

JAMAICA URBAN TRANSIT COMPANY LIMITED
ANNUAL REPORT
— 2017 —



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CORPORATE PROFILE

INTRODUCTION

The Jamaica Urban Transit Company Limited (JUTC) is responsible for the operation of public transportation services in the Kingston Metropolitan Transport Region (KMTR).

The JUTC delivers public transport services seven days per week and in some cases up to 14 hours per day.

The operations of the JUTC is served from three main depots Spanish Town, Portmore and Rockfort, supported by outstations to include: Spanish Town Transport Centre, Greater Portmore, Downtown Hub and Half Way Tree Transport Centre.

These locations were established to control dispatching of buses at the major terminal locations.

Mission

To provide a customer-oriented, safe, reliable, modern, cost-effective transportation service through teamwork and good conditions of employment

Our Values

- Respect for each other and our customers
 - Integrity in our behaviour
- Consistency in dealing with personnel issues
 - Excellence in doing our jobs
- Inform employees in a timely manner on things that affect them

LIST OF SENIOR OFFICERS

SENIOR OFFICERS

Managing Director.....	Mr. Collington Campbell (demitted office May 2016) Mr. Paul Abrahams (appointed May 2016)
Deputy Managing Director – Finance and Corporate Planning.....	Miss Marcia Hamilton
Deputy Managing Director – Operations.....	Mr. Kirk Finnikin
Deputy Managing Director – Human Resources & Administration.....	Miss Elaine Hall
Deputy Managing Director – Engineering and Technical Services.....	Mr. John Campbell (demitted office May 2016) Mr. Jason Brown (appointed September 2016)
General Manager.....	Mr. Lenworth McCalla
General Manager, Depot Operations.....	Mr. Lynval Thompson
General Manager, Depot Operations.....	Mr. Neville Francis
General Manager, Depot Operations.....	Mr. Hochoy Gordon (demitted office February 2017)
Financial Controller.....	Miss Sharlene Taylor
Marketing and Communications Manager.....	Mr. Clinton Clarke (demitted office May 2016) Mr. Reginald Allen (appointed September 2016)
Internal Audit Manager.....	Mrs. Diana Satterthwaite
Service Planning Manager.....	Mrs. Marlene Evans-Roache
Information Technology Manager.....	Mr. Brian Tulloch
Legal Officer.....	Miss Dionne Cruickshank
Company Secretary.....	Mrs. Carlene Ross (demitted office January 2017) Miss Christina Howell (appointed January 2017)
Training and Development Manager.....	Mrs. Michelle Creed-Nelson
Revenue and Budget Controller.....	Miss Shellyann Taylor (appointed June 2016)
Procurement Manager.....	Miss Antoinette Thwaites (demitted office October 2016) Mr. Patrick Boodie (appointed June 2016)
Stores Manager.....	Mr. Sheldon Smalling
Industrial Relations Manager.....	Mr. Robert Harris (demitted office October 2016) Mr. Albert Carty (appointed October 2016)
Franchise Protection and Inspection Manager.....	Mr. Radcliffe Lewis
Special Projects and Corporate Affairs Manager.....	Mrs. Georgia Redway (appointed June 2016)

CORPORATE DATA

REGISTERED OFFICE

Michael Manley Drive
Twickenham Park
Spanish Town
St. Catherine
Tel: 749-3192-9; Fax: 907-2209
Website: www.jutc.com

AUDITORS

KPMG
Duke Street
Kingston

BANKERS

Bank of Nova Scotia Jamaica
Scotia Bank Centre
Corner Duke and Port Royal St
Kingston

National Commercial Bank
37 Duke Street
Kingston



MESSAGE FROM THE MINISTER OF TRANSPORT AND MINING



Hon. L. Michael Henry CD, MP
Minister of Transport and Mining

The JUTC had a challenging 2016-2017 financial year, as it transitioned from one political administration to another. Contending policy directions and management styles came to the fore over the period. The significant consequence was a major lapse in the continuity of arrangements for spare parts acquisition, which the new management encountered in mid-year 2016.

The JUTC dug deep to adequately serve the needs of the commuting public and build for the future. The Ministry of Transport & Mining, the Board of Directors and Managers, combined focus with fixity of purpose to resolve the challenges. As a result, the JUTC successfully managed a fleet of 570 buses and transported 58.03 million passengers throughout the fiscal year.

