37	3,443,753.76	Nil	97,925.00	Nil	17,339,245.61
Belinda Ward VP Human Resource & Administration	11,038,053.48	Nil	3,443,753.76	1,401,522.92 (Note 2)	982,469.36	Nil	16,865,799.52
Wilburn Pottinger VP Information Systems (Note 3)	1,839,675.58	3,795,820.59	573,958.96	Nil	3,453,565.40	Nil	9,663,020.53
William Tatham VP Cruise Shipping & Marina Operations	11,038,053.48	5,261,781.70	3,443,753.76	Nil	3,345,749.04	Nil	23,089,337.98
Ishmael Leon VP Finance	11,038,053.48	2,774,138.00	3,443,753.76	Nil	3,675,888.26	Nil	20,931,833.50
Gary Lawrence VP Engineering	11,038,053.48	2,774,138.00	3,443,753.76	Nil	3,693,820.35	Nil	20,949,765.59
Flora Garth VP Materials Management	10,571,818.92	Nil	3,443,753.76	1,261,652.60 (Note 2)	60,650.00	Nil	15,337,875.28
Dwain Powell Director, Port Community System	9,833,614.25	2,609,212.89	3,443,753.76	Nil	835,697.05	Nil	16,722,277.95
Norman Lindo VP Information Systems	6,879,836.43	1,719,959.11	2,582,815.32	Nil	50,000.00	Nil	11,232,610.86
Paul Robertson Snr. Director, Government Relations (Note 3)	Nil	Nil	Nil	Nil	1,075,445.00	Nil	1,075,445.00
TOTAL	181,398,747.42	46,248,900.33	53,670,843.64	2,663,175.52	45,245,287.46	Nil	329,226,954.37

Note:

1 This represents security and other expenses paid as per contract.

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

3 Employee retired from the organisation.





Financial Statements

Year Ended March 31, 2020 (Expressed in Jamaican dollars)

Contents

- 66 **Independent Auditor's Report**
- 70 **Consolidated Statement of Financial Position**
- 71 **Consolidated Statement of Profit and Loss and Other Comprehensive Income**
- 72 **Consolidated Statement of Changes in Equity**
- 73 **Consolidated Statement of Cash Flows**
- 75 **Separate Statement of Financial Position**
- 76 **Separate Statement of Profit and Loss and Other Comprehensive Income**
- 77 **Separate Statement of Changes in Equity**
- 78 **Separate Statement of Cash Flows**
- 80 **Notes to the Financial Statements**







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INDEPENDENT AUDITOR'S REPORT

To the Directors of
THE PORT AUTHORITY

Opinion

We have audited the financial statements of The Port Authority ("the Authority") comprising the separate financial statements of the Authority and the consolidated financial statements of the Authority and its subsidiaries ("the Group"), set out on pages 5 to 103, which comprise the Group's and Authority's statement of financial position as at March 31, 2020, the Group's and Authority's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Authority as at March 31, 2020, and of the Group's and Authority's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford

Nigel R. Chambers
Nyssa A. Johnson
W. Gihan C. De Mel

Wilbert A. Spence
Rochelle N. Stephenson
Sandra A. Edwards





INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Directors of
THE PORT AUTHORITY

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Directors of
THE PORT AUTHORITY

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.





INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Directors of
THE PORT AUTHORITY

Auditors' Responsibilities for the Audit of the Financial Statements_(Continued)

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

KPMG

Chartered Accountants
Kingston, Jamaica

August 18, 2020



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position

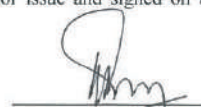
March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	2020 \$'000	2019 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	5	41,956,356	40,199,717
Right-of-use assets	6	190,503	-
Investment properties	7	22,188,426	20,078,654
Intangible assets	8	952,620	9,215
Investment in associates	9(a)	256,837	215,837
Other investments	10	1,501,320	1,556,951
Long-term receivables	11	31,148	26,915
Retirement benefit asset	12	11,498	51,100
Deferred tax assets	13	<u>52,382</u>	<u>24,660</u>
		<u>67,141,090</u>	<u>62,163,049</u>
CURRENT ASSETS			
Inventories	14	91,478	79,469
Trade and other receivables	15	2,187,265	2,764,607
Cash and short-term deposits	16	<u>4,685,719</u>	<u>7,299,582</u>
		<u>6,964,462</u>	<u>10,143,658</u>
TOTAL ASSETS		<u>74,105,552</u>	<u>72,306,707</u>
EQUITY AND LIABILITIES			
Equity			
Reserves	17	6,481,080	6,798,821
Retained earnings	18	<u>27,849,366</u>	<u>25,056,088</u>
		34,330,446	31,854,909
Non-controlling interests	19	<u>2,822,195</u>	<u>2,390,146</u>
		<u>37,152,641</u>	<u>34,245,055</u>
NON-CURRENT LIABILITIES			
Retirement benefit liability	12	623,770	610,979
Long-term liabilities	20	29,401,938	28,559,815
Lease liabilities	6	143,996	-
Deferred income	21	1,164,345	806,440
Deferred tax liabilities	13	<u>8,059</u>	<u>2,445</u>
		<u>31,342,108</u>	<u>29,979,679</u>
CURRENT LIABILITIES			
Provisions	22	153,827	126,815
Current portion of long-term liabilities	20	2,655,245	4,039,449
Current portion of lease liability	6	63,929	-
Trade and other payables	23	2,737,002	3,915,387
Bank overdrafts (unsecured)		<u>800</u>	<u>322</u>
		<u>5,610,803</u>	<u>8,081,973</u>
TOTAL EQUITY AND LIABILITIES		<u>74,105,552</u>	<u>72,306,707</u>

The financial statements, on pages 5 to 103 were approved for issue and signed on behalf of the Board of Directors on August 11, 2020 by:

 Corporate Secretary
Dr. Carrol Pickersgill

 President
Professor Gordon Shirley

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Consolidated Statement of Profit and Loss and Other Comprehensive Income
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
Revenue	24	13,108,283	13,735,679
Expenses:			
Direct operating	25(a)	(4,757,546)	(4,662,514)
Administrative	25(b)	(2,792,683)	(3,590,998)
		(7,550,229)	(8,253,512)
		5,558,054	5,482,167
Share of associated companies' results	9(a)	41,000	30,897
Interest income	28(a)	123,633	98,704
Gains and losses:			
Foreign exchange losses on loans	26	(1,571,894)	(227,686)
Other gains	26	1,265,625	1,991,614
Impairment gain on investments	32(b)	3,754	1,919
Impairment losses on trade receivables	15	(263,410)	(132,786)
Interest expense on lease liabilities	6(c)	(18,981)	-
Finance charges and interest on loans	25(c)	(2,032,237)	(1,804,972)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		3,105,544	5,439,857
Taxation	27(a)	(181,819)	(225,210)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS	28	2,923,725	5,214,647
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	9(b)	-	(10,939)
NET PROFIT FOR THE YEAR		2,923,725	5,203,708
Items that will not be reclassified to profit or loss			
Remeasurement losses on retirement benefit plans, net of related tax being other comprehensive loss for the year	12(d),13	(16,139)	(53,747)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,907,586</u>	<u>5,149,961</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
The Authority		2,491,676	4,825,099
Non-controlling interest		<u>432,049</u>	<u>378,609</u>
		<u>2,923,725</u>	<u>5,203,708</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
The Authority	29	2,475,537	4,771,352
Non-controlling interest		<u>432,049</u>	<u>378,609</u>
		<u>2,907,586</u>	<u>5,149,961</u>

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, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	Notes	Fixed Assets							Total	Retained	Non-Controlling			
		General	Capital	Development	Equalisation	Stabilisation	Replacement	Insurance	Wharfage	Reserves	Earnings	Total	Interests	Total
		17(a)	17(b)	17(c)	17(d)	17(e)	17(f)	17(g)	17(h)	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at March 31, 2018		359,450	5,089,330	305,150	1,630	32	657,333	151,766	183,088	6,747,779	20,343,789	27,091,568	2,011,537	29,103,105
Net profit		-	-	-	-	-	-	-	-	-	4,825,099	4,825,099	378,609	5,203,708
Other comprehensive loss net of related tax	12(d)	-	-	-	-	-	-	-	-	-	(53,747)	(53,747)	-	(53,747)
Total comprehensive income		-	-	-	-	-	-	-	-	-	4,771,352	4,771,352	378,609	5,149,961
Transfers to reserves of managed operations		-	-	-	-	-	48,246	-	2,796	51,042	(51,042)	-	-	-
Transaction with owners:														
Transfer to the Government of Jamaica Consolidated Fund	36	-	-	-	-	-	-	-	-	-	(8,011)	(8,011)	-	(8,011)
Balances at March 31, 2019		359,450	5,089,330	305,150	1,630	32	705,579	151,766	185,884	6,798,821	25,056,088	31,854,909	2,390,146	34,245,055
Net profit		-	-	-	-	-	-	-	-	-	2,491,676	2,491,676	432,049	2,923,725
Other comprehensive loss net of related tax	12(d)	-	-	-	-	-	-	-	-	-	(16,139)	(16,139)	-	(16,139)
Total comprehensive income		-	-	-	-	-	-	-	-	-	2,475,537	2,475,537	432,049	2,907,586
Transfers to reserves of managed operations		-	-	-	-	-	71,262	-	4,988	76,250	(76,250)	-	-	-
Reserves utilised		-	-	-	-	-	(114,803)	(114,266)	(164,922)	(393,991)	393,991	-	-	-
Balances at March 31, 2020		359,450	5,089,330	305,150	1,630	32	662,038	37,500	25,950	6,481,080	27,849,366	34,330,446	2,822,195	37,152,641

2

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, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit from:			
Continuing operations		2,923,725	5,214,647
Discontinued operations		<u>-</u>	<u>(10,939)</u>
		2,923,725	5,203,708
Adjustments for:			
Depreciation	5	1,640,133	1,183,900
Amortisation	8	24,570	4,340
Depreciation on right-of-use assets	25(b)	49,732	-
Adjustment to property, plant and equipment	5	(1,237)	2,311
Write-off of property, plant and equipment	5	-	402,583
Loss/(gain) on disposal of property, plant and equipment	26	20,153	(197,949)
Increase in fair value of investment properties	7	(921,515)	(1,309,234)
Impairment losses on investments		-	(19,087)
Inventory provision	14	8,259	-
Interest income	28	(123,633)	(98,704)
Foreign exchange losses/(gains) (net)		1,670,613	187,327
Retirement benefit expense	12(d)	66,848	58,478
Retirement benefit adjustment	12(c)	-	(474)
Provision charge	22	112,813	106,711
Amortisation of deferred income	21	(47,902)	(47,902)
Impairment loss recognised on trade receivables (net)	15	274,552	132,786
Loan fees amortised		(21,404)	(15,717)
Taxation charge	27	181,819	225,210
Share of associates' results	9	(41,000)	(30,897)
Finance charge – Interest on lease liability	6(c)	18,981	-
Finance charges and interest on loans	25	<u>2,032,237</u>	<u>1,804,972</u>
		7,867,744	7,592,362
(Increase)/decrease in operating assets:			
Trade and other receivables		305,865	(44,623)
Inventories		(20,269)	12,537
Increase/(decrease) in operating liabilities:			
Trade and other payables		(1,099,884)	526,923
Retirement benefit contributions	12(c)	(28,072)	(46,272)
Increase in deferred income	21	405,807	248,547
Provisions utilised	22	<u>(85,801)</u>	<u>(81,764)</u>
Cash generated by operations		7,345,390	8,207,710
Income taxes paid		(284,949)	(286,346)
Interest paid		<u>(1,922,189)</u>	<u>(1,783,551)</u>
Net cash provided by operating activities		<u>5,138,252</u>	<u>6,137,813</u>

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



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		125,050	97,373
Acquisition of property, plant and equipment	5	(5,755,800)	(10,652,475)
Net proceeds on disposal of property, plant and equipment		183,880	232,949
Other investments (net)		54,214	(24,935)
Increase/(decrease) in long-term receivables		(7,309)	1,112
Acquisition of intangible assets	8	-	(8,575)
Net cash used in investing activities		<u>(5,399,965)</u>	<u>(10,354,551)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		5,053,000	9,190,540
Repayment of long-term loans		(7,261,711)	(7,301,741)
Payment of lease liabilities	6(d)	(68,411)	-
Decrease in prepaid credit insurance		6,093	27,104
Transfer to the Government of Jamaica Consolidated Fund	36	-	(8,011)
Net cash (used in)/provided by financing activities		<u>(2,271,029)</u>	<u>1,907,892</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,532,742)	(2,308,846)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,299,260	9,567,858
Effect of foreign exchange rate changes		(81,599)	40,248
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>4,684,919</u>	<u>7,299,260</u>
Cash and cash equivalents comprise:			
Cash and short-term deposits	16	4,685,719	7,299,582
Bank overdrafts (unsecured)		(800)	(322)
		<u>4,684,919</u>	<u>7,299,260</u>

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

THE PORT AUTHORITY

Separate Statement of Financial Position

March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	41,556,236	39,819,991
Investment properties	7	19,416,926	17,487,254
Intangible assets	8	952,311	8,827
Investments in subsidiary and associated companies	9(b)	30,508	30,508
Other investments	10	1,486,696	1,543,083
Long-term receivables	11	107,374	103,141
Retirement benefit asset	12(b)	<u>11,498</u>	<u>51,100</u>
		<u>63,561,549</u>	<u>59,043,904</u>
Current assets			
Inventories	14	91,478	79,469
Trade and other receivables	15	784,400	1,197,876
Cash and short-term deposits	16	<u>1,250,973</u>	<u>4,862,985</u>
		<u>2,126,851</u>	<u>6,140,330</u>
Total assets		<u>65,688,400</u>	<u>65,184,234</u>
EQUITY AND LIABILITIES			
Equity			
Reserves	17	6,475,087	6,792,828
Retained earnings	18	<u>23,168,315</u>	<u>21,074,747</u>
		<u>29,643,402</u>	<u>27,867,575</u>
Non-current liabilities			
Retirement benefit liability	12(d)	564,448	549,202
Long-term liabilities	20	29,360,025	28,487,747
Deferred income	21	<u>1,164,345</u>	<u>806,440</u>
		<u>31,088,818</u>	<u>29,843,389</u>
Current liabilities			
Provisions	22	128,287	107,323
Current portion of long-term liabilities	20	2,620,500	3,997,185
Trade payables and accruals	23	2,206,593	3,368,762
Bank overdrafts (unsecured)		<u>800</u>	<u>-</u>
		<u>4,956,180</u>	<u>7,473,270</u>
Total equity and liabilities		<u>65,688,400</u>	<u>65,184,234</u>

The financial statements, on pages 5 to 103 were approved for issue and signed on behalf of the Board of Directors on August 11, 2020 by:

 Corporate Secretary
Dr. Carrol Pickersgill

 President
Professor Gordon Shirley

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

THE PORT AUTHORITY

Separate Statement of Profit and Loss and Other Comprehensive Income
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
Revenue	24	9,801,895	10,646,685
Interest income	28(a)	44,853	58,187
Expenses:			
Direct operating	25(a)	(3,301,478)	(3,419,237)
Administrative	25(b)	(1,973,581)	(3,029,119)
Impairment adjustment on investments	32(b)	11,849	2,196
Impairment losses on trade receivables	15	(168,263)	(18,059)
Finance charges and interest on loans	25(c)	<u>(2,026,827)</u>	<u>(1,800,849)</u>
		2,388,448	2,439,804
Gains and losses:			
Foreign exchange losses on loans	26	(1,565,499)	(226,316)
Other gains	26	<u>976,581</u>	<u>1,945,921</u>
NET PROFIT FOR THE YEAR	28	<u>1,799,530</u>	<u>4,159,409</u>
OTHER COMPREHENSIVE LOSS:			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on retirement benefit plans	12(d)	<u>(23,703)</u>	<u>(53,240)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	29	<u>1,775,827</u>	<u>4,106,169</u>

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

THE PORT AUTHORITY

Separate Statement of Changes in Equity

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	General	Capital	Development	Equalisation	Stabilisation Fund	Fixed Assets Replacement	Insurance	Wharfage	Total Reserves	Accumulated Surplus	Total
Notes	17(a)	17(b)	17(c)	17(d)	17(e)	17(f)	17(g)	17(h)			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balances as at April 1, 2018	359,450	5,083,337	305,150	1,630	32	657,333	151,766	183,088	6,741,786	17,019,620	23,761,406
Net Profit	-	-	-	-	-	-	-	-	-	4,159,409	4,159,409
Other comprehensive loss	12(d)	-	-	-	-	-	-	-	-	(53,240)	(53,240)
Total comprehensive income	-	-	-	-	-	-	-	-	-	4,106,169	4,106,169
Transfers to reserves of managed operations	-	-	-	-	-	48,246	-	2,796	51,042	(51,042)	-
Balances at March 31, 2019	359,450	5,083,337	305,150	1,630	32	705,579	151,766	185,884	6,792,828	21,074,747	27,867,575
Net Profit	-	-	-	-	-	-	-	-	-	1,799,530	1,799,530
Other comprehensive loss	12(d)	-	-	-	-	-	-	-	-	(23,703)	(23,703)
Total comprehensive income	-	-	-	-	-	-	-	-	-	1,775,827	1,775,827
Reserves utilised	-	-	-	-	-	(114,803)	(114,266)	(164,922)	(393,991)	393,991	-
Transfers to reserves of managed operations	-	-	-	-	-	71,262	-	4,988	76,250	(76,250)	-
Balances at March 31, 2020	359,450	5,083,337	305,150	1,630	32	662,038	37,500	25,950	6,475,087	23,168,315	29,643,402