Thirty five (35) Chinese-made Golden Dragon buses were added into the system over the financial year. Therefore the question of structured and timely spare parts supplies to ensure efficient maintenance of the existing fleet has been of critical importance. It was very important to have gotten back on track after the lapse in arrangements.

Importantly too, has been the thrust of the JUTC's management to rehabilitate some of the buses previously written off to active service. At the time of the official handing over of the Golden Dragon buses in September 2016, rehabilitated units that had been salvaged from the disposal line, were on display, and I had an enjoyable ride on one of them.

It is no secret that the Company's financial position remains challenging, but all efforts are being made to resolve these challenges as best as possible, with the new management demonstrating its resolve to operate with financial prudence. Given the tight national fiscal space, and the constraints that it imposed on the JUTC, this kind of approach by the management is imperative to the way forward and it is a welcomed development that has already been adopted and being practiced.

I am also encouraged by the growth in commuter acceptance of the JUTC service, and planned projects to improve the run-out and span of services down the road. This speaks to vision and dynamism in always searching for improvements.

This is notably within the context that the public bus service is intended to be expanded across the country over time as part of the Rural-Urban Transport Plan, to extend the economic benefits of the public transportation service to taxpayers in general, not just those within the KMTR.

I, therefore, extend appreciation to the JUTC team for the efforts so far, while urging them to remain focused on driving greater efficiency at the Company, to the benefit of the commuters and the country at large.

Hon. L. Michael Henry CD, MP
Minister of Transport and Mining

MESSAGE FROM THE CHAIRMAN



Russell Hadeed
Chairman

The JUTC continues to evolve over its 19 year journey so far as the main public transportation provider in the KMTR. Over a very challenging 2016-2017 financial year, the Company dispatched an average 383 buses daily. This speaks to the general resolve of the Board, Management and Line Staff to be of improved service to the over 250,000 commuters who use the service daily, a goal that is intrinsically connected to the general run-out numbers for the fleet.

In the Company's thrust to deliver a reliable, safe and comfortable service across the KMTR and wider afield where special and charter services are offered, the JUTC was fortunate to receive 35 new Chinese-made Golden Dragon buses in 2016, which have offered very useful variety to the fleet make-up, and have represented a big asset for the Company.

The 39-seater units are significantly smaller in size, more fuel efficient, and generally more flexible operationally than the typical 53-seater Volvo units in the fleet. The new units were built particularly to handle the challenging hilly terrain in upper St Andrew, where the Company has for long been overly challenged to adequately meet the commuting needs.

By the end of the financial year in focus, complaints from those areas were noticeably reduced, due largely to the introduction of the new and specialised buses, and also strategic human resource applications to resolve the former widespread commuter complaints.

Very importantly also, in the quest to better serve commuters all-round, despite the Company's very challenging financial position, the management has been able to settle outstanding amounts of employee benefits, such as uniform allowances, incentives and increments dating back to 2015. This has served to improve staff morale, which is known to be inexplicably linked to staff commitment and, thus, performance.

Of significant note too, and a signal indicator of the possibilities for the JUTC itself, was the stunning performance of Jamaica Ultimate Tyre Company (JUTC2), a wholly-owned subsidiary of the JUTC, for the first 11 months of the 2016-2017 fiscal year, over which the subsidiary entity registered a profit of 78.5 per cent over budget, setting the stage for another record performance for the entire year. This speaks loudly of the potential for success with our endeavours as a corporate entity, which we are committed to charting as we go forward.

Despite the many challenges which the Company faces, the JUTC remains committed to providing the best possible service to commuters, something which is tied to the effective development and motivation of our human resources.

I, therefore, take this opportunity to thank the Managers, Supervisors and Line Staff for all you do, and urge increased effort and improved focus as we seek to further improve the standards of service which we offer.

Russell Hadeed
Chairman

REPORT FROM THE BOARD OF DIRECTORS

CORPORATE GOVERNANCE

The Directors of the Company are appointed by the Minister of Transport and Mining. The names of persons who were Directors during the year ended March 31, 2017 are set out below. Except where indicated, they served as Directors for the entire year.