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

THE PORT AUTHORITY

Separate Statement of Cash Flows

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		1,799,530	4,159,409
Adjustments for:			
Interest income	28	(44,853)	(58,187)
Foreign exchange losses/(gains) (net)		1,494,408	261,811
Finance charges and interest on loans	25	2,026,827	1,800,849
Impairment losses on investment	32	-	(14,045)
Impairment loss recognised on trade receivables (net)	15	168,263	18,059
Impairment loss recognised on related party receivables	15	-	2,611
Increase in fair value of investment properties	7	(741,415)	(1,244,834)
Depreciation	5	1,509,218	1,165,411
Amortization	8	24,491	4,260
Loss/(gain) on disposal of property, plant and equipment	26	20,153	(197,949)
Provision for loss on inventory	14	8,259	-
Write-off of property, plant and equipment	5	-	402,569
Adjustment to property, plant and equipment	5	(1,237)	1,867
Provision charge	22	88,010	85,535
Amortisation of deferred income	21	(47,902)	(47,902)
Retirement benefit expense	12(d)	59,217	51,300
Retirement benefit adjustment	12(c)	-	(474)
Loan fees amortised		(21,474)	(15,785)
		6,341,495	6,374,505
(Increase)/decrease in operating assets:			
Trade and other receivables		248,289	338,743
Inventories		(20,268)	12,537
Increase/(decrease) in operating liabilities:			
Trade payables and accruals		(1,162,169)	635,004
Increase in deferred income		405,807	248,547
Provisions utilised	22	(67,045)	(65,562)
Retirement benefit contributions	12(c)	(28,072)	(46,272)
Cash generated by operations		5,718,037	7,497,502
Interest paid		(1,915,096)	(1,779,461)
Net cash provided by operating activities		<u>3,802,941</u>	<u>5,718,041</u>

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

THE PORT AUTHORITY

Separate Statement of Cash Flows (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		46,270	56,859
Increase/(decrease) in long-term receivables		(7,309)	1,112
Other investments (net)		54,971	(24,891)
Acquisition of intangible assets	8	-	(8,575)
Acquisition of property, plant and equipment	5	(5,604,491)	(10,355,212)
Net proceeds on disposal of property, plant and equipment		<u>183,880</u>	<u>232,949</u>
Net cash used in investing activities		<u>(5,326,679)</u>	<u>(10,097,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loans		5,053,000	9,190,540
Repayment of long-term loans		(7,219,256)	(7,268,378)
Decrease in prepaid credit insurance		<u>6,092</u>	<u>27,104</u>
Net cash (used in)/provided in financing activities		<u>(2,160,164)</u>	<u>1,949,266</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,683,902)	(2,430,451)
OPENING CASH AND CASH EQUIVALENTS		4,862,985	7,328,930
Effect of foreign exchange rate changes		<u>71,090</u>	(35,494)
CLOSING CASH AND CASH EQUIVALENTS		<u>1,250,173</u>	<u>4,862,985</u>
Cash and cash equivalents comprise:			
Cash and short-term deposits	16	1,250,973	4,862,985
Bank overdraft/(unsecured)		(800)	-
		<u>1,250,173</u>	<u>4,862,985</u>

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



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

1. Group identification

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

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

<u>Subsidiaries</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interests</u>	<u>Proportion of voting rights</u>	<u>Principal activity</u>
Kingston Free Zone Company Limited (KFZ)	Jamaica	72%	72%	Rental of warehouses and property management.
Montego Bay Free Zone Company Limited (MBFZ)	Jamaica	50%	50%	Rental of offices and factory space located in the Montego Bay Export Free Zone area.
Ports Management and Security Limited (PMS)	Jamaica	51%	51%	Provision of security services at ports.
Jamaica International Free Zone Development Limited (JIFZ)	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 PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

1. Group identification (continued)

(a) (Continued)

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

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

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

(b) Accounting period

The Authority and its subsidiaries have prepared financial statements for the year ended March 31, 2020 (2019: March 31, 2019). The associated companies have prepared financial statements for the year ended December 31, 2020 (2019: December 31, 2019).

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and their interpretations issued by the International Accounting Standards Board.

The financial statements on pages 5 to 103 were approved on behalf of the Board of Directors on August 11, 2020 and it was agreed that the president approve the final issue of these financial statements, which occurred on August 18, 2020.

New and amended standards that came into effect during the current financial year:

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the Group's annual financial statements in which IFRS 16, *Leases* has been applied from April 1, 2019. A number of other new standards and interpretations are also effective April 1, 2019 but they do not have a material effect on the Group's consolidated financial statements. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations that are not yet effective

At the date of approval of the consolidated financial statements, there were certain new amendments to standards and interpretations in issue but had not yet come into effect. They were not early adopted by the Group and therefore have not been taken into account in preparing these financial statements. Those which management considered may be relevant to the Group are set out below:



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued)

New and amended standards and interpretations that are not yet effective (continued)

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after April 1, 2020, and provides the following definition of ‘material’ to guide preparers of financial statements in making judgements about information to be included in financial statements.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after April 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New ‘bundle of rights’ approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The Group is assessing the impact, if any, that the above amendments, interpretations and new standards may have on its future financial statements when they become effective.

(b) Basis of preparation

These financial statements have been prepared under the historical cost basis, except for the revaluation of investment properties and financial instruments measured at fair value through profit or loss.

(c) Functional and presentation currency

The financial statements are presented in Jamaica dollars, which is the functional currency of the Authority and its subsidiaries. The values presented in the financial statements have been rounded to the nearest thousands (\$’000) unless otherwise stated.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgement:

The preparation of the financial statements to conform to IFRS requires management to make estimates and judgements that affect the selection of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the period then ended. Actual amounts could differ from those estimates. The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

(1) Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainly inherent in such estimates.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgement (continued):

(ii) Key assumptions concerning the future and other sources of estimation uncertainty (continued):

(2) Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in the statement of profit or loss and other comprehensive income. The Group engaged an external valuation specialist to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of the asset, the Group uses market observation data to the extent it is available. Information about the valuation technique and inputs used in determining the fair value of the investment properties are disclosed at note 7.

(3) Retirement benefit assets and post-employment benefit obligations:

The amounts recognised in the statements of financial position and profit or loss and other comprehensive income for retirement benefits and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the retirement benefits and other post-employment obligations.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Group's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenure security on the market. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

3. Changes in significant accounting policy

The Group has applied IFRS 16 *Leases* from April 1, 2019. A number of other new standards are also effective from April 1, 2019, but they do not have a material effect on the Group's financial statements. Except for the changes below, the Group has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised at April 1, 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

The details of the changes in accounting policies are disclosed in 4(x). Additionally, the disclosure requirements of IFRS 16 have not generally been applied to comparative information.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

3. Changes in significant accounting policy (continued)

(a) *As a lessee*

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(b) *As a lessor*

The Group leases out its investment properties, being own property. The Authority has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group does not sub-lease any of its properties.

The Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(c) *Impact on transition*

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities, at the same amount, thereby, no adjustment was made to the retained earnings at transition. The impact on transition is summarised below.

	<u>April 1, 2019</u> \$'000
Right-of-use assets	240,235
Lease liabilities	<u>(240,235)</u>
Retained earnings	<u>-</u>

In measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is 8.25%.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

3. Changes in significant accounting policy (continued)

(d) *Impact on transition (continued)*

	<u>April 1, 2019</u> \$'000
Operating lease commitments at March 31, 2019 as disclosed under IAS 17 in the Group's financial statements	267,469
Discounted using the incremental borrowing rate at April 1, 2019	(27,234)
Lease liabilities recognised at April 1, 2019	<u>240,235</u>

4. Significant accounting policies

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method from the date on which control is transferred to the Group. Control is the power to govern the relevant financial and operating policies of an entity so as to obtain benefits from its activities.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets from the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the change in the carrying value of non-controlling interest and the fair value of consideration paid or received is recognised directly in equity.

(iii) Subsidiaries

Subsidiaries are those entities controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements include the financial statements of all subsidiaries made up to March 31, 2020.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in a former subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) Transactions eliminated on consolidation

Balances and transactions between companies within the Group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(b) 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.

(c) Fair value measurement

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

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

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

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

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

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

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(c) 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.

(d) Property, plant and equipment

All property, plant and equipment held for use in the supply of goods or services, or for administrative purposes, are measured in the statement of financial position at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Cost includes cost of replacing part of the property, plant and equipment and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy [see borrowing costs at note 4(s) 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.



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Assets in the course of construction for operations or administrative purposes, are carried at cost less any recognised impairment loss. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

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

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

The following depreciation rates are used:

Right-of-use assets	-	Over lease term
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

(e) 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(e) Investment properties (continued)

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.

(f) Intangible assets – purchased

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

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

(g) Impairment:

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due.



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(g) Impairment (continued):

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

The Group considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(g) Impairment (continued):

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(h) Cash and cash equivalents:

Cash and cash equivalents are measured at amortised costs comprise cash and bank balances.

(i) Trade and other receivables

Trade and other receivable and prepayments are measured at amortised cost less impairment losses [see note 4 (g)].

(j) Trade and other payable:

Trade and other payables are measured at amortised cost.

(k) Provisions:

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(l) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(l) Related parties (continued):

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan established for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(m) Taxation:

Taxation on the profit for the year comprises current and deferred tax. Taxation is recognised in the profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

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

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

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, and associates, except to the extent that the authority and its subsidiaries are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(m) Taxation (continued):

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

(n) Inventories

Inventories are measured at the lower of cost, determined on a first-in, first-out basis, and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to completion and costs necessary to make the sale.

(o) 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.

(p) 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 employer 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 4(p)(ii) below.

(ii) Defined benefit plan

The Group has established a defined benefit pension scheme for its employees (employed from July 31, 2007 to 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 employer's contributions as recommended by external actuaries.

Under the rules of this plan, members of the defined contribution plan between the period April 1, 1968 and July 31, 2007, referred to above, are entitled to a supplemental pension under certain circumstances.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(p) Employee benefits (continued)

a) Pension plans (continued)

(ii) Defined benefit plan (continued)

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

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 the Group 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(p) Employee benefits (continued):

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.

(q) Deferred income – Government grants

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

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

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

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

(r) Revenue recognition:

Revenue from services is measured at fair value of the consideration received or receivable, net of sales taxes.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(r) Revenue recognition (continued):

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

<i>Type of service</i>	<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<i>Revenue recognition under IFRS 15</i>
Rental	<p>The Authority provides property rental services. Rent is charged on a monthly basis and are based on fixed rates agreed.</p> <p>Invoices are issued according to contract terms given to specific customers and are payable within the contract terms.</p>	<p>Revenue from rental are recognised overtime as the services are provided.</p>
Cargo and Marine	<p>The Authority provides cargo and marine services at the Ports. This comprises of services such as pilotage, tugging and harbor fees. The fees are charged based on the utilisation of service by customers when service is performed. Each service type is costed and billed separately.</p> <p>Included in the cargo & marine revenue are concession fees charged to third party operators of the Tugging service as well as the Container Terminal operations. This comes in the form of both fixed and variable concessionary income.</p> <p>Fixed amounts are invoiced quarterly. Variable fees are billed monthly, based on the actual results of the prior year variable fee audit, any adjustments being made in the current year.</p>	<p>Revenue from cargo and marine are recognised at a point in time as soon as the performance obligation is met with the exception of concession revenues, which are recognised over the life of the concession agreement.</p> <p>Revenue from pilotage, tugging and harbor fees are recognised at a point in time as soon as the services are provided.</p> <p>Revenue from concession are recognised over the life of the concession agreement.</p>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(r) Revenue recognition (continued):

<i>Type of Service</i>	<i>Nature, timing and satisfaction of performance obligations, including significant payment terms</i>	<i>Revenue Recognition under IFRS 15.</i>
Wharfage	Customers are charged wharfage when their container passes through the terminal. Revenue is recognised on a monthly basis based on the monthly advice from third party collectors of wharfage charges.	Wharfage is recognised at the point in time when the container/shipment passes through the Port Operator Terminal.
Cruise	The Authority generates harbour fees and facility fees from cruise line activities. Harbour fees refer to fees charged to vessels for the allowance to dock at a particular Port or harbour. Facility Fees is a head tax per in-transit passenger charge to cruise lines. Invoices for facility fees are issued according to contract terms and harbour fees are collected in accordance with the Harbour Fees Act.	Revenue from facility fee and harbour fees are recognised when the vessel arrives in port.
Cargo Inspection	The Authority provides cargo inspection services. Inspection is charged on a monthly basis and are based on fixed rates agreed. Invoices for inspection are issued according to contract terms and are payable within the contract terms.	Revenue from cargo inspection is recognised when the services are provided at the point in time.

(s) Borrowing costs

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

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



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(t) Foreign currencies

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. The Group's monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling at that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(u) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise trade and other receivables, cash and cash equivalents, and restricted cash. Financial liabilities comprise trade and other payables, lease liabilities, loan from bank and other payables.

(i) *Recognition and initial measurement*

The Group recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The group initially recognises accounts receivable on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

At initial recognition, the Group measures a financial asset or financial liability at its fair value, *plus or minus*; in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(ii) *Classification and subsequent measurement*

On initial recognition, the Group classifies financial assets are measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

- a) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- b) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI').

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(u) Financial instruments (continued):

(ii) *Classification and subsequent measurement (continued)*

All other financial assets of the Group are measured at FVTPL.

The classification of financial assets comprises the following captions:

- Cash and short-term deposits
- Trade and other receivables
- Other investments
- Long-term receivable

Due to their short-term nature, the Group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

Business model assessment

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as “Held to collect” and measured at amortised cost.

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of ‘other’ business model and measured at FVTPL.

Factors considered by the Group in determining the business model for a group of assets include:

1. How the asset’s performance is evaluated and reported to key management personnel;
2. How risks are assessed and managed; and
3. How managers are compensated.

The Group has determined that it has one business models.

Held-to-collect business model: This comprises, cash and short-term deposits, trade and other receivables other investments and long-term receivable. These financial assets are held to collect contractual cash flows.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(u) Financial instruments (continued):

(ii) *Classification and subsequent measurement (continued)*

Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020
(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(u) Financial instruments (continued):

(ii) *Classification and subsequent measurement (continued)*

Impairment of financial assets

Impairment losses of financial assets not measured at FVTPL, are recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred, considering their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability. Impairment of financial assets is further detailed in note 4(g).

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of borrowing, plus directly attributable transaction costs. The Group's financial liabilities, which include trade and other payables, lease liabilities, loan from bank and other payables which are recognised initially at fair value.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(u) Financial instruments (continued):

(ii) *Classification and subsequent measurement (continued)*

Offsetting

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from similar transactions such as in the Group's trading activity.

(v) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group.

When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation has been discontinued from the start of the comparative year.

(w) Determination of fair value

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. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(x) Leases:

Policy applicable from April 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after April 1, 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(x) Leases (continued):

As a lessee (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option.



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

4. Significant accounting policies (continued)

(x) Leases (continued):

As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before April 1, 2019

Payments made under operating leases are included in profit or loss under operating expenses. Assets leased under operating leases are not included in the statement of financial position.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

5. Property, plant and equipment

	The Group											
	Freehold Land	Freehold Buildings	Leasehold Improvements	Tugs, Cranes, Trailers, Straddle Carriers, and Other Equipment	Lighting Berths 10 & 11, Pavements	Furniture and Office Equipment	Motor Vehicles/ Motor Cycles	Infrastructure	Dredging	Computers	Capital Works-in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost or deemed cost												
March 31, 2018	5,966,572	1,994,496	53,847	3,559,804	11,598,129	256,430	132,658	6,275,714	5,056,241	403,813	8,922,049	44,219,753
Additions	2,282	-	1,305	16,664	-	24,878	36,638	377	-	17,475	10,552,856	10,652,475
Disposals	(35,000)	-	-	-	-	-	(1,114)	-	-	-	-	(36,114)
Write off assets	-	-	-	-	-	(22,177)	(2,450)	-	-	(5,930)	-	(30,557)
Transfer from works-in progress (net)	357,868	54,906	-	4,604	-	105,524	-	137,919	-	2,371	(663,192)	-
Work-in-progress reclassified to project expenses	-	-	-	-	-	-	-	-	-	-	(402,569)	(402,569)
Adjustments	-	(717)	(418)	8,319	-	672	(42)	(7,815)	-	(2,371)	-	(2,372)
March 31, 2019	6,291,722	2,048,685	54,734	3,589,391	11,598,129	365,327	165,690	6,406,195	5,056,241	415,358	18,409,144	54,400,616
Additions	11,506	17,917	3,290	13,905	-	30,024	6,388	45,730	-	82,303	5,544,737	5,755,800
Disposals	-	-	-	(224,445)	-	-	(13,885)	-	-	(254)	-	(238,584)
Transfer from works-in progress (net)	74,370	3,040,966	-	416,576	-	34,028	-	4,893,561	5,727,884	358,190	(14,545,575)	-
Transfer to investment properties (note 7)	-	(1,099,497)	-	(34,487)	-	-	-	(31,660)	-	-	(22,613)	(1,188,257)
Transfer to intangible assets (note 8)	-	-	-	-	-	-	-	-	-	(91,788)	(876,187)	(967,975)
Adjustments/Reclassifications	225,298	(225,298)	-	-	-	-	-	-	-	-	1,237	1,237
March 31, 2020	6,602,896	3,782,773	58,024	3,760,940	11,598,129	429,379	158,193	11,313,826	10,784,125	763,809	8,510,743	57,762,837
Depreciation												
March 31, 2018	-	676,832	13,857	2,717,415	3,559,230	156,352	67,017	3,307,646	2,246,959	303,409	-	13,048,717
Charge for year	-	67,961	6,363	144,006	290,213	40,679	23,208	345,492	232,766	33,212	-	1,183,900
Eliminated on disposals	-	-	-	-	-	-	(1,114)	-	-	-	-	(1,114)
Write off of assets	-	-	-	-	-	(22,155)	(2,458)	-	-	(5,930)	-	(30,543)
Adjustments/reclassifications	-	-	(53)	-	-	(8)	-	-	-	-	-	(61)
March 31, 2019	-	744,793	20,167	2,861,421	3,849,443	174,868	86,653	3,653,138	2,479,725	330,691	-	14,200,899
Charge for year	-	97,279	6,395	134,287	290,213	33,770	25,842	589,204	322,745	140,398	-	1,640,133
Eliminated on disposals	-	-	-	(20,574)	-	-	(13,885)	-	-	(92)	-	(34,551)
Write off of assets	-	-	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	136	-	(136)	-	-	-	-	-	-	-	-
March 31, 2020	-	842,208	26,562	2,974,998	4,139,656	208,638	98,610	4,242,342	2,802,470	470,997	-	15,806,481
Net book value												
March 31, 2020	6,602,896	2,940,565	31,462	785,942	7,458,473	220,741	59,583	7,071,484	7,981,655	292,812	8,510,743	41,956,356
March 31, 2019	6,291,722	1,303,892	34,567	277,970	7,748,686	190,459	79,037	2,753,057	2,576,516	84,667	18,409,144	40,199,717



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

5. Property, plant and equipment (continued)

	The Authority										Total \$'000
	Freehold Land \$'000	Freehold Buildings \$'000	Tugs, Cranes, Trailers, Straddle Carriers, Vessels and Other Equipment \$'000	Lighting, Docks, Berths 10 and 11 \$'000	Infrastructure \$'000	Dredging \$'000	Furniture and Office Equipment \$'000	Computers \$'000	Motor Vehicles \$'000	Capital Works-in- Progress \$'000	
At cost or deemed cost											
March 31, 2018	5,966,572	1,994,496	3,559,804	11,598,129	6,273,625	5,056,241	162,532	387,814	118,369	8,922,049	44,039,631
Additions	2,282	-	16,664	-	-	-	15,417	17,449	18,717	10,284,683	10,355,212
Disposals	(35,000)	-	-	-	-	-	-	-	(1,114)	-	(36,114)
Work-in-progress reclassified to project expenses	-	-	-	-	-	-	-	-	-	(402,569)	(402,569)
Transfer from works-in-progress	357,868	54,906	4,604	-	137,919	-	105,524	2,371	-	(663,192)	-
Adjustments/Reclassification	-	(717)	8,319	-	(7,815)	-	717	(2,371)	-	-	(1,867)
March 31, 2019	6,291,722	2,048,685	3,589,391	11,598,129	6,403,729	5,056,241	284,190	405,263	135,972	18,140,971	53,954,293
Additions	11,506	17,917	13,905	-	478	-	3,749	12,987	-	5,543,949	5,604,491
Disposals	-	-	(224,445)	-	-	-	-	(254)	(13,885)	-	(238,584)
Work-in-progress reclassified to project expenses	-	-	-	-	-	-	-	-	-	1,237	1,237
Transfer from works-in-progress	74,370	3,040,966	416,576	-	4,893,561	5,727,884	33,556	94,541	-	(14,281,454)	-
Transfer to investment properties (note 7)	-	(1,099,497)	(34,487)	-	(31,660)	-	-	-	-	(22,613)	(1,188,257)
Transfer to intangible asset (note 8)	-	-	-	-	-	-	-	(91,788)	-	(876,187)	(967,975)
Adjustments/Reclassification	225,298	(225,298)	-	-	-	-	-	-	-	-	-
March 31, 2020	6,602,896	3,782,773	3,760,940	11,598,129	11,266,108	10,784,125	321,495	420,749	122,087	8,505,903	57,165,205
Depreciation											
March 31, 2018	-	676,832	2,717,415	3,559,230	3,306,393	2,246,959	110,165	293,482	59,530	-	12,970,006
Charge for year	-	67,961	144,006	290,213	345,281	232,766	33,237	31,365	20,581	-	1,165,410
Eliminated on disposals	-	-	-	-	-	-	-	-	(1,114)	-	(1,114)
March 31, 2019	-	744,793	2,861,421	3,849,443	3,651,674	2,479,725	143,402	324,847	78,997	-	14,134,302
Charge for year	-	97,279	134,287	290,213	586,699	322,745	25,560	32,596	19,839	-	1,509,218
Eliminated on disposals	-	-	(20,574)	-	-	-	-	(92)	(13,885)	-	(34,551)
Adjustment/reclassifications	-	136	(136)	-	-	-	-	-	-	-	-
March 31, 2020	-	842,208	2,974,998	4,139,656	4,238,373	2,802,470	168,962	357,351	84,951	-	15,608,970
Net book value											
March 31, 2020	6,602,896	2,940,565	785,942	7,458,473	7,027,735	7,981,655	152,533	63,398	37,136	8,505,903	41,556,236
March 31, 2019	6,291,722	1,303,892	727,970	7,748,686	2,752,055	2,576,516	140,788	80,416	56,975	18,140,971	39,819,991

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

5. Property, plant and equipment (continued)

- (a) The Authority has pledged certain lands with a carrying value of \$2.493million (2019: \$2.493 billion) as security for certain long-term liabilities. [note 20(h)(v)].
- (b) Included in property, plant and equipment are motor vehicles with a carrying value of approximately \$8.141 million (2019: \$13.569 million) for which the Group does not hold a registered title as the legal formalities in this regard have not yet been completed.

6. Leases

The Group leases certain equipment. The term of the leases run for the period of 3 to 6 years. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Group is a lessee is presented below.

(a) Right-of-use assets	<u>2020</u> \$'000
Recognition of right-of-use asset on initial application of IFRS 16	240,235
Depreciation charge for the year	(49,732)
Balance at March 31, 2020	<u>190,503</u>
(b) Lease liabilities	
Maturity analysis – contractual undiscounted cash flows:	<u>2020</u> \$'000
Less than one year	63,929
One to five years	113,370
Over 5 years	<u>66,471</u>
Total undiscounted lease liabilities at March 31, 2020	243,770
Less: future interest expense	(35,845)
	<u>207,925</u>
Current	63,929
Non-current	<u>143,996</u>
Lease liabilities included in the statement of financial position at March 31, 2020	<u>207,925</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

6. Leases (continued)

(c) Amount recognised in profit or loss under IFRS 16	<u>2020</u>
	\$'000
Interest on lease liabilities	18,981
Depreciation	<u>49,732</u>
(d) Amounts recognised in the statement of cash flows	<u>2020</u>
	\$'000
Total cash outflow for leases	<u>68,411</u>
	<u>2019</u>
	\$'000
(e) Lease payment recognized in profit or loss under IAS 17	<u>53,508</u>

7. Investment properties

	<u>The Group</u>		
	Land [Note 7(a)] \$'000	Buildings [Note 7(b)] \$'000	Total \$'000
Fair value, March 31, 2018	12,924,645	5,844,775	18,769,420
Increase in fair value (note 26)	<u>1,007,135</u>	<u>302,099</u>	<u>1,309,234</u>
Fair value, March 31, 2019	13,931,780	6,146,874	20,078,654
Increase in fair value (note 26)	819,569	101,946	921,515
Reclassification from property, plant, and equipment (note 5)	<u>-</u>	<u>1,188,257</u>	<u>1,188,257</u>
Fair value, March 31, 2020	<u>14,751,349</u>	<u>7,437,077</u>	<u>22,188,426</u>
	<u>The Authority</u>		
	Land [Note 7(a)] \$'000	Buildings [Note 7(b)] \$'000	Total \$'000
Fair value, March 31, 2018	11,798,645	4,443,775	16,242,420
Increase in fair value (note 26)	<u>950,135</u>	<u>294,699</u>	<u>1,244,834</u>
Fair value, March 31, 2019	12,748,780	4,738,474	17,487,254
Increase in fair value (note 26)	701,869	39,546	741,415
Reclassification from property, plant, and equipment (note 5)	<u>-</u>	<u>1,188,257</u>	<u>1,188,257</u>
Fair value, March 31, 2020	<u>13,450,649</u>	<u>5,966,277</u>	<u>19,416,926</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

7. Investment properties (continued)

(a) Investment properties (Land)

Comprise mainly land retained for future development.

(b) Investment properties (Buildings)

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

(c) Fair value of investment properties

The fair value of the Group's investment properties at the end of the reporting period has been arrived at on the basis by of valuations carried out in December 2019 and June 2020 (2019: February and April 2019) by Allison Pitter & Company and C.D. Alexander Realty Company Limited, who possess the requisite qualifications and experience in the valuation of similar properties.

Fair value hierarchy disclosures are provided in note 33.

The fair values of the Group's commercial/industrial investment properties comprising land valued at \$14.751 billion (2019: \$13.931 billion) and buildings valued at \$7.437 billion (2019: \$6.146 billion) were determined based on the sale and market comparable approach that reflects recent transaction prices for similar properties and the capitalisation of the net income method (investment approach) by the application of between 7.5% and 8% 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 income approach.

(d) The property rental income earned by the Group from its investment properties all of which are leased under operating leases amounted to \$719.723 million (2019: \$896.426 million). Direct operating expenses arising from the investment properties during the year amounted to \$93.194 million (2019: \$90.625 million).

(e) Certain charges in respect of a subsidiary long-term loan have been registered on land and building valued at \$1.675 billion (2019: \$1.541 billion) at the end of the reporting period [see notes 20(c) and 20(f)].

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

8. Intangible assets

Intangible assets consist primarily of software purchased and developed.

Cost:	The Group			The Authority		
	Cost \$'000	Projects in Progress \$'000	Total \$'000	Cost \$'000	Projects in Progress \$'000	Total \$'000
Balance, March 31, 2018	65,669	-	65,699	64,751	-	64,751
Additions	8,575	-	8,575	8,575	-	8,575
Impairment	(367)	-	(367)	-	-	-
Balance, March 31, 2019	73,877	-	73,877	73,326	-	73,326
Reclassification from property, plant and equipment (note 5)	91,788	876,187	967,975	91,788	876,187	967,975
Balance, March 31, 2020	165,665	876,187	1,041,852	165,114	876,187	1,041,301
Amortisation:						
Balance, March 31, 2018	60,322	-	60,322	60,238	-	60,238
Charge for the year	4,340	-	4,340	4,261	-	4,261
March 31, 2019	64,662	-	64,662	64,499	-	64,499
Charge for the year	24,570	-	24,570	24,491	-	24,491
March 31, 2020	89,232	-	89,232	88,990	-	88,990
March 31, 2019	76,433	876,187	952,620	76,124	876,187	952,311
March 31, 2020	9,215	-	9,215	8,827	-	8,827

9. Investments in subsidiaries and associates

(a) Investments in associates

	The Group	
	2020 \$'000	2019 \$'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 (note 18)	244,133	203,133
	<u>256,837</u>	<u>215,837</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

9. Investments in subsidiaries and associates (continued)

(a) Investments in associates (continued)

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

	<u>The Group</u>	
	(Unaudited) <u>2020</u> \$'000	(Unaudited) <u>2019</u> \$'000
Total assets	727,591	589,096
Total liabilities	(100,075)	(91,654)
Net assets	<u>627,516</u>	<u>497,442</u>
Group's share of associates' net assets (33.3%)	<u>209,172</u>	<u>165,814</u>
Revenue	<u>915,930</u>	<u>857,301</u>
Profit for the year	<u>123,001</u>	<u>92,690</u>
Group's share of associates' profit for the year (33.3%)	<u>41,000</u>	<u>30,897</u>

(b) Investments in subsidiaries and associates

	<u>The Authority</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000
Shares at cost		
<i>Subsidiary companies</i>		
Kingston Free Zone Co. Ltd. (KFZ)	12,410	12,410
Montego Bay Free Zone Co. Ltd. (MBFZ)	-	- *
Ports Management and Security Ltd. (PMS)	-	- **
Jamaica International Free Zone Development Ltd. (JIFZ)	10,725	10,725***
Port Authority Management Services Ltd. (PAMS)	-	- ****
KCT Services Limited (KCT)	-	- *****
	<u>23,135</u>	<u>23,135</u>
<i>Associated companies</i>		
Security Administrators Ltd.	7,353	7,353
Montego Cold Storage Limited	20	20
	<u>7,373</u>	<u>7,373</u>
Total investments in subsidiaries and associate	<u>30,508</u>	<u>30,508</u>

* Denotes 1 ordinary share

** Denotes 51 ordinary shares

*** Denotes 10,725,075 ordinary shares

**** Denotes 500 ordinary shares

***** Denotes 200 ordinary shares



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

9. Investments in subsidiaries and associates (continued)

(b) Investments in subsidiaries and associates (continued)

- KCT Services Limited is wholly owned subsidiary of the Port Authority (PAJ) established to manage the operations of Kingston Container Terminal. The operation of Kingston Container Terminal was privatised effective July 1, 2016 under a 30-year concession Agreement with the Kingston Freeport Terminal Limited (KFTL). The PAJ has taken the decision not to wind-up KCT Services Limited as it intends to use the company to manage other port related business as they are developed. At year end 2019, the residual assets and liabilities were offset against the opening retained earnings of the company.

	\$ '000
Taxation payable	(327)
Related party	14,881
Accounts payable	(3,615)
	<u>10,939</u>

10. Other investments

	The Group		The Authority	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Amortised cost:				
Deposits [See 10(a) below]	1,461,812	1,518,315	1,452,489	1,509,631
Staff mortgage deposits [See 10(b) below]	<u>39,508</u>	<u>38,636</u>	<u>34,207</u>	<u>33,452</u>
	<u>1,501,320</u>	<u>1,556,951</u>	<u>1,486,696</u>	<u>1,543,083</u>

(a) This amount includes:

- i) Approximately US\$6,342,700 (J\$840,578,000) [(2019: US\$6,306,000 (J\$779,281,000))] 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 balance on the 20.729 loan is scheduled to be repaid by July 2020 [note 20(d)]. The Group maintains the deposit at an amount to meet the required ratio which was met at the end of the reporting period. At period end the rate of interest on this deposit ranged from 0.2343% to 0.4530% (2019: 0.2343% to 0.4530%) per annum. At March 31, 2020, interest receivable amounted to \$1.576 million (2019: \$2.033 million) for the Group and the Authority.
- ii) US\$1.240 million (J\$164 million) [2019: US\$4 million (J\$494 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 20(f)]. At March 31, 2020 interest receivable amounted to \$0.132 million (2019: \$0.671 million) for the Group and the Authority.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

10. Other investments (continued)

(a) This amount includes (continued):

- iii) A fixed deposit of US\$1.5 million (J\$194 million) and J\$72.5 million [2019: US\$1.4 million (J\$179 million)] in a debt service reserve and sinking fund account respectively. These are in respect of the National Commercial Bank and Sagicor Life Jamaica Limited Loan of \$2.5 billion disbursed on March 31, 2014 and is repayable by 2053/2054 [note 20(h)(v)]. At March 31, 2020 interest receivable amounted to \$0.21 and \$0.05 million respectively (2019: \$0.103) for the Group and the Authority.
- iv) J\$77.2 million in a sinking fund account as outlined in Article 8 (8.3) of National Commercial Bank \$3.7 billion agreement. This loan was disbursed on January 25, 2019 with a maturity date of January 2044. At March 31, 2020 interest receivable amounted to \$0.324 million for the Group and the Authority.
- v) A fixed deposit of J\$100.51 million in a sinking fund account in respect of National Commercial Bank loan of \$5.053 billion which was disbursed on December 6, 2019. This is in accordance with Article 2, section 2.9 of Trust Deed. At March 31, 2020 interest receivable amounted to \$0.19 million for the Group and the Authority.
- vi) A fixed deposit of US\$70,351 (J\$9.323million) [2019: US\$70,286 (J\$8.684million)] hypothecated to secure a long-term loan by a subsidiary company (See note 20(f)) and held at an interest rate of 0.125% (2019: 0.150%). At March 31, 2020, interest receivable amounted to \$0.003 million (2019: \$0.004 million) for the Group.