Mr. Gregory Mair - Chairman (demitted office January 2017)	Mr. Clement Ellington
Mr. Russell Hadeed – Chairman (appointed March 2017)	Mr. Max Leiba (demitted office January 2017)
Mr. Paul Abrahams, Managing Director (appointed May 2016)	Mr. Ian Murray
Mr. Sean Azan	Mr. Albert Seaga (deceased October 2016)
Mr. Shane Dalling	Mr. Newlyn Seaton (appointed March 2017)
Mr. Richard DePass	Mr. Bancroft Thomas
Mr. Errol W. Edwards	Ms. Theresa Turner

The Board remains committed to the highest levels of oversight by adopting corporate governance best practices, designed to improve and strengthen its advisory role on the operations of management.

Committees of the Board:

Committees are established to assist the Board in the discharge of its responsibilities. The Committees for the year in focus were as follows:

- **Audit and Risk Management (to incorporate Asset Management, Procurement and Corporate Governance)**
- **Finance**
- **Human Resource and Administration**
- **Marketing, Business Development (to incorporate Customer Service)**
- **Operations, Maintenance, Logistics & Security (to incorporate Information Technology)**

These Committees are composed of directors who have the requisite knowledge and skills to effectively carry out their respective mandates, guided by Terms of Reference essential for the overall function of the Committees.

The Members of the Committees and their attendance at Committee meetings are reflected in the Table of Attendance below

	BOARD			COMMITTEES		
NUMBER OF MEETINGS HELD	11	6	10	8	6	7
	Board	Audit and Risk Management	Finance	Human Resources & Administration	Marketing, Business Development & Customer Service	Operations, Logistics & Security
Mr. Gregory Mair (Chairman)*	Chair (9)	-	Ex-Officio (5)	Ex-Officio (0)	Ex-Officio (1)	Ex-Officio (2)
Mr. Russell Hadeed (Chairman)**	0	-	Ex-Officio (0)	Ex-Officio (0)	Ex-Officio (0)	Ex-Officio (0)
Mr. Paul Abrahams (MD)	10	-	Ex-Officio (9)	Ex-Officio (7)	Ex-Officio (4)	Ex-Officio (6)
Mr. Sean Azan	11	-	-	Member (7)	Member (6)	-
Mr. Shane Dalling	9	Member (2)	-	Chair (8)	-	-
Mr. Richard DePass	10	Chair (6)	Member (7)	-	-	-
Mr. Errol W Edwards	11	-	-	-	Member (4)	Chair (7)
Mr. Clement Ellington	11	Member (5)	Chair (10)	-	-	-
Mr. Max Leiba	8	-	Member (4)	Member (4)	-	Member (3)
Mr. Ian Murray	7	-	-	-	Chair (6)	Member (2)
Mr. Albert Seaga	1	-	-	-	-	-
Mr. Bancroft Thomas	10	Member (6)	Member (9)	-	-	-
Miss Theresa Turner	10	-	-	Member (1)	Member (5)	Member (6)

* Mr. Gregory Mair demitted office on January 12, 2017

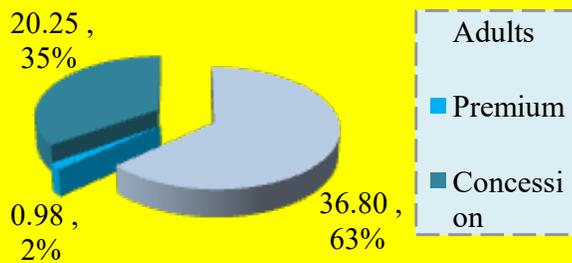
** Mr. Russell Hadeed was appointed Board Chairman on March 13, 2017

PERFORMANCE

The JUTC plays a pivotal role in Jamaica's growth and economic development by providing a transportation service which is critical to thousands of residents in the KMTR. JUTC provides a safe, secure, and modern public transportation system, with emphasis on customer service and cost effectiveness. In the fiscal year 2016-2017 we managed a fleet of 570 buses and carried 58.03 million passengers. Our goal is to help elevate the quality of life for people in the KMTR by providing a world class transportation service that meets the needs of 21st century commuters.

JUTC'S RIDERSHIP BY CATEGORY

2016-17 Passenger Summary



The actual ridership for 2016-2017 was 58.03 million which represented a decrease of 2% or 1.48 million passengers over the previous year and 17.5% or 12.31 million passengers below budget.

The short fall in ridership was due in part to the unavailability of buses as well as the fierce competitive operating environment. As indicated in the chart, concession passengers were 20.25 million which accounted for 35% of total passengers carried.

The JUTC continually strives to improve performance. Therefore, operational projections for the 2017-2018 fiscal year include: increased ridership and improved customer service through public awareness and training; increased revenue and increased technology usage.