(b) This represents savings account balances held at Victoria Mutual Building Society at a rate of approximately 0.03% - 3.4% (2019: 0.10% - 3%) per annum for the Group and approximately 0.03% - 3.40% (2019: 0.05% - 3%) per annum for the Authority. At March 31, 2020, interest receivable amounted to \$0.222 million (2019: \$0.215 million) for the Group and \$0.192 million (2019: \$0.186 million) for the Authority.

11. Long-term receivables

	The Group		The Authority	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Staff housing assistance fund [note 11(a)]	8,863	10,912	8,863	10,912
Motor car staff loans [note 11(b)]	17,932	8,129	17,932	8,129
Deposit – Jamaica Public Service Co. Ltd.	5,475	5,475	5,475	5,475
Advances to related companies (net) [note 11(c)]	-	-	76,226	76,226
Other	<u>7,503</u>	<u>7,948</u>	<u>7,503</u>	<u>7,948</u>
	<u>39,773</u>	<u>32,464</u>	<u>115,999</u>	<u>108,690</u>
Current portion included in trade and other receivables (note 15)	(8,625)	(5,549)	(8,625)	(5,549)
	<u>31,148</u>	<u>26,915</u>	<u>107,374</u>	<u>103,141</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

11. Long-term receivables (continued)

(a) Staff housing assistance fund

This represents the balance on a revolving fund used to provide housing benefits to staff members of the Authority. The loan ranges between \$650,000 and \$1,250,000 with repayment term of 8 years. Loans are granted at an interest rate of 3% per annum.

(b) Motor car staff loan facility

The balance relates to amounts outstanding under motor car lease agreements between the Authority and its staff. It is recoverable via salary deduction over a period of 8 years and bears interest at 3% per annum calculated on the reducing balance basis. The loans are secured by bills of sale over the motor cars.

(c) Advances to related companies (net)

These comprise the following:

	The Authority	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Montego Bay Free Zone Company Limited	(4,500)	(4,500)
Jamaica International Free Zone Development Limited	<u>80,726</u>	<u>80,726</u>
	<u>76,226</u>	<u>76,226</u>

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

12. Post employment benefits

Defined benefit pension plans

The Group has established a defined benefit plan for its employees (in its employ between July 31, 2007 and 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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

12. Post employment benefits (continued)

Defined benefit pension plans (continued)

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, 2020, the Authority contributed at a rate of 10 % (2019: 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 June 11, 2020 (2019: June 11) by Duggan Consulting Limited, Fellow of the Institute of Actuaries. This valuation was in respect of extrapolated balances at March 31, 2020 (2019: March 31, 2019). 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 the Group 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 May 7, 2020 by Eckler Partners Limited (Consulting Actuaries) in respect of extrapolated obligations as at March 31, 2020. The present value of the obligation and the related current service costs and, past service cost, were measured using the projected unit credit method.

(a) Key assumptions used:

	The Group and The Authority	
	<u>2020</u>	<u>2019</u>
	%	%
Discount rate	6.5	7.0
Future salary increases	3.0	3.0
Future pension increases	Nil	Nil
Health cost inflation	3.0	6.0

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

	The Group					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Present value of obligation	(268,537)	(201,308)	(623,770)	(610,979)	(892,307)	(812,287)
Fair value of plan assets	<u>280,035</u>	<u>252,408</u>	-	-	<u>280,035</u>	<u>252,408</u>
Net asset (liability) recognised in statement of financial position	<u>11,498</u>	<u>51,100</u>	<u>(623,770)</u>	<u>(610,979)</u>	<u>(612,272)</u>	<u>(559,879)</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

12. Post employment benefits (continued)

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

	The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Present value of obligation	(268,537)	(201,308)	(564,448)	(549,202)	(832,985)	(750,510)
Fair value of plan assets	<u>280,035</u>	<u>252,408</u>	-	-	<u>280,035</u>	<u>252,408</u>
Net asset (liability) recognised in statement of financial position	<u>11,498</u>	<u>51,100</u>	<u>(564,448)</u>	<u>(549,202)</u>	<u>(552,950)</u>	<u>(498,102)</u>

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

	The Group					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Balance, beginning of the period	51,100	52,504	(610,979)	(546,735)	(559,879)	(494,231)
Adjustment	-	474	-	-	-	474
Net expense to profit and loss	(7,250)	(2,667)	(59,598)	(55,811)	(66,848)	(58,478)
Total re-measurement to other comprehensive income	(45,011)	(30,121)	31,394	(23,795)	(13,617)	(53,916)
Contributions by employer:						
- regular	12,659	12,910	15,413	15,362	28,072	28,272
- supplemental (*)	-	<u>18,000</u>	-	-	-	<u>18,000</u>
Balance, end of the year	<u>11,498</u>	<u>51,100</u>	<u>(623,770)</u>	<u>(610,979)</u>	<u>(612,272)</u>	<u>(559,879)</u>

	The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Balance, beginning of the period	51,100	52,504	(549,202)	(492,812)	(498,102)	(440,308)
Adjustment	-	474	-	-	-	474
Net expense to profit and loss	(7,250)	(2,667)	(51,967)	(48,633)	(59,217)	(51,300)
Total re-measurement to other comprehensive income	(45,011)	(30,121)	21,308	(23,119)	(23,703)	(53,240)
Contributions by employer:						
- regular	12,659	12,910	15,413	15,362	28,072	28,272
- supplemental (*)	-	<u>18,000</u>	-	-	-	<u>18,000</u>
Balance, end of the year	<u>11,498</u>	<u>51,100</u>	<u>(564,448)</u>	<u>(549,202)</u>	<u>(552,950)</u>	<u>(498,102)</u>

(*) During the year Nil (2019: \$18 million) was paid in respect of supplemental pension due for the defined benefit plan.



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2019

(Expressed in Jamaica dollars unless otherwise indicated)

12. Post employment benefits (continued)

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

	The Group					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Current service cost	(7,912)	(5,473)	(17,345)	(15,395)	(25,257)	(20,868)
Interest obligation	(15,005)	(12,134)	(42,253)	(40,416)	(57,258)	(52,550)
Interest income on plan asset	18,182	16,557	-	-	18,182	16,557
Administrative expenses	(2,515)	(1,617)	-	-	(2,515)	(1,617)
Net costs for year included in profit and loss	(7,250)	(2,667)	(59,598)	(55,811)	(66,848)	(58,478)
Items in other comprehensive income:						
Remeasurement gain/(loss) on obligation	(39,782)	(29,536)	31,394	(23,795)	(8,388)	(53,331)
Remeasurement gain/(loss) on assets	(5,229)	(585)	-	-	(5,229)	(585)
Total remeasurement for other comprehensive income	(45,011)	(30,121)	31,394	(23,795)	(13,617)	(53,916)
Total	(52,261)	(32,788)	(28,204)	(79,606)	(80,465)	(112,394)

	The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Current service cost	(7,912)	(5,473)	(14,034)	(12,257)	(21,946)	(17,730)
Interest obligation	(15,005)	(12,134)	(37,933)	(36,376)	(52,938)	(48,510)
Interest income on plan asset	18,182	16,557	-	-	18,182	16,557
Administrative expenses	(2,515)	(1,617)	-	-	(2,515)	(1,617)
Net costs for year included in profit and loss	(7,250)	(2,667)	(51,967)	(48,633)	(59,217)	(51,300)
Items in other comprehensive income:						
Remeasurement gain/(loss) on obligation	(39,782)	(29,536)	21,308	(23,119)	(18,474)	(52,655)
Remeasurement loss on assets	(5,229)	(585)	-	-	(5,229)	(585)
Total remeasurement for other comprehensive income	(45,011)	(30,121)	21,308	(23,119)	(23,703)	(53,240)
Total	(52,261)	(32,788)	(30,659)	(71,752)	(82,920)	(104,540)



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2019

(Expressed in Jamaica dollars unless otherwise indicated)

12. Post employment benefits (continued)

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

	The Group					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Opening defined benefit obligation	(201,308)	(152,115)	(610,979)	(546,735)	(812,287)	(698,850)
Current service cost	(7,912)	(5,473)	(17,345)	(15,395)	(25,257)	(20,868)
Interest cost	(15,005)	(12,134)	(42,253)	(40,416)	(57,258)	(52,550)
Contributions from plan participants						
- compulsory	(5,736)	(6,341)	-	-	(5,736)	(6,341)
- voluntary	(4,447)	(4,586)	-	-	(4,447)	(4,586)
Benefits paid	5,653	8,877	15,413	15,362	21,066	24,239
Remeasurement (loss)/gain on obligation for other comprehensive income	(39,782)	(29,536)	31,394	(23,795)	(8,388)	(53,331)
Closing defined benefit obligation	<u>(268,537)</u>	<u>(201,308)</u>	<u>(623,770)</u>	<u>(610,979)</u>	<u>(892,307)</u>	<u>(812,287)</u>

	The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Opening defined benefit obligation	(201,308)	(152,115)	(549,202)	(492,812)	(750,510)	(644,927)
Current service cost	(7,912)	(5,473)	(14,034)	(12,256)	(21,946)	(17,729)
Interest cost	(15,005)	(12,134)	(37,933)	(36,376)	(52,938)	(48,510)
Contributions from plan participants						
- compulsory	(5,736)	(6,341)	-	-	(5,736)	(6,341)
- voluntary	(4,447)	(4,586)	-	-	(4,447)	(4,586)
Benefits paid	5,653	8,877	15,413	15,362	21,066	24,239
Remeasurement (loss)/gain on obligation for other comprehensive income	(39,782)	(29,536)	21,308	(23,120)	(18,474)	(52,656)
Closing defined benefit obligation	<u>(268,537)</u>	<u>(201,308)</u>	<u>(564,448)</u>	<u>(549,202)</u>	<u>(832,985)</u>	<u>(750,510)</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2019

(Expressed in Jamaica dollars unless otherwise indicated)

12. Post employment benefits (continued)

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

The remeasurement loss comprises:

	The Group					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$'000	\$000	\$'000	\$000	\$'000	\$000
- changes in financial assumptions	(36,290)	(1,329)	43,391	46,996	7,101	45,667
- change in demographic assumptions	-	-	(12,402)	(75,121)	(12,402)	(75,121)
- experience adjustment	(3,492)	(28,207)	405	4,330	(3,087)	(23,877)
	<u>(39,782)</u>	<u>(29,536)</u>	<u>31,394</u>	<u>(23,795)</u>	<u>(8,388)</u>	<u>(53,331)</u>

	The Authority					
	Defined Benefit Plan		Retiree Medical Plan		Total	Total
	2020	2019	2020	2019	2020	2019
	\$'000	\$000	\$'000	\$000	\$'000	\$000
- changes in financial assumptions	(36,290)	(1,329)	37,630	39,938	1,340	38,609
- change in demographic assumptions	-	-	(10,413)	(69,897)	(10,413)	(69,897)
- experience adjustment	(3,492)	(28,207)	(5,909)	6,839	(9,401)	(21,368)
	<u>(39,782)</u>	<u>(29,536)</u>	<u>21,308</u>	<u>(23,120)</u>	<u>(18,474)</u>	<u>(52,656)</u>

(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
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$'000	\$'000	\$'000	\$'000
Opening fair value of plan assets	252,408	204,619	-	-	252,408	204,619
Adjustment	-	474	-	-	-	474
Interest income on plan assets	18,182	16,557	-	-	18,182	16,557
Contributions (employer and employees)	22,842	41,837	-	-	22,842	41,837
Benefits paid	(5,653)	(8,877)	-	-	(5,653)	(8,877)
Administrative expenses	(2,515)	(1,617)	-	-	(2,515)	(1,617)
Remeasurement loss on obligation for other comprehensive income	(5,229)	(585)	-	-	(5,229)	(585)
Closing fair value of the plan assets	<u>280,035</u>	<u>252,408</u>	<u>-</u>	<u>-</u>	<u>280,035</u>	<u>252,408</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

12. Post employment benefits (continued)

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

	<u>The Group and The Authority</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Deposit Administrator Fund	244,246	219,854
Pooled Investment Fund	23,160	20,719
Pooled Money Market Fund	<u>12,629</u>	<u>11,835</u>
	<u>280,035</u>	<u>252,408</u>

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

<u>Assumptions</u>	<u>2020</u>			
	<u>The Group and The Authority</u>			
	Sensitivity level	Impact on defined benefits obligation \$'000	Sensitivity level	Impact on defined benefits obligations \$'000
<i>Financial</i>				
Discount rate	+0.5%	232,247	-0.5%	319,450
Future salary increases	+0.5%	283,077	-0.5%	257,193
<i>Demographic</i>				
Life expectancy of pensioners	+ 1 year	276,689	- 1 year	260,243
<u>Assumptions</u>	<u>2019</u>			
	<u>The Group and The Authority</u>			
	Sensitivity level	Impact on defined benefits obligation \$'000	Sensitivity level	Impact on defined benefits obligations \$'000
<i>Financial</i>				
Discount rate	+0.5%	175,584	-0.5%	239,551
Future salary increases	+0.5%	211,422	-0.5%	193,253
<i>Demographic</i>				
Life expectancy of pensioners	+1 year	207,133	-1 year	195,578

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.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

12. Post employment benefits (continued)

- (i) The Authority expects to make a contribution of \$75.47 million (2019: \$60.73 million) to the health benefit scheme and Nil (2019: \$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 (2019: 19 years). The average liability duration of the retiree medical plan was 17.2 years (2019: 17.8 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 \$67.638 million and \$53.746 million (2019: \$63.157 million and \$52.687 million) respectively.

13. Deferred tax assets/(liabilities)

The Group

Deferred taxation assets/(liabilities) are attributable to the following:

	Deferred tax					
	Asset		Liability		Net	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	12,254	(1,598)	(1,977)	(3,808)	10,277	(5,406)
Foreign exchange losses	6,408	3,695	(5,856)	3,095	552	6,790
Interest receivable	(2,563)	(688)	(346)	(3,126)	(2,909)	(3,814)
Un-used vacation	4,779	3,852	511	356	5,290	4,208
Retirement benefits liability	12,308	15,444	-	-	12,308	15,444
Accounts receivable	18,711	3,705	(991)	224	17,720	3,929
Securities under re-sale agreement	1,344	769	-	-	1,344	769
Deposits	(108)	-	476	199	368	199
Foreign exchange gains	(2,929)	(702)	(429)	(2,679)	(3,358)	(3,381)
Leases net	2,178	-	-	-	2,178	-
Interest payable	-	-	-	210	-	210
Tax losses	-	183	553	3,084	553	3,267
	<u>52,382</u>	<u>24,660</u>	<u>(8,059)</u>	<u>(2,445)</u>	<u>44,323</u>	<u>22,215</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

13. Deferred tax assets/(liabilities) (continued)

Movement in temporary differences during the year are as follows:

Deferred tax assets

	March 31, 2018 \$'000	Recognised in equity \$'000	Recognised in income \$'000 (note 27)	March 31, 2019 \$'000	Recognised in equity \$'000	Recognised in income \$'000 (note 27)	March 31, 2020 \$'000
Property, plant and equipment	(428)	-	(1,170)	(1,598)	-	13,852	12,254
Foreign exchange losses	6,780	-	(3,085)	3,695	-	2,713	6,408
Interest receivable	(832)	-	144	(688)	-	(1,875)	(2,563)
Un-used vacation	2,870	-	982	3,852	-	927	4,779
Retirement benefits liability	13,481	169	1,794	15,444	(2,522)	(614)	12,308
Accounts receivable	-	5,332	(1,627)	3,705	-	15,006	18,711
Securities under re-sale agreements	-	901	(132)	769	-	575	1,344
Deposit	-	-	-	-	-	(108)	(108)
Leases net	-	-	-	-	-	2,178	2,178
Foreign exchange gains	-	-	(702)	(702)	-	(2,227)	(2,929)
Tax losses	-	-	183	183	-	(183)	-
	<u>21,871</u>	<u>6,402</u>	<u>(3,613)</u>	<u>24,660</u>	<u>(2,522)</u>	<u>30,244</u>	<u>52,382</u>

Deferred tax liabilities

	March 31, 2018 \$'000	Recognised in equity \$'000	Recognised in income \$'000 (note 27)	March 31, 2019 \$'000	Recognised in equity \$'000	Recognised in income \$'000 (note 27)	March 31, 2020 \$'000
Property, plant and equipment	(7,433)	-	3,625	(3,808)	-	1,831	(1,977)
Foreign exchange losses	1,684	-	1,411	3,095	-	(8,951)	(5,856)
Interest receivable	(2,670)	-	(456)	(3,126)	-	2,780	(346)
Un-used vacation	188	-	168	356	-	155	511
Accounts receivable	-	317	(93)	224	-	(1,215)	(991)
Deposits	-	180	19	199	-	277	476
Foreign exchange gains	-	-	(2,679)	(2,679)	-	2,250	(429)
Interest payable	413	-	(203)	210	-	(210)	-
Tax losses	-	-	3,084	3,084	-	(2,531)	553
	<u>(7,818)</u>	<u>497</u>	<u>(4,876)</u>	<u>(2,445)</u>	<u>-</u>	<u>(5,614)</u>	<u>(8,059)</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

14. Inventories

	<u>The Group and The Authority</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000
Spares	70,725	56,906
Fuel	18,341	16,652
Other	<u>10,671</u>	<u>5,911</u>
	99,737	79,469
Provision for obsolescence	<u>(8,259)</u>	<u>-</u>
	<u>91,478</u>	<u>79,469</u>

The cost of inventories recognised as an expense during the year was \$148.87 million (2019: \$157.33 million).

15. Trade and other receivables

	<u>The Group</u>		<u>The Authority</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Trade	2,066,994	2,710,848	595,849	765,858
Impairment losses	<u>(612,108)</u>	<u>(347,047)</u>	<u>(247,333)</u>	<u>(79,070)</u>
	1,454,886	2,363,801	348,516	686,788
Deposits and prepayments	294,687	14,719	53,584	26,424
Staff receivables	21,605	27,917	20,524	10,861
GCT recoverable	6,096	4,619	-	-
Advances to subsidiaries	-	-	42,310	172,432
Current portion of long-term receivables (note 11)	8,625	5,549	8,625	5,549
Sundry receivables	<u>401,366</u>	<u>348,002</u>	<u>310,841</u>	<u>295,822</u>
	<u>2,187,265</u>	<u>2,764,607</u>	<u>784,400</u>	<u>1,197,876</u>

The average credit period on services rendered is 30 days.

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 PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

15. Trade and other receivables (continued)

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.

Allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss (“ECL”) of the trade accounts receivable and are recognised over their term.

Under this ECL model, the Group uses its accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. The average ECL rate used as at March 31, 2019 to apply against the accounts receivable balance less 365 days is as disclosed in [note 32(b)].

	The Group		The Authority	
	<u>2020</u>	2019	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	\$'000	\$'000	\$'000
Balance at beginning of the year	347,047	163,574	79,070	28,430
Transition adjustment at April 1, 2018	-	55,244	-	32,581
Impairment losses as IFRS 9	263,410	132,786	168,263	18,059
Impairment losses reversed		(3,899)	-	-
Amount written off during the year	825	(548)	-	-
Foreign exchange adjustment	<u>826</u>	<u>(110)</u>	<u>-</u>	<u>-</u>
Balance at end of the year	<u>612,108</u>	<u>347,047</u>	<u>247,333</u>	<u>79,070</u>

Included in trade and other receivable are advances to subsidiaries detailed as follows:

	The Authority	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Kingston Free Zone Company Limited	6,633	29,467
Montego Bay Free Zone Company Limited	29,792	65,801
Ports Management and Security Limited	3,841	72,760
Jamaica International Free Zone Company Limited	1,605	4,055
Port Authority Management Services Limited	<u>127,322</u>	<u>127,232</u>
	169,193	299,315
Provision for impairment losses (note 31)	<u>(126,883)</u>	<u>(126,883)</u>
	<u>42,310</u>	<u>172,432</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

15. Trade and other receivables (continued)

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

Movement in the allowance for impairment

	The Authority	
	2020 \$'000	2019 \$'000
Balance at the beginning of the year	126,883	124,272
Impairment losses recognised/(reversed)	-	2,611
Balance at the end of the year	<u>126,883</u>	<u>126,883</u>

16. Cash and short-term deposits

		The Group			
		2020		2019	
		US\$'000	J\$'000	US\$'000	J\$'000
Cash	- J\$	-	435,341	-	971,372
	- US\$	6,732	892,024	9,877	1,220,557
Short-term deposits	- J\$	-	1,075,975	-	3,423,984
	- US\$	<u>16,033</u>	<u>2,282,379</u>	<u>13,763</u>	<u>1,683,669</u>
		<u>22,765</u>	<u>4,685,719</u>	<u>23,640</u>	<u>7,299,582</u>

		The Authority			
		2020		2019	
		US\$'000	J\$'000	US\$'000	J\$'000
Cash	- J\$	-	234,121	-	871,963
	- US\$	5,331	706,467	5,820	719,142
Short-term deposits	- J\$	-	7,039	-	2,976,370
	- US\$	<u>2,337</u>	<u>303,346</u>	<u>2,391</u>	<u>295,510</u>
		<u>7,668</u>	<u>1,250,973</u>	<u>8,211</u>	<u>4,862,985</u>

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 \$303.346 million (2019: \$634.565 million) designated in respect of the partial funding of fixed assets replacement [note 17(f)]. The Jamaica dollar deposits are at interest rates ranging from 0.05% - 4.65% (2019: 0.05% - 4.65%) per annum for the Group and 0.05% - 3.4% (2019: 0.05% - 3.5%) per annum for the Authority. The United States dollar deposits are at interest rates ranging from 0.15% - 4.00% (2019: 0.15% - 4.0%) per annum for the Group and 0.01% - 0.15% (2019: 0.15% - 1%) per annum for the Authority.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

16. Cash and short-term deposits (continued)

Included in Short term deposits are impairment losses as follows:

	The Group		The Authority	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Short term deposits:				
Amortised cost	2,295,793	1,700,837	7,039	2,988,219
Less: impairment allowance	(13,414)	(17,168)	-	(11,849)
Short term deposits (net of impairment losses)	<u>2,282,379</u>	<u>1,683,669</u>	<u>7,039</u>	<u>2,976,370</u>

17. Reserves

	The Group		The Authority	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
General [note 17(a)]	359,450	359,450	359,450	359,450
Capital [note 17(b)]	5,089,330	5,089,330	5,083,337	5,083,337
Development [note 17(c)]	305,150	305,150	305,150	305,150
Equalisation [note 17(d)]	1,630	1,630	1,630	1,630
Stabilisation [note 17(e)]	32	32	32	32
Fixed assets replacement [note 17(f)]	662,038	705,579	662,038	705,579
Insurance [note 17(g)]	37,500	151,766	37,500	151,766
Wharfage [note 17(h)]	<u>25,950</u>	<u>185,884</u>	<u>25,950</u>	<u>185,884</u>
	<u>6,481,080</u>	<u>6,798,821</u>	<u>6,475,087</u>	<u>6,792,828</u>

(a) General

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

(b) Capital

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

(c) Development

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

(d) Equalisation

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

(e) Stabilisation

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

17. 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 \$ 275 million (2019: \$325 million). (Note 16).

This comprises:

	<u>The Group and The Authority</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Transfer from retained earnings	981,368	910,106
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 assets	<u>(292,996)</u>	<u>(178,193)</u>
	<u>662,038</u>	<u>705,579</u>

This reserve is used to fund the operations at the Authority as well as the Container Terminal and Montego Bay Operations.

(g) Insurance reserve

This includes amounts transferred from retained earnings for a partially unfunded insurance reserve to provide for future insurance coverage of the Authority's assets. This also includes a reserve for \$37.5 million (2019: \$94.99 million) for future claims against employer's insurance liability for the Authority's Container Terminal Operations which is funded by bank deposits of Nil (2019: \$116.504 million)

(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% (2019: 16%) of total direct gross wharfage revenue. It is partially funded by bank deposits totaling \$28.375 million (2019: \$182.719 million)

This comprises:

	<u>The Group and The Authority</u>	
	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Transfers from retained earnings	335,080	330,092
Amount drawn down for capital expenditure	<u>(309,130)</u>	<u>(144,208)</u>
	<u>25,950</u>	<u>185,884</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

18. Retained earnings

This comprises accumulated surplus as follows:

	<u>The Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
The Authority	23,168,315	21,074,747
Its Subsidiaries	4,436,918	3,778,208
Its Associates [note 9(a)]	<u>244,133</u>	<u>203,133</u>
	<u>27,849,366</u>	<u>25,056,088</u>

19. Non-controlling interest in subsidiary companies

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

	<u>The Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Ordinary shares in:		
Kingston Free Zone Company Limited	5,965	5,965
Montego Bay Free Zone Company Limited*	-	-
Boundbrook Wharves Development Company Limited**	-	-
Ports Management and Security Limited *** [note 19(a)]	128,600	128,600
Jamaica International Free Zone Limited	<u>3,575</u>	<u>3,575</u>
	<u>138,140</u>	<u>138,140</u>
Share of profits in subsidiary companies attributable to minority shareholders' interest:		
Opening balance	<u>2,248,418</u>	<u>1,869,809</u>
Transition adjustment arising from IFRS 9	-	(9,721)
Movement for the year	<u>432,049</u>	<u>388,330</u>
	<u>432,049</u>	<u>378,609</u>
Closing balance	<u>2,680,467</u>	<u>2,248,418</u>
	2,818,607	2,386,558
Share of capital reserve	2,331	2,331
Share of pre-acquisition profits	<u>1,257</u>	<u>1,257</u>
	<u>2,822,195</u>	<u>2,390,146</u>

* Denotes 1 ordinary share totalling \$1.00.

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

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

19. 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.

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

Percentage	28%	50%	49%	25%	The Group	
	<u>KEZ</u> \$'000	<u>MBFZ</u> \$'000	<u>PMS</u> \$'000	<u>JFZ</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Total assets	1,945,832	1,797,624	3,614,863	1,744,871	9,103,190	7,341,863
Total liabilities	(276,109)	(1,110,903)	(287,805)	(220,656)	(1,895,473)	(1,155,312)
Net assets	<u>1,669,723</u>	<u>686,721</u>	<u>3,327,058</u>	<u>1,524,215</u>	<u>7,207,717</u>	<u>6,186,551</u>
Share of non-controlling interests net assets	467,522	343,361	1,630,258	381,054	<u>2,822,195</u>	<u>2,390,146</u>
Revenue	<u>317,134</u>	<u>745,367</u>	<u>2,919,124</u>	<u>91,372</u>	<u>4,072,997</u>	<u>3,913,363</u>
Profit for the year	<u>142,494</u>	<u>41,426</u>	<u>675,525</u>	<u>161,721</u>	<u>1,021,166</u>	<u>1,019,578</u>
Profit allocated to non-controlling interest	<u>39,899</u>	<u>20,713</u>	<u>331,007</u>	<u>40,430</u>	<u>432,049</u>	<u>457,400</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities

These comprise:	<u>The Group</u>		<u>The Authority</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(a) Non-government loans				
Foreign currency loans [note 20(c)(i)]	1,693,734	7,487,220	1,624,104	7,381,530
Local currency loan [note 20(c)(ii)]	<u>11,272,981</u>	<u>6,201,912</u>	<u>11,272,981</u>	<u>6,201,912</u>
	<u>12,966,715</u>	<u>13,689,132</u>	<u>12,897,085</u>	<u>13,583,442</u>
(b) Government loans [note 20(g)]				
Foreign currency loans	14,983,806	14,795,851	14,983,806	14,795,850
Local currency loans	<u>3,754,796</u>	<u>3,857,152</u>	<u>3,747,627</u>	<u>3,849,983</u>
	<u>18,738,602</u>	<u>18,653,003</u>	<u>18,731,433</u>	<u>18,645,833</u>
	31,705,317	32,342,135	31,628,518	32,229,275
Loan interest payable	462,894	352,846	462,894	351,163
Prepaid credit insurance [note 20(k)]	(674)	(6,767)	(674)	(6,767)
Loan fees	<u>(110,354)</u>	<u>(88,950)</u>	<u>(110,213)</u>	<u>(88,739)</u>
	<u>32,057,183</u>	<u>32,599,264</u>	<u>31,980,525</u>	<u>32,484,932</u>
Current portion:				
Long-term liabilities	(2,658,709)	(4,047,690)	(2,623,894)	(4,005,357)
Prepaid credit insurance	480	6,099	480	6,099
Amortised loan fees	<u>2,984</u>	<u>2,142</u>	<u>2,914</u>	<u>2,073</u>
Current portion of long-term liabilities	<u>(2,655,245)</u>	<u>(4,039,449)</u>	<u>(2,620,500)</u>	<u>(3,997,185)</u>
	<u>29,401,938</u>	<u>28,559,815</u>	<u>29,360,025</u>	<u>28,487,747</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities (continued)

(c) Non-government loans

	Interest Rate	Lender	Repayment Instalments	The Group				
				2020		2019		
				Foreign Currency	JMD	Foreign Currency	JMD	
(i) Foreign currency loans	%			\$'000	\$'000	\$'000	\$'000	
LIBOR + 1.50		HSBC US\$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US\$	-	-	6,031	762,766
3.00		European Investment Bank Loan #20.729 (KCT 3 Western Expansion) [note 20(d)]	Annually until 2020/2021	EURO	974	147,341	1,922	273,530
10.00		Kingston Freeport Terminal Limited	Quarterly until 2031/2032	US\$	-	-	26,605	3,364,697
3.56		European Investment Bank Loan #20.553 (KCT 3 Western Expansion) [note 20(d)]	Semi-annually until 2019/2020	US\$	-	-	2,434	307,789
8.75		Bank of Nova Scotia – (US\$44M) refinanced [note 20(h)(i)]*	Quarterly until 2020/2021	US\$	2,152	291,039	7,533	814,252
8.95		Bank of Nova Scotia – (US\$39.4M) refinanced [note 20(h)(ii)]*	Quarterly until 2021/2022	US\$	7,880	1,065,890	12,805	1492,916
LIBOR+3.50		FirstCaribbean International Bank [note 20(e)]	Quarterly until 2020/2021	US\$	885	119,834	2,891	365,580
LIBOR+2.62		FirstCaribbean International Bank [note 20(f)]	Quarterly until 2020/2021	US\$	514	<u>69,630</u>	836	<u>105,690</u>
						<u>1,693,734</u>		<u>7,487,220</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities (continued)

(c) Non-government loans (continued)

Interest Rate	Lender	Repayment Instalments	Currency	The Authority			
				2020		2019	
				Foreign Currency	JMD	Foreign Currency	JMD
(i) Foreign currency loans (continued)				\$'000	\$'000	\$'000	\$'000
LIBOR + 1.50	HSBC USS\$121.65M (Falmouth Cruise Ship Development)	Semi-annually until 2020/2021	US\$	-	-	6,031	762,766
3.00	European Investment Bank Loan #20.729 (KCT 3 Western Expansion) [note 20(d)]	Annually until 2020/2021	EURO	974	147,341	1,922	273,530
10.00	Kingston Freeport Terminal Limited	Quarterly until 2031/2032	US\$	-	-	26,605	3,364,697
3.56	European Investment Bank Loan #20.553 (KCT 3 Western Expansion) [note 20(d)]	Semi-annually until 2019/2020	US\$	-	-	2,434	307,789
8.75	Bank of Nova Scotia – (US\$44M) refinanced [note 20(h)(i)]*	Quarterly until 2020/2021	US\$	2,152	291,039	7,533	814,252
8.95	Bank of Nova Scotia – (US\$39.4M) refinanced [note 20(h)(ii)]*	Quarterly until 2021/2022	US\$	7,880	1,065,890	12,805	1,492,916
LIBOR + 3.50	FirstCaribbean International Bank [note 20(e)]	Quarterly until 2021/2022	US\$	885	<u>119,834</u>	2,891	<u>365,580</u>
					<u>1,624,104</u>		<u>7,381,530</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities (continued)

(c) Non-government loans (continued)

				The Group	
				2020	2019
				JMD	JMD
				\$'000	\$'000
Interest Rate	Lender		Repayment Instalments		
%					
(ii) Local currency loans					
8.35	NCB Capital Markets		In full March 2044	3,719,560	3,700,000
8.25	NCB Capital Markets Limited [note 20(h)(vi)]		Semi annually effective June 2022	5,053,000	-
14.50	NCB Insurance Company Limited (\$2B) & Sagicor				
	Life Jamaica Limited (\$500M) [note 20(h)(v)]		In full March 2054	<u>2,500,420</u>	<u>2,501,912</u>
				<u>11,272,980</u>	<u>6,201,912</u>
TOTAL				<u>12,966,713</u>	<u>13,689,132</u>
Secured					
Guaranteed by the Government of Jamaica				1,504,270	3,651,253
Charge on the assets [note 5(a)]				2,500,420	2,501,912
Unsecured - (including loans evidenced by promissory notes)				189,463	471,270
Unsecured				<u>8,772,560</u>	<u>7,064,697</u>
				<u>12,966,713</u>	<u>13,689,132</u>

Three months LIBOR at March 31, 2020 was 1.45050% (2019: 2.59975%)

Six months LIBOR at March 31, 2020 was 1.17525% (2019: 2.65950%)

Prime at March 31, 2020 was 4.75% (2019: 5.5%).