Financial Performance

Financial Performance							
	Audited 2016/2017	Budgeted 2016/2017	Var %	Audited 2015/2016	Var %	Projection 2017/2018	Var %
	\$'000	\$'000		\$'000		\$'000	
Revenue	4,960	5,416	-8%	5,081	-2%	4,971	0%
Direct Expenses	4,554	6,508	-30%	4786	-5%	7,045	55%
Gross Profit/Loss	406	-1,092	-137%	295	38%	-2,074	-611%
Other Operating Income	206	96	115%	166	24%	115	-44%
Administrative Expenses	4,767	4,676	2%	4,562	4%	3,637	-24%
Other Operating Expenses	1,133	581	95%	395	187%	411	-64%
Operating Loss	-5,288	-6,254	-15%	-4,496	18%	-6,007	14%
Finance Costs	140	117	20%	157	-11%	105	-25%
Loss from operations, before grant income	-5,428	-6,371	-15%	-4,653	17%	-6,112	13%
Grant Income - Government of Jamaica	2,681	5,480	-51%	2,061	30%	2,946	10%
Loss , being total comprehensive losses for the year	-2,748	-891	209%	-2,592	6%	-3,166	15%

The Company's total income for the financial year amounted to \$5.17 billion, was a 2% decrease below the \$5.25 billion achieved in the previous year and was below the budget by 6%. JUTC's main revenue source is the fare revenue which includes the charter revenue and bus advertising. The fare revenue accumulated to \$4.96 billion which accounted for 96% for the total income generated in the period.

Direct expenses of \$4.55 billion reflected a decrease of 5% over the previous year and a decrease of 30% against budget.

Other Operating expenses of \$1.13 billion reflected an increase of 187% over the previous year and an increase of 95% against budget.

Administrative expenses of \$4.77 billion reflected an increase of 4% over the previous year and an increase of 2% against budget.

The losses from operations before Government grant were \$5.43 billion. The losses were worse by 17% compared to the previous year, but better by 15% when compared to budget.

Government support received in the period amounted to \$2.68 billion which reflected a shortfall in budget of 51%, but was 30% above the previous year.

Against this background, the Company recorded losses of \$2.75 billion, a negative variance of 6% compared to the previous year, and a negative variance of 208% compared to budget.

Corporate Social Responsibility

The JUTC maintained its commitment to remain a good corporate citizen by partnering with corporate, government and charitable entities. The Company strongly believes that while achieving revenue targets is important, it is also equally important to contribute to the social welfare of Jamaicans.

Sponsorship in the form of free transportation was provided for various organisations during the year including: Edwin Allen and Calabar High Schools for the school athletes to track meets at the National Stadium and GC Foster College Jamaica Agricultural Society for the Governor General and his entourage to the Denbigh Agricultural Show on July 31, 2016; Jamaica Football Federation; Jamaica Ultimate Tyre Company Limited; Miss Jamaica World Pageant and Tourism Product Development Company Limited.

The JUTC partnered with SunCity for the second staging of the 'High School Disc Jock Competition' which aimed to assist in cultural retention and highlighting viable jobs in the entertainment industry while disseminating a positive message to the students. As sponsors the JUTC received numerous advertising opportunities such as branding, JUTC logo placement on all promotional materials and interviews at live broadcasts.

- **Joint JUTC-RJR Outside Broadcast Celebrating RJR's 66th**

JUTC and RJR 94 FM joined forces for an outside broadcast at the JUTC Downtown Kingston Hub on Friday September 2, 2016, as part of the RJR's 66th Anniversary Celebrations. Members of the JUTC management team were interviewed by RJR 94 FM morning personalities Paula Ann Porter-Jones and Allan Magnus. Of note, Reginald Allen, Marketing and Communications Manager spoke about JUTC matters including the importance of JUTC commuters using the Smartercard and the back-to-school Double Day promotion.

The JUTC saluted the RJR by naming one of its buses 'Route 66' for the day which displayed a 'greeting card' on the unit's destination sign. Driver Horace Roberts was the designated driver of the JUTC Route 66 bus. He was responsible for taking Paula Ann Porter-Jones for a trip on JUTC Route 66. Also, as part of the celebration, the JUTC presented RJR with 66 Smartercards with a value of \$300 on each to passengers on Route 66.