* These loans were restructured in 2008/2009 resulting in an extension of the repayment period [note 20(h)].



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities (continued)

(c) Non-government loans (continued)

Interest Rate	Lender	Repayment Instalments	The Authority	
			2020	2019
%			JMD	JMD
(ii) Local currency loans (continued)			\$'000	\$'000
8.25	NCB Capital Markets Limited [note 20(h)(vii)]	Semi Annually effective June 2022	5,053,000	-
8.35	NCB Capital Markets	In full March 2044	3,719,560	3,700,000
14.50	NCB Insurance Company Limited (\$2B) & Sagicor Life Jamaica Limited (\$500M) [note 20(h)(v)]	In full March 2054	<u>2,500,420</u>	<u>2,501,912</u>
			<u>11,272,980</u>	<u>6,201,912</u>
TOTAL			<u>12,897,084</u>	<u>13,583,442</u>
Secured				
Guaranteed by the Government of Jamaica			1,504,270	3,651,253
Charge on the assets [note 5(a)]			2,500,420	2,501,912
Unsecured			8,772,560	7,064,697
Unsecured - (including loans evidenced by promissory notes)			<u>119,834</u>	<u>365,580</u>
			<u>12,897,084</u>	<u>13,583,442</u>

Three months LIBOR at March 31, 2020 was 1.45050% (2019: 2.59975%)

Six months LIBOR at March 31, 2020 was 1.17525% (2019: 2.65950%)

Prime at March 31, 2020 was 4.75% (2019: 5.50%).

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities (continued)

- (d) In accordance with the loan agreements, a deposit is maintained in an offshore bank trust account to cover a specific ratio in respect of the aggregate principal on loans outstanding [note 10(a)(i)].
- (e) The loan from FirstCaribbean International Bank Limited was disbursed on September 1, 2011. The loan is for a period of 10 years and principal is repayable in 39 equal quarterly installments which commenced December 2011. Interest is charged at a rate of LIBOR plus 3.5% per annum [note 10(a)(ii)]. The loan is secured by a US dollar Promissory Note for US\$15,000,000.
- (f) On March 22, 2007, a subsidiary entered into a 15 year loan facility with FirstCaribbean International Bank (the Bank), inclusive of 12 months moratorium on principal payable, by way of a promissory note for US\$3,600,000 for contribution towards the purchase price of commercial real estate. Up to December 31, 2011, interest was charged based on the US dollar six months LIBOR plus a spread of 2.62% or such other rate as declared by the Bank every five years. Effective January 1, 2012, the rate was changed by the Bank to a set percentage for a period of six months, after which it would be subject to change by the Bank periodically. At March 31, 2020 the rate was 5.42% (2019: 6.37%) 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 acres commercial real estate, inclusive of buildings located at Newport West, registered at Vol. 1180 Folio 336 [note 7(e)].
- c) Fire & Peril Insurance over subject properties with Bank's interest noted.
- d) Hypothecation of fixed deposits in the amount of US\$70,351 (2019: US\$70,286) (excluding interest receivable with the Bank [note 10(a)(iv)] with 10-day top up (cure) feature, failing which unconditional guarantees, joint and several of partners are required (i.e. minority interest 100% and the Authority 100%). In the event that only one party provides its guarantee then that party must be the Authority with 100% cover.

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



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities (continued)

(g) Government of Jamaica (GOJ) - Loans

Interest Rate %	The Group		The Authority	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
(i) Development of Montego Bay Free Zone Company Limited	<u>7,169</u>	<u>7,169</u>	<u>-</u>	<u>-</u>
(ii) Ministry of Finance Fixed Interest Rate at 7.5% repayable quarterly until 2036 [note 20 (h)(iv)]	<u>3,747,627</u>	<u>3,849,983</u>	<u>3,747,627</u>	<u>3,849,983</u>
	<u>3,747,627</u>	<u>3,849,983</u>	<u>3,747,627</u>	<u>3,849,983</u>
(iii) Foreign currency loans: GOJ Petrocaribe 5% payable semi-annually in arrears 2012 - 2037 (US\$126.513 million) (evidenced by promissory notes [note 20(h)(iii)])	<u>14,983,806</u>	<u>14,795,851</u>	<u>14,983,806</u>	<u>14,795,851</u>
	<u>18,738,602</u>	<u>18,653,003</u>	<u>18,731,433</u>	<u>18,645,834</u>

(h) Loans with moratorium on repayment

- i) Bank of Nova Scotia (US\$44 million) – the principal amount is repayable in 34 equal quarterly instalments which commenced May 15, 2012.
 - ii) Bank of Nova Scotia (US\$39.4 million) – the principal is repayable in 44 equal quarterly instalments which commenced May 15, 2012.
 - iii) Effective June 30, 2012, the Petrocaribe Loans [see note 20(g)(iii)] were merged to form a consolidated loan of US\$126.513 million. The loan is for a period of 25 years inclusive of a five-year moratorium on principal and is repayable semi-annually beginning December 31, 2017.
 - iv) Ministry of Finance loan facility totalling US\$30 million, disbursed in tranches in Jamaican dollars, totalling \$3.826 billion. The loan is for a period of 20 years at fixed interest rate of 7.5% inclusive of a two-year moratorium on principal and is repayable quarterly effective November 2019. This loan is secured by a Promissory Note dated November 1, 2016.
 - v) National Commercial Bank Insurance Company and Sagicor Life Jamaica Limited loan of \$2.5 billion is for a period of 40 years with full repayment on March 31, 2053/2054. Interest is payable quarterly and commenced June 2014 at a fixed rate of 14.5% per annum. Loan security includes hypothecation of fixed deposit of US\$1.4 million [note 10(a)(iii)].
 - vi) NCB Capital Markets Limited loan of J\$5.053 billion for a period of 25 years, payable semiannually commencing June 2022. Interest is due semi-annually at a fixed rate of 8.25% per annum
- (i) The loans from the GOJ, including the Petrocaribe loans, are unsecured.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

20. Long-term liabilities (continued)

(j) Kingston Freeport Terminal Limited (KFTL) Quay Wall Reinforcement

On April 7, 2015, the PAJ entered a thirty (30) year Concession agreement (CA) with KFTL for the operations of the Kingston Container Terminal (KCT). The terms of the CA provided that the PAJ was responsible to pay a maximum of US\$30M of the Quay Wall reinforcement cost undertaken by KFTL. As per the CA, the PAJ exercised the option for KFTL to finance the Quay Wall Reinforcement as part of the overall KFTL project financing and repay quarterly installments of US\$970,601.88 inclusive of interest over a period of fifteen (15) years. Work on the Quay Wall Reinforcement Project was completed in December 2018, and final project account signed off in March 2019. During the financial year 2019/2020, the PAJ sought and obtained approval from the Ministry of Finance and the Public Service (MOF) for refinancing and the full settlement of the obligation. This loan was repaid in full on December 6, 2019.

(k) 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.

(l) Breach of loan agreements

As at March 31, 2020, the Authority did not meet the debt service covenant ratio for EIB 20.729 loan facility. Based on the loan agreement, this breach did not result in the loan becoming callable by the lender. As at March 31, 2020, the Authority has obtained waiver in respect of this breach for the period up to July 15, 2020.

21. Deferred income

	<u>The Group and The Authority</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Balance at the beginning of the year	806,440	495,174
Additions during the year [note 21(a)]	405,807	248,547
Amortised during the year	(47,902)	(47,902)
Reclassification from payables	<u>-</u>	<u>110,621</u>
Balance at the end of the year	<u>1,164,345</u>	<u>806,440</u>
Comprising:		
Government grants [note 21(a)]	405,807	398,126
Assets transferred [note 21(b)]	<u>758,538</u>	<u>408,314</u>
	<u>1,164,345</u>	<u>806,440</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

21. Deferred income

(a) This represents:

1) 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.

2) Additions during 2015/2016 of \$38.958 million represent amounts received from the Shipping Association of Jamaica (SAJ) and the Jamaica Customs, for the establishment of the Port Community System (PCS), which have been recognised as a grant following termination of an arrangement between parties on March 31, 2015.

3) Additions during the year of \$405.807 million represents amounts received from Tourism Enhancement Fund (TEF) for the aesthetic and structural improvement of the outskirts of the Ocho Rios and Falmouth Cruise Ship Terminal.

(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.

22. Provisions

	<u>The Group</u>		<u>The Authority</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At April 1	126,815	101,868	107,323	87,348
Provision for the year	112,813	106,711	88,010	85,535
Utilised during the year	<u>(85,801)</u>	<u>(81,764)</u>	<u>(67,046)</u>	<u>(65,560)</u>
At March 31	<u>153,827</u>	<u>126,815</u>	<u>128,287</u>	<u>107,323</u>

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

23. Trade and other payables

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Trade	1,014,984	1,341,361	985,419	1,291,734
Amounts to be disbursed in respect of specific projects	619,569	814,210	619,569	814,210
Accruals	319,882	921,623	223,676	832,220
Rental deposits	335,469	237,638	-	-
Related company [note 23(a)]	28,795	28,795	-	-
Advances from subsidiary companies [note 23(b)]	-	-	112,833	157,603
Income tax payable	66,339	138,131	-	-
Deposits on lands and projects	-	-	-	-
Others	351,964	433,629	265,096	272,995
	<u>2,737,002</u>	<u>3,915,387</u>	<u>2,206,593</u>	<u>3,368,762</u>

(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) Advances from subsidiary companies

	The Authority	
	2020	2019
	\$'000	\$'000
Montego Bay Free Zone Company Limited [note 23(b)(i)]	89,704	123,342
Kingston Freezone Company Limited [(note 23 (b) (ii)]	2,794	-
Ports Management & Security Limited [note 23(b)(ii)]	<u>20,335</u>	<u>34,261</u>
	<u>112,833</u>	<u>157,603</u>

(i) Effective April 1, 2014, interest was charged at a rate of 5% per annum until December 2018, when the decision was taken by the Board to capitalise the accumulated interest to November 2018. The loan is to be repaid in quarterly instalments over 22 months commencing April 2019 until January 2021. The amount is unsecured.

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

24. Revenue

	The Group		The Authority	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cargo	3,539,974	3,412,051	3,539,974	3,412,051
Cruise	2,790,945	3,526,096	2,790,945	3,526,096
Wharfage	843,956	794,880	843,956	794,880
Marine	1,329,218	1,620,240	1,329,218	1,620,240
Land, building and equipment lease	1,364,256	1,272,700	1,045,158	1,042,683
Port Antonio Marina	124,524	92,330	124,524	92,330
Security services	2,928,566	2,786,986	9,442	8,207
Other	186,844	230,396	118,678	150,198
	<u>13,108,283</u>	<u>13,735,679</u>	<u>9,801,895</u>	<u>10,646,685</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

25. Expenses

a) Direct operating

	<u>The Group</u>		<u>The Authority</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Audit fees	-	420	-	-
Bad debt recognised/(reversed)	-	15,413	-	15,413
Claims	18,871	-	18,871	-
Collection fees	116,130	49,078	-	-
Cruise expenses	(16,320)	55,693	(16,320)	55,693
Depreciation– Property, plant and equipment	1,473,617	1,082,693	1,473,617	1,082,693
– Right of use asset	49,732	-	-	-
Equipment rental	399	53,508	-	-
Electricity, water and telephone	217,362	220,454	178,343	188,825
Fuel	77,375	93,327	77,375	93,327
Garbage disposal	16,798	13,029	959	615
Insurance	152,775	179,113	101,984	120,202
Janitorial expense	17,144	13,341	12,371	8,471
Legal and professional fees	31,750	25,209	31,750	25,194
Maintenance dredging	-	343,080	-	343,080
Management fees	29,072	45,596	29,072	45,596
Marina, Falmouth and Port Handlers costs	172,347	152,590	172,347	152,590
Materials and supply	7,936	9,007	7,936	9,007
Miscellaneous	93,599	49,124	93,599	49,008
Office and general	26,358	29,790	26,358	29,790
Permit and certification	3,252	2,585	3,252	2,585
Personnel emoluments and allowances (including contracted services)	590,834	633,961	590,834	611,035
Project expenses - non-capital	17,853	58,764	17,853	58,764
Public relations and promotions	87,791	36,610	87,791	36,610
Repairs and maintenance	282,577	208,468	195,155	132,355
Security	1,196,706	1,042,628	104,743	109,411
Subscriptions and periodicals	3,423	3,365	3,423	3,365
Taxes – property and asset	23,851	23,108	23,851	23,048
Training and staff welfare	21,341	14,077	21,341	14,077
Travelling	44,973	30,215	44,973	30,215
Tug Hire	-	178,268	-	178,268
	<u>4,757,546</u>	<u>4,662,514</u>	<u>3,301,478</u>	<u>3,419,237</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

25. Expenses (continued)

b) Administrative

	The Group		The Authority	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Annual report	2,076	1,710	-	1,404
Asset and minimum business tax	-	200	-	-
Audit fees	15,975	15,036	11,685	11,406
Bad debts (including direct write offs)	825	(15,006)	-	(7,948)
Bank charges and amortisation	2,191	1,741	-	-
Board fees and expenses	7,231	5,721	2,992	2,685
Computer expense	161,396	129,950	146,515	116,020
Depreciation – Property, plant and equipment	191,086	105,497	60,092	86,989
Donation and subscriptions	291	1,252	-	-
Electricity and telephone	37,485	88,557	32,128	79,339
Foreign travel	10,794	11,725	9,754	10,842
Health Scheme - Employer	117,531	108,541	86,854	80,663
ID Cards	1,607	972	1,191	589
Insurance	46,856	78,253	42,433	72,675
Legal and professional fees	47,329	392,123	42,935	389,928
Local travel and motor vehicle expense	10,015	12,974	7,469	9,335
Miscellaneous	15,378	10,166	21,857	15,869
Non-capitalised fixed assets	1,199	1,120	548	811
Office and general	76,522	81,614	73,370	78,498
Personnel emoluments and allowances	1,313,504	1,233,965	920,695	901,918
Redundancy	-	199,632	-	199,632
Penalties & interest and with-holdings	33,407	14,885	9,427	14,847
Pension contributions employer	54,578	46,731	34,678	28,046
Preliminary expenses	16,310	26	16,310	25
Printing and stationery	12,965	14,699	9,653	11,306
Project expenses- non-capital	17,295	449,342	17,295	449,342
Property taxes	36,074	36,492	35,288	35,673
Public relations and promotions	26,511	34,392	24,935	28,874
Relocation of X-ray machines	-	(15,138)	-	-
Repairs and maintenance	236,517	272,676	232,049	268,253
Sanitation	2,977	1,153	-	-
Security expenses	20,664	18,709	20,434	18,589
Statutory deductions	124,654	112,042	83,858	79,753
Special economic zone fees	45,564	27,658	14	-
Training and staff welfare	100,161	101,979	26,086	40,164
Water charges	5,715	9,609	3,036	3,592
	<u>2,792,683</u>	<u>3,590,998</u>	<u>1,973,581</u>	<u>3,029,119</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

25. Expenses (continued)

c) Finance charges and interest on loans

	The Group		The Authority	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Interest on long-term liabilities	1,983,659	1,796,223	1,978,249	1,792,168
Interest on overdrafts and other	18,173	14,314	18,173	14,314
Amortised cost on loans	<u>30,405</u>	<u>(5,565)</u>	<u>30,405</u>	<u>(5,633)</u>
	<u>2,032,237</u>	<u>1,804,972</u>	<u>2,026,827</u>	<u>1,800,849</u>

26. Other gains and losses

	The Group		The Authority	
	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Foreign exchange (losses)/gains (net) [note 26(a)]	(1,207,631)	256,745	(1,310,180)	276,822
Investment property fair value adjustment (note 7)	921,515	1,309,234	741,415	1,244,834
(Losses)/gains on disposal of property, plant and equipment	<u>(20,153)</u>	<u>197,949</u>	<u>(20,153)</u>	<u>197,949</u>
	<u>(306,269)</u>	<u>1,763,928</u>	<u>(588,918)</u>	<u>1,719,605</u>
Classified as:				
- Foreign exchange losses on loans	(1,571,894)	(227,686)	(1,565,499)	(226,316)
- Other (b)	<u>1,265,625</u>	<u>1,991,614</u>	<u>976,581</u>	<u>1,945,921</u>
	<u>(306,269)</u>	<u>1,763,928</u>	<u>(588,918)</u>	<u>1,719,605</u>

(a) This includes foreign exchange losses of \$1.572 billion (2018: losses of \$0.228 billion) for the Group and losses of \$1.565 billion (2019: losses of \$0.226 billion) for the Authority arising on retranslation of foreign currency loans.