- **JUTC Transportation Sponsorship for Netball Jamaica Under 21 Netball Series**

The JUTC supported Netball Jamaica in the form of airport pick-up and drop-off for the England Under-21 Netball Team- 'Young English Roses' which arrived in Jamaica on August 5, 2016 for a five match series against the Jamaica Under-21 Netball Team- 'Young Sunshine Girls'. Transportation was provided from the Sangster International Airport in Montego Bay to the Four Seasons Hotel in Kingston where the team stayed. Matches were played at the National Indoor Sports Centre. The Young English Roses won the series three games to two. During the series, the JUTC's Kingston City Tour (KCT) entertained the Young English Roses with a 'Shopping Tour' at the Downtown Kingston Craft Market. After the series, the team was transported back to Sangster International on August 13 for their trip back to England.

- **Labour Day 2016**

Many JUTC staff members placed much effort into ensuring that depot Labour Day projects were successful. Members of the Spanish Town Depot, led by Managing Director Paul Abrahams and their General Manager Hochoy Gordon, 'got down to business' at their Labour Day project at Jones Avenue in Spanish Town. Among the work done by the team was the re-painting of the pedestrian crossing and curb walls at Jones Avenue.

The Downtown Kingston Hub staff also 'laboured' on the day. Their two projects were the painting of the Central Police Station and the cross walk at North Parade and South Parade in Downtown Kingston.

For the Rockfort Depot, the Labour Day project was painting St. Benedict's Primary School at Seven Miles, Bull Bay, St. Andrew.

LABOUR DAY PICTORIAL



DIRECTORS' COMPENSATION

Position of Director	Fees (\$)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable* (\$)	Total (\$)
Chairman	351,900			2,444	354,344
Chairman	0.00			5,780	5,780
Director	306,600			37,318	343,918
Director	315,200			27,137	342,337
Director	300,700			14,739	315,439
Director	363,900			31,490	395,390
Director	419,500			18,631	438,131
Director	236,800			77,644	314,444
Director	209,200			3,478	212,678
Director	285,500			7,041	292,541
Director	285,700			121,102	406,802
Total Directors' Compensation	3,075,000			346,804*	3,421,804

*All Other compensation represents Mileage reimbursement for all directors except for Chairman Garnett Roper, and telephone charges of \$5,780 for Chairman Reverend Garnett Roper only. Mileage is paid to each director along with directors fees.

Mileage is a reimbursable based on distant travelled to each board meeting. Director Albert Seaga was not compensated as he took ill shortly after being appointed.

The table shows information for Chairmen Garnet Roper and Gregory Mair only. Chairman Russell Hadeed was not compensated as there was no Board meeting held between his appointment in March 2017 and the 2016/2017 financial year end.