(b) This includes exchange adjustment on investments, banks balances, receivables, and payables as well as fair value adjustments on investment properties.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

27. Taxation

Current and deferred tax have been calculated using the tax rate of 25% (2019: 25%), except for three of the subsidiary company (MBFZ, KFZ and JIFZ), which acquired Special Economic Zone status under the Special Economic Zone Act, 2016. Under this Act taxable income (excluding revenues from rentals of properties in the zone) is subject to a tax rate of 12.5% and 25%.

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

	<u>The Group</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000
Current taxation	216,160	242,169
Prior year taxation	(3,572)	(15,696)
Employee tax credit	(6,139)	-
Deferred tax adjustments (note 13)	<u>(24,630)</u>	<u>(1,263)</u>
	<u>181,819</u>	<u>225,210</u>

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

	<u>The Group</u>	
	<u>2020</u> \$'000	<u>2019</u> \$'000
Profit before taxation	<u>3,105,544</u>	<u>5,214,647</u>
Tax at the domestic income tax rate of 25%	776,386	1,303,661
Tax effect of expenses not deductible for tax purposes	7,614	6,223
Tax effect of income not subject to tax	(538,588)	(1,013,171)
Tax effect of expenses not subject to tax	-	(750)
Tax effect of unused tax losses	2,766	(2,897)
Tax effect of income not subject to tax under the Special Economic Zone Act, 2016	(732)	(10,091)
Tax effect of change in tax rate from 25% to 12.5%	-	(862)
Tax effect of employment tax credit	(43,876)	(37,181)
Tax effect of expenses deductible for tax purposes	(3,881)	(385)
Tax effect of other adjustments	7,447	(3,641)
Tax effect of leases (net)	(21,745)	-
Prior year tax adjustments	<u>(3,572)</u>	<u>(15,696)</u>
	<u>181,819</u>	<u>225,210</u>

- (c) Subject to the agreement of the Commissioner General, Tax Administration Jamaica, tax losses of subsidiary companies aggregating approximately \$157.517 million (2019: \$155.519 million) are available to be set off against future taxable profits of those companies. Tax losses may be carried forward indefinitely; however, the amount that can be utilised is restricted to 50% of chargeable income (before prior year losses) in one year. At March 31, 2020 and 2019, no deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future taxable profits.



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

28. Profit after taxation

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

	<u>The Group</u>		<u>The Authority</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
(a) Revenue (expense) on:				
Interest income				
Interest income on long-term receivables	1,645	737	1,645	737
Income from short-term deposits	121,988	98,960	43,208	57,450
Other	-	7	-	-
	<u>123,633</u>	<u>98,704</u>	<u>44,853</u>	<u>58,187</u>
Impairment(expense)/recoveries				
- Trade receivables	264,235	128,337	168,263	18,059
Finance charges and interest on loans at amortised cost	(2,032,237)	(1,804,972)	(2,026,827)	(1,716,360)
(b) Gains (losses)				
Net foreign exchange (losses) gains on financial instruments at amortised costs				
- Foreign currency loans	(1,571,894)	(227,686)	(1,565,499)	(226,316)
- Short-term deposits and other investments	<u>364,263</u>	<u>484,431</u>	<u>255,319</u>	<u>503,138</u>
(c) Other				
Audit fees - current year	14,510	14,770	10,750	10,950
- prior year	1,825	686	935	456
Cost of inventories recognised in expenses	148,870	157,338	148,870	157,338
Loss/(gain) on disposal of property, plant and equipment	20,153	(197,949)	20,153	(197,949)
Provision for Inventory	8,259	-	8,259	-
Depreciation on right of use assets	49,732	-	-	-
Depreciation	1,640,133	1,183,900	1,509,218	1,165,411
Amortisation	24,570	4,340	24,491	4,260
Adjustment to property, plant and equipment	(1,237)	2,311	(1,237)	1,867
Write off of property, plant and equipment	-	402,583	-	402,569
Fair value gain on investment properties	(921,515)	(1,309,234)	(741,415)	(1,244,834)

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

29. 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:

	<u>The Group</u>	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
The Authority	1,775,827	4,106,169
The subsidiary companies	658,710	634,286
The associated companies	<u>41,000</u>	<u>30,897</u>
	<u>2,475,537</u>	<u>4,771,352</u>

30. Commitments and contingent liabilities

Capital commitments

At the end of the reporting period, approximately \$5.08 billion (2019: \$4.55 billion) had been committed and contracted by the Group and relates to costs for projects at Port Royal Cruise Terminal, Portmore BPO Complex, Kingston Logistics Park, procurement of Utility Vessel for Harbours Department and other projects. In respect of the prior year, the costs were related to projects at Montego Bay Freeport and Ocho Rios Terminal along with cost associated with the terms of the KCT Concession Agreement.

Legal contingencies

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

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

Guarantees

The Authority has financial guarantees aggregating to \$10 million maturing on December 31, 2049 with the Bank of Nova Scotia Jamaica Limited. There are no securities held for these guarantees. The facilities have not been utilised since inception.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

31. 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)	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Subsidiaries						
Jamaica International Free Zone Development Limited	-	-	5,337	5,179	82,331	84,780
Kingston Free Zone Company Limited	41,846	44,355	3,500	3,500	3,839	29,467
Montego Bay Free Zone Company Limited	297,010	323,984	3,500	3,500	(64,412)	(62,041)
Ports Management and Security Limited	331,539	320,884	27,000	27,000	(16,494)	38,499
Port Authority Management Services Limited [note 15]	-	-	-	-	127,322	127,232
KCT Services Limited	-	-	-	-	-	-
	<u>670,395</u>	<u>689,223</u>	<u>39,337</u>	<u>39,179</u>	<u>132,586</u>	<u>217,937</u>
Provision for impairment [note 15]	-	-	-	-	(126,883)	(126,883)
	<u>670,395</u>	<u>689,223</u>	<u>39,337</u>	<u>39,179</u>	<u>5,703</u>	<u>91,054</u>
Included in the following balances:						
Long-term receivables [note 11(c)]	-	-	-	-	76,226	76,226
Trade and other receivables [note 15]	-	-	-	-	42,310	172,432
Trade and other payables [note 23(b)]	-	-	-	-	(112,833)	(157,604)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,703</u>	<u>91,054</u>
Key management personnel	-	-	<u>37,642</u>	<u>32,658</u>	-	<u>18,406</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

31. 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

	<u>The Group</u>		<u>The Authority</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Short-term benefits	356,140	335,953	326,564	307,465
Pension	<u>7,119</u>	<u>5,558</u>	<u>2,663</u>	<u>3,669</u>
	<u>363,259</u>	<u>341,511</u>	<u>329,227</u>	<u>311,134</u>

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

	<u>The Group</u>		<u>The Authority</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	\$'000	\$'000	\$'000	\$'000
Short-term benefits				
- (directors fees and expenses)	<u>5,901</u>	<u>4,586</u>	<u>1,844</u>	<u>1,550</u>

32. Financial instruments, financial risks and capital risks management

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instruments are disclosed in Note 4 to the financial statements.

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 PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. Its directives are carried out through the Finance Committee, Audit Committee, Internal Audit Department and Procurement Sector Committee.

Finance Committee

This Management Committee has direct responsibility for the management of statement of financial position and overall financial structure which includes liquidity, interest rate and foreign currency risks management.

Audit Committee

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

The Internal Audit Department

The Internal Audit Department has responsibility for ensuring the effectiveness and adequacy of risk management, internal controls and procedures and conducts both ad hoc and regular reviews. The Internal Audit Department reports the result of all findings to the Audit Committee, which in turn reports the findings, recommendations and management responses to the Board of Directors.

Procurement Sector Committee

The Committee has overall responsibility for the monitoring of procurement activities of the Group, including procurement of contracts, evaluation and monitoring of costs incurred.

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

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 33 (b) below as well as interest rates as disclosed in note 33 (c) below.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

Management of market risk

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

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

- Foreign currency risk

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, 2020, the Group had US\$ denominated balances amounting to US\$31.918 million (2019: US\$35.417 million) of which US\$9.153 million (2019: US\$11.776 million) [note 9(a)] is held in respect of funding certain loans amounting to US\$1.399 million (2019: US\$6.161 million), €0.974 million (2019: €1.922 million) and J\$2.5 billion (2019: J\$2.502 billion) [note 20(d), 20(f)] and 20(h)(v) at the end of the reporting period.

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	
	2020	2019	2020	2019	2020	2019
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
<u>Currency</u>						
United States						
dollar	18,254,780	23,535,573	5,091,258	5,126,464	13,163,522	18,409,109
EURO	<u>147,341</u>	<u>273,530</u>	<u>-</u>	<u>-</u>	<u>147,341</u>	<u>273,530</u>
	The Authority					
	Liabilities		Assets		Net Liabilities	
	2020	2019	2020	2019	2020	2019
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
<u>Currency</u>						
United States						
dollar	17,886,833	23,160,782	2,798,767	3,125,845	15,088,066	20,034,937
EURO	<u>147,341</u>	<u>273,530</u>	<u>-</u>	<u>-</u>	<u>147,341</u>	<u>273,530</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

- Foreign currency risk (continued)

Foreign currency sensitivity analysis

The Group's most significant currency exposure is to the United States dollar. The following table details the Group's sensitivity to a 2% revaluation and 6% devaluation (2019: 4% revaluation and 6% devaluation) in the Jamaica dollar against the relevant foreign currencies. The above sensitivity rates are used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analyses include only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for the percentage changes as in foreign currency rates as described above. The sensitivity analysis includes external loans where the loan is denominated in a currency other than the currency of the borrower.

If the Jamaican dollar strengthens by 2% or weakens by 6% against the relevant currencies (2019: strengthens by 4% or weakens by 6%), the income will increase or (decrease) by:

	The Group							
	Revaluation		Devaluation		Revaluation		Devaluation	
	2020				2019			
	Change in Currency Rates %	\$'000	Change in Currency Rates %	\$'000	Change in Currency Rates %	\$'000	Change in Currency Rates %	\$'000
<u>Currency</u>								
United States dollar	+2	262,073	-6	(789,811)	+4	736,364	-6	(1,104,547)
EURO	+2	2,947	-6	(8,840)	+4	10,941	-6	(16,412)

	The Authority							
	Revaluation		Devaluation		Revaluation		Devaluation	
	2020				2019			
	Change in Currency Rates %	\$'000	Change in Currency Rates %	\$'000	Change in Currency Rates %	\$'000	Change in Currency Rates %	\$'000
<u>Currency</u>								
United States dollar	+2	301,761	-6	(905,284)	+4	801,397	-6	(1,202,096)
EURO	+2	2,947	-6	(8,840)	+4	10,941	-6	(16,412)

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 PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)
Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

- Foreign currency risk (continued)

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.

- Interest rate risk

Interest rate risk is the potential that the value of a financial instrument will fluctuate due to changes in market interest rates. Financial instruments subject to fixed interest rates are exposed to fair value interest rate risk while those subject to floating interest rates are exposed to cash flow interest rate risk.

The Group is exposed to significant interest rate risk as it borrows funds at both fixed and floating interest rates.

Management of interest rate risk

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

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

- 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.

	2020				
	The Group				
	Due within 1 Year \$'000	1-5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Assets					
Other investments	-	1,485,120	14,591	1,609	1,501,320
Long-term receivables	-	17,112	2,371	11,665	31,148
Trade and other receivables	-	-	-	1,886,482	1,886,182
Cash and short-term deposits	<u>4,236,764</u>	<u>-</u>	<u>-</u>	<u>448,955</u>	<u>4,685,719</u>
Total assets	<u>4,236,764</u>	<u>1,502,232</u>	<u>16,962</u>	<u>2,348,711</u>	<u>8,104,669</u>
Liabilities					
Long-term liabilities	2,192,043	4,830,905	24,564,172	470,063	32,057,183
Lease liabilities	63,929	143,996	-	-	207,925
Trade and other payables	-	-	-	2,348,999	2,348,999
Bank overdraft (unsecured)	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>800</u>
Total liabilities	<u>2,255,972</u>	<u>4,974,901</u>	<u>24,564,172</u>	<u>2,819,862</u>	<u>34,614,907</u>
Total interest rate sensitivity gap	1,980,792	(3,472,669)	(24,547,210)	(471,151)	(26,510,238)
Cumulative gap	<u>1,980,792</u>	<u>(1,491,877)</u>	<u>(26,039,087)</u>	<u>(26,510,238)</u>	

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

- Interest rate risk (continued)

	2019				
	The Group				
	Due within 1 Year \$'000	1-5 Years \$'000	Over 5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Assets					
Other investments	-	1,540,090	13,836	3,026	1,556,952
Long-term receivables	-	13,493	-	13,422	26,915
Trade and other receivables	-	-	-	2,745,269	2,745,269
Cash and short-term deposits	<u>7,054,213</u>	<u>-</u>	<u>-</u>	<u>245,369</u>	<u>7,299,582</u>
Total assets	<u>7,054,213</u>	<u>1,553,583</u>	<u>13,836</u>	<u>3,007,086</u>	<u>11,628,718</u>
Liabilities					
Long-term liabilities	3,692,689	6,632,700	21,913,860	360,015	32,599,264
Trade and other payables	-	-	-	2,827,926	2,827,926
Bank overdraft (unsecured)	<u>-</u>	<u>-</u>	<u>-</u>	<u>322</u>	<u>322</u>
Total liabilities	<u>3,692,689</u>	<u>6,632,700</u>	<u>21,913,860</u>	<u>3,188,263</u>	<u>35,427,512</u>
Total interest rate sensitivity gap	<u>3,361,524</u>	<u>(5,079,117)</u>	<u>(21,900,024)</u>	<u>(181,177)</u>	<u>(23,798,794)</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

- 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.

	2020					
	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
Assets						
Other investments	-	1,485,252	-	-	1,444	1,486,696
Long-term receivables	-	17,112	2,371	-	87,891	107,374
Trade and other receivables	-	-	-	-	730,816	730,816
Cash and short-term deposits	<u>1,016,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,134</u>	<u>1,250,973</u>
Total assets	<u>1,016,839</u>	<u>1,502,364</u>	<u>2,371</u>	<u>-</u>	<u>1,054,285</u>	<u>3,575,859</u>
Liabilities						
Long-term liabilities	2,157,298	4,796,161	24,564,172	-	462,894	31,980,525
Trade and other payables	-	-	-	-	1,982,917	1,982,917
Bank overdraft (unsecured)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>800</u>
Total liabilities	<u>2,157,298</u>	<u>4,796,161</u>	<u>24,564,172</u>	<u>-</u>	<u>2,446,611</u>	<u>33,964,242</u>
Total interest rate sensitivity gap	<u>(1,140,459)</u>	<u>(3,293,797)</u>	<u>(24,561,801)</u>	<u>-</u>	<u>(1,392,326)</u>	<u>(30,388,383)</u>
Cumulative gap	<u>(1,140,459)</u>	<u>(4,434,256)</u>	<u>(28,996,057)</u>	<u>(28,996,057)</u>	<u>(30,388,383)</u>	

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Separate Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

- Interest rate risk (continued)

	2019					
	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
Assets						
Other investments	-	1,540,090	-	-	2,993	1,543,083
Long-term receivables	-	13,493	-	-	89,648	103,141
Trade and other receivables	-	-	-	-	1,187,015	1,187,015
Cash and short-term deposits	4,750,537	-	-	-	112,448	4,862,985
Total assets	<u>4,750,537</u>	<u>1,553,583</u>	<u>-</u>	<u>-</u>	<u>1,392,104</u>	<u>7,696,224</u>
Liabilities						
Long-term liabilities	3,652,108	6,567,802	21,913,860	-	351,163	32,484,933
Trade and other payables	-	-	-	-	2,536,544	2,536,544
Bank overdraft (unsecured)	-	-	-	-	-	-
Total liabilities	<u>3,652,108</u>	<u>6,567,802</u>	<u>21,913,860</u>	<u>-</u>	<u>2,887,707</u>	<u>35,021,477</u>
Total interest rate sensitivity gap	<u>1,098,429</u>	<u>(5,014,219)</u>	<u>(21,913,860)</u>	<u>-</u>	<u>(1,495,603)</u>	<u>(27,325,253)</u>
Cumulative gap	<u>1,098,429</u>	<u>(3,915,790)</u>	<u>(25,829,650)</u>	<u>(25,829,650)</u>	<u>(27,325,253)</u>	

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(a) Market risk (continued)

- Interest rate risk (continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date is outstanding for the whole year. A 100 basis points increase and 100 basis points decrease (2019: 100 basis points increase/decrease) for local borrowing and a 100 basis points increase and 100 basis points decrease (2019: 100 basis points increase and a 100 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 lower (2019: 100 basis points higher or 100 basis points lower) on its foreign currency borrowings and investments profit for the period would decrease/increase by approximately \$22.799 million (2019: profits for the period would decrease/increase by approximately \$17.226 million). For the local borrowings and investments if interest rates were 100 basis points higher or lower (2019: 100 basis point higher or lower) and all other variables were held constant, the profit for the year would increase/decrease by approximately \$2.93 million (2019: the profit for the year would increase/decrease by approximately \$37.702 million).

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

See also Liquidity Risk Management at 31(e) below.

(b) Credit risk

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 \$8.362 billion (2019: \$11.845 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. The Covid 19 pandemic has caused significant market volatility which has increased the Group's credit risk. The increase in inflation rates, interest rates, unemployment rates and decrease in gross domestic products have resulted in an increase in the credit risk of trade receivables.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

Trade receivables

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.

Expected credit loss assessment as at March 31, 2020

The Group uses an allowance matrix to measure ECLs of trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

The following table provides information about the Group's and Authority's exposure to credit risk and ECLs for trade receivable as at March 31, 2020.

<u>Age Buckets</u>	<u>2020</u>			
	<u>The Group</u>			
	<u>Weighted Average loss rates</u>	<u>Gross Carrying Amount \$'000</u>	<u>Impairment loss allowance \$'000</u>	<u>Credit Impaired</u>
Current (not past due)	5.48%	1,341,324	73,549	No
31-60 days	34.81%	176,129	61,318	No
61-90 days	48.88%	49,557	24,222	No
91-120 days	53.16%	37,878	20,136	No
121-150 days	63.38%	41,233	26,135	No
151-180 days	73.83%	26,770	19,764	No
181-210 days	85.67%	20,528	17,587	No
211-240 days	82.15%	11,677	9,593	No
241-270 days	85.95%	13,562	11,657	No
271-300 days	93.16%	2,763	2,574	No
301-330 days	100.00%	1,791	1,791	No
331-360 days	100.00%	4,152	4,152	No
361 days and over	100.00%	<u>339,630</u>	<u>339,630</u>	Yes
		<u>2,066,994</u>	<u>612,108</u>	



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

Trade receivables (continued)

Expected credit loss assessment as at March 31, 2020 (continued)

2019				
The Group				
Age Buckets	Weighted Average loss rates	Gross Carrying Amount \$'000	Impairment loss allowance \$'000	Credit Impaired
Current (not past due)	0.06%	2,183,425	14,328	No
31-60 days	1.97%	129,936	2,564	No
61-90 days	0.87%	32,399	284	No
91-120 days	16.3%	20,723	3,397	No
121-150 days	3.60%	4,940	179	No
151-180 days	23.90%	6,983	1,668	No
181-210 days	26.05%	1,781	464	No
211-240 days	64.8%	3,410	2,212	No
241-270 days	100.00%	7,129	7,129	No
271-300 days	100.00%	7,881	2,809	No
301-330 days	100.00%	3,695	3,467	No
331-360 days	100.00%	4,448	4,448	No
361 days and over	100.00%	<u>304,098</u>	<u>304,098</u>	Yes
		<u>2,710,848</u>	<u>347,047</u>	
2020				
The Authority				
Age Buckets	Weighted Average loss rates	Gross Carrying Amount \$'000	Impairment loss allowance \$'000	Credit Impaired
Current (not past due)	17.32%	273,827	47,427	No
31-60 days	37.65%	142,796	53,762	No
61-90 days	50.34%	39,240	19,752	No
91-120 days	62.16%	19,891	12,365	No
121-150 days	76.64%	20,415	15,646	No
151-180 days	88.52%	11,320	10,021	No
181-210 days	100.00%	8,649	8,649	No
211-240 days	100.00%	1,391	1,391	No
241-270 days	100.00%	1,160	1,160	No
271-300 days	100.00%	406	406	No
301-330 days	100.00%	984	984	No
331-360 days	100.00%	1,666	1,666	No
361 days and over	100.00%	<u>74,104</u>	<u>74,104</u>	Yes
		<u>595,849</u>	<u>247,333</u>	

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

Trade receivables (continued)

Expected credit loss assessment as at March 31, 2020 (continued)

<u>Age Buckets</u>	<u>2019</u>			
	<u>The Authority</u>			
	<u>Weighted Average loss rates</u>	<u>Gross Carrying Amount \$'000</u>	<u>Impairment loss allowance \$'000</u>	<u>Credit Impaired</u>
Current (not past due)	1.30%	525,746	6,062	No
31-60 days	0.04%	109,609	42	No
61-90 days	0.18%	27,153	51	No
91-120 days	0.90%	14,406	131	No
121-150 days	3.00%	4,830	146	No
151-180 days	14.00%	6,039	848	No
181-210 days	28.15%	1,158	326	No
211-240 days	47.85%	2,242	1,073	No
241-270 days	100.00%	6,635	6,635	No
271-300 days	100.00%	7,530	3,246	No
301-330 days	100.00%	1,358	1,358	No
331-360 days	100.00%	2,971	2,971	No
361 days and over	100.00%	<u>56,181</u>	<u>56,181</u>	Yes
		<u>765,858</u>	<u>79,070</u>	

The Group has a significant concentration of credit risk exposure to companies operating in the Marine Industry. Four debtors of the Group account for approximately 26% (2019: Four debtors 19%) respectively, whilst two debtor of a subsidiary company accounts for 60% (2019: two debtors 73%) 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.

Loans to employees

There is also credit risk with respect to loans to employees which account for approximately 70% (2019: 59%) of long-term receivables. The Authority has established policies and procedures which govern standards for granting loans and the process of continuous monitoring.

Cash and cash equivalents

The risk is managed in line with the Group's policy. Excess funds are invested for short periods of time, depending on the Group's cash flow requirement. These surplus funds are placed with approved financial institutions with no concentration of the funds being at any specific counterparty and thereby mitigating potential financial losses.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(b) Credit risk (continued)

Investment in deposits and securities under re-purchase agreements

The Group seeks to minimise the risk of its investments in deposits and securities under re-purchase agreements in the following ways:

- Investments are only placed with financial institutions stipulated by the Government of Jamaica and the guidelines of the Board of Directors.
- Senior management conducts constant monitoring of the investments to ensure that the agreed terms are adhered to and that the particular institutions fulfil their financial obligation to the Group as they fall due.
- Management limits the amount of investments placed with any institution in accordance with the Board of Directors' guidelines.

Maximum exposure to credit risk

Impairment on cash and cash equivalents (including short-term investments) for the Group and Authority have been measured at 12 - month expected loss basis and reflects the short maturities of the exposures. No impairment allowance was recognised on initial adoption of IFRS 9 for cash and cash equivalents and there was no change during the period.

For securities purchased under resale agreement and deposits loss allowance are as follows:

	<u>Group</u> \$'000	<u>Authority</u> \$'000
Remeasurement at April 1, 2018 under IFRS 9	19,087	14,045
Reversed during the year	(1,919)	(2,196)
Balance at March 31, 2019	17,168	11,849
Remeasurement during the year recognised in profit or loss	8,095	-
Reversed during the year recognised in profit or loss	(11,849)	(11,849)
Balance at March 31, 2020	<u>13,414</u>	<u>-</u>

Related party balances

The Group assesses each related entity's ability to pay if payment is demanded as at the reporting date. Management reviews recovery scenarios considering given economic conditions and the counterparties liquidity over the expected life of the recoverable. The expected credit losses are calculated on this basis.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(c) Liquidity risk

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.

	<u>The Group</u>				Total
	<u>2020</u>				
	<u>Term to Maturity /Re-Pricing</u>				
	Carrying amount	Due Within 1 Year	1-5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Liabilities					
<i>Interest bearing</i>					
Variable rate loans	189,323	159,401	35,924	-	195,325
Fixed rate loans	31,508,683	4,263,660	12,584,848	49,549,424	66,397,932
Bank overdrafts	800	800	-	-	800
Lease liabilities	207,925	63,929	113,370	66,471	243,770
<i>Non-interest bearing</i>					
Trade and other payables	2,670,663	2,670,663	-	-	2,670,663
Provisions	153,827	153,827	-	-	153,827
Total	<u>34,731,221</u>	<u>7,312,280</u>	<u>12,734,142</u>	<u>49,615,895</u>	<u>69,662,317</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(c) Liquidity risk (continued)

Non-derivative financial liabilities (continued)

	<u>2019</u>				
	Term to Maturity /Re-Pricing				
	Carrying amount \$'000	Due Within 1 Year \$'000	1-5 Years \$'000	Over 5 Years \$'000	Total \$'000
Financial Liabilities					
<i>Interest bearing</i>					
Variable rate loans	1,234,038	1,127,762	182,205	-	1,309,967
Fixed rate loans	31,108,097	4,530,682	12,889,882	44,567,846	61,988,410
Bank overdrafts	322	322	-	-	322
<i>Non-interest bearing</i>					
Trade and other payables	3,777,258	3,777,258	-	-	3,777,258
Provisions	<u>126,815</u>	<u>126,815</u>	<u>-</u>	<u>-</u>	<u>126,815</u>
Total	<u>36,246,530</u>	<u>9,562,839</u>	<u>13,072,087</u>	<u>44,567,846</u>	<u>67,202,772</u>

	<u>The Authority</u>					
	<u>2020</u>					
	Term to Maturity /Re-Pricing					
Carrying amount \$'000	Due Within 1 Year \$'000	1-5 Years \$'000	Over 5 Years \$'000	No Specific Repayment Term \$'000	Total \$'000	
Financial Liabilities						
<i>Interest bearing</i>						
Variable rate loans	119,834	121,588	-	-	121,588	
Fixed rate loans	31,508,683	4,263,660	12,584,848	49,542,255	66,390,763	
Bank Overdraft	800	800	-	-	800	
<i>Non-interest bearing</i>						
Trade and other payables	2,206,593	2,093,760	-	-	112,833	
Provisions	<u>128,287</u>	<u>128,287</u>	<u>-</u>	<u>-</u>	<u>128,287</u>	
Total	<u>33,964,197</u>	<u>6,608,095</u>	<u>12,584,848</u>	<u>49,542,255</u>	<u>112,833</u>	



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

Financial risk management policies and objectives (continued)

(c) Liquidity risk (continued)

	2019					Total \$'000
	Carrying amount \$'000	Due Within 1 Year \$'000	Term to Maturity /Re-Pricing			
1-5 Years \$'000			Over 5 Years \$'000	No Specific Repayment Term \$'000		
<i>Financial Liabilities</i>						
<i>Interest bearing</i>						
Variable rate loans	1,128,348	1,080,061	112,646	-	-	1,192,707
Fixed rate loans	31,100,928	4,530,682	12,889,882	44,560,677	-	61,981,241
<i>Non-interest bearing</i>						
Trade and other payables	3,368,764	3,211,161	-	-	157,603	3,368,764
Provisions	<u>107,321</u>	<u>107,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,321</u>
Total	<u>35,705,361</u>	<u>8,929,225</u>	<u>13,002,528</u>	<u>44,560,677</u>	<u>157,603</u>	<u>66,650,033</u>

(d) 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	
	2020 \$'000	2019 Restated \$'000	2020 \$'000	2019 Restated \$'000
Debt	32,057,983	32,599,586	31,981,326	32,484,933
Cash and short-term deposits	<u>(4,685,719)</u>	<u>(7,299,582)</u>	<u>(1,250,973)</u>	<u>(4,862,985)</u>
Net debt	<u>27,372,264</u>	<u>25,300,004</u>	<u>30,730,353</u>	<u>27,621,948</u>
Equity	<u>37,152,641</u>	<u>34,245,054</u>	<u>29,643,402</u>	<u>27,867,573</u>
Net debt to equity ratio	<u>74%</u>	<u>74%</u>	<u>104%</u>	<u>99%</u>



THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

32. Financial instruments, financial risks and capital risks management (continued)

(d) Capital risk management (continued)

The Group's strategy remains unchanged from the year ended March 31, 2020.

The capital structure of the Group consists of reserves (note 17) and accumulated surplus.

33. Fair value of other assets

Fair values

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

The 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.

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

Quantitative disclosures fair value measurement hierarchy

	The Group			Total \$'000
	Quoted Prices in Active Market Level 1 \$'000	Significant Observable Inputs Level 2 \$'000	Significant Unobservable Inputs Level 3 \$'000	
At March 31, 2020				
Assets measured at fair value:				
- Investment properties	<u>-</u>	<u>-</u>	<u>22,188,426</u>	<u>22,188,426</u>
At March 31, 2019				
Assets measured at fair value:				
- Investment properties	<u>-</u>	<u>-</u>	<u>20,078,654</u>	<u>20,078,654</u>

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

33. Fair value of other assets (continued)

	The Authority			Total \$'000
	Quoted Prices in Active Market Level 1 \$'000	Significant Observable Inputs Level 2 \$'000	Significant Unobservable Inputs Level 3 \$'000	
At March 31, 2020				
Assets measured at fair value:				
- Investment properties	<u>-</u>	<u>-</u>	<u>19,416,926</u>	<u>19,416,926</u>
At March 31, 2019				
Assets measured at fair value:				
- Investment properties	<u>-</u>	<u>-</u>	<u>17,487,254</u>	<u>17,487,254</u>

34. Other disclosures

Staff costs incurred during the year were:

	The Group		The Authority	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Salaries, wages and allowances	1,637,549	1,607,314	1,244,740	1,263,510
Statutory contributions	173,214	159,080	132,418	123,310
Pension contributions	76,608	96,709	56,708	79,569
Health scheme contributions	142,136	96,130	111,459	67,722
Redundancy costs	-	206,482	-	199,632
Travelling and other	<u>245,668</u>	<u>230,972</u>	<u>171,594</u>	<u>167,304</u>
	<u>2,275,175</u>	<u>2,396,687</u>	<u>1,716,919</u>	<u>1,901,047</u>

35. 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. BECO relinquished its interest in the venture to the Authority and the wind up of the joint venture was effected. [See note 8(b)].

36. Transfer to the government of Jamaica Consolidated fund

In accordance with Regulation 6 of the Public Bodies Regulations, 2015, and the provisions of the enabling Act, the Public Bodies Management and Accountability Act, a payment of a financial distribution of \$Nil (2019: \$8.011 million) from retained earnings was transferred to the Government of Jamaica Consolidated Fund.

THE PORT AUTHORITY AND ITS SUBSIDIARIES

Notes to the Consolidated and Authority Financial Statements (Continued)

Year ended March 31, 2020

(Expressed in Jamaica dollars unless otherwise indicated)

37. Impact of the Covid-19 Pandemic

The World Health Organisation (WHO) in March 2020 declared the novel coronavirus (COVID-19), as a global pandemic. The initial response of the PAJ Group was to appropriately safeguard and protect the stakeholders, by not only providing information to employees, business partners and clients, but also equipping all personnel with supplies to prevent contagion and establishing protocols to access our premises. All health protocols are in line with the Ministry of Health (MOH) guidelines.

Similarly, to all global businesses, the COVID-19 pandemic has had an adverse impact on the operations of the PAJ Group, in particular, the Cruise & Business Process Outsourcing (BPO) operations which represents over 50% of the PAJ's Group revenues. Nevertheless, the PAJ and its subsidiaries continue to remain positive on its outlook regarding going concern, despite the increasing economic uncertainty surrounding COVID-19. Based on cash flow projections for the Financial Year 2020/2021, provision has been made for all obligations with financial institutions and ongoing capital projects are expected to be completed on/before March 31, 2021. Furthermore, the PAJ Group has undertaken strategies to manage the risks attendant to this environment as follows:

- a) Cost management/containment strategies following the revision to the financial year 2020/2021 budget and resubmission to the Ministry of Finance & the Public Service (MOF). Ongoing monitoring and discussions with management personnel is a key requirement.
- b) Decrease funding gap by way of a deferral of loan payments amounting to \$2.2B with the MOF until the end of the last quarter of the Financial Year 2020/21. Approval was received from the MOF on June 17, 2020.
- c) Approval has been obtained from the MOF for the conversion of the US\$110.7M PetroCaribe loan facility to Jamaican dollars. The draft loan agreement is currently being finalized between both parties (PAJ and MOF).
- d) Strict monitoring of financial covenants as outlined in the loan agreements with financial institutions.
- e) Maintaining ongoing communication with stakeholders to maintain transparency on all matters of interest, especially as it relates to reporting requirements and debt covenants as outlined in the respective loan agreements.





Credits

Concept & Creative Direction

Corporate Planning Department
The Port Authority of Jamaica

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