DIRECTORS' FEES BY MEETING ATTENDANCE

Date	Particulars	Clement Ellington	Shane Dalling	Max Leiba	Errol Edwards	Ian Murray	Sean Azan	Richard Depass	Bancroft Thomas	Theresa Turner	Gregory Mair	Total Directors Fees
4-May-16	Inaugural Board meeting	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	23,000	149,000
11-May-16	Extraordinary Board Meeting & Board Retreat	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	23,000	149,000
18-May-16	Operations Meeting			6,900	11,500					6,900		25,300
18-May-16	Human Resources Meeting		11,500	6,900			6,900					25,300
20-May-16	Marketing Meeting					11,500	6,900			6,900		25,300
24-May-16	Finance Meeting	11,500		6,900				6,900	6,900		6,900	39,100
26-May-16	Board meeting	14,000	14,000	14,000	14,000		14,000	8,500	14,000	14,000	23,000	129,500
10-Jun-16	Audit Meeting	6,900						11,500	6,900			25,300
16-Jun-16	Operations Meeting			6,900	11,500	6,900				6,900	6,900	39,100
17-Jun-16	Human Resources Meeting		11,500				6,900					18,400
21-Jun-16	Finance Meeting	11,500		6,900				6,900			6,900	32,200
22-Jun-16	Operations Meeting	14,000	14,000	14,000	14,000		14,000			14,000	23,000	107,000
24-Jun-16	Marketing Meeting					11,500	6,900			6,900		25,300
30-Jun-16	Board Meeting	14,000	14,000	14,000	14,000	14,000	14,000	14,000		14,000	23,000	135,000
4-Aug-16	Special Board	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	23,000	149,000
17-Aug-16	Meeting Held with Minister	14,000		14,000	14,000	14,000		14,000	14,000	14,000		98,000
22-Aug-16	Operations				11,500					6,900		18,400
23-Aug-16	Finance	11,500						6,900	6,900			25,300
26-Jul-16	Disciplinary Hearing		11,500									11,500
11-Aug-16	Disciplinary Hearing		11,500									11,500
23-Aug-16	Disciplinary Hearing		11,500									11,500
25-Aug-16	Board Meeting	14,000		14,000	14,000		14,000	14,000	14,000	14,000	23,000	121,000
30-Aug-16	Audit Meeting	6,900	6,900					11,500	6,900			32,200
6-Sep-16	Human Resource Meeting		11,500	6,900			6,900					25,300
9-Sep-16	Marketing Meeting				6,900	11,500	6,900			6,900		32,200
19-Sep-16	Human Resource Meeting		11,500	6,900			6,900					25,300
20-Sep-16	Finance Meeting	11,500		6,900				6,900	6,900			32,200
27-Sep-16	Operations Meeting			6,900	11,500					6,900	6,900	32,200
29-Sep-16	Board Retreat	14,000	14,000	14,000	14,000		14,000	14,000	14,000	14,000	23,000	135,000
29-Sep-16	Board Meeting	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	23,000	149,000
21-Oct-16	Marketing Meeting	-			6,900	11,900	6,900				6,900	32,600
25-Oct-16	Finance Meeting	11,500							6,900			25,300
27-Oct-16	Board Meeting	14,000		14,000	14,000	14,000	14,000	14,000	14,000	14,000	23,000	135,000
27-Oct-16	Board Meeting		14,000									14,000
1-Nov-16	HR Meeting		11,500	6,900								18,400
4-Nov-16	Audit Meeting	6,900						11,500	6,900			25,300
15-Nov-16	Special Finance Meeting	11,500	6,900	6,900	6,900		6,900	6,900	6,900	6,900	6,900	59,800
22-Nov-16	Finance Meeting	11,500		6,900	6,900			6,900	6,900		6,900	46,000
23-Nov-16	Operations Meeting				11,500							11,500
24-Nov-16	AGM	14,000			14,000		14,000	14,000	14,000		23,000	93,000
24-Nov-16	Board Meeting	14,000			14,000		14,000		14,000		23,000	79,000
4/11/2017	Financial Meeting with KPGM	11,500										11,500
20-Dec-16	Finance Meeting	11,500									6,900	18,400
4-Jan-17	Marketing Meeting				6,900	11,500	6,900			6,900	6,900	39,100
6-Jan-17	HR Meeting		11,500				6,900				6,900	25,300
11-Jan-17	Operation Meeting				11,500					6,900		18,400
12-Jan-17	Special Board Meeting	14,000	14,000		14,000	14,000	14,000			14,000		84,000
12-Jan-17	Finance Meeting	11,500						6,900	6,900			25,300
13-Jan-17	Audit Meeting	6,900						11,500	6,900			25,300
13-Jan-17	Finance Meeting at MOFPS	11,500						6,900				18,400
18-Jan-17	HR Meeting		11,500				6,900					18,400
19-Jan-17	Board Meeting	14,000	14,000		23,000		14,000	14,000	14,000	14,000		107,000
25-Jan-17	Special Finance Meeting	11,500							6,900			18,400
10/2/2017	Audit Meeting	6,900						11,500	6,900			25,300
16/2/2017	Operation Meeting				11,500	6,900				6,900		25,300
17/2/2017	Marketing Meeting				6,900	11,500	6,900			6,900		32,200
7-Mar-17	Finance Meeting	11,500							6,900			18,400
9-Mar-17	Board Meeting	14,000	14,000		23,000	14,000	14,000	14,000	14,000	14,000		121,000
10-Mar-17	Special Audit Meeting		6,900					11,500	6,900			25,300
15-Mar-17	HR Meeting		11,500				6,900			6,900		25,300
17-Mar-17	Finance Meeting at PCJ	11,500							6,900			18,400
GRAND TOTAL		419,500	315,200	236,800	363,900	209,200	306,600	300,700	285,500	285,700	351,900	3,075,000

SENIOR EXECUTIVE COMPENSATION 2016-2017

		Position of Senior Executive	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retirement Benefits(\$)	Other Allowances** (\$)	Non- Cash Benefits*** (\$)	Total (\$)
Paul	Abrahams	Managing Director	6,522,343	-			-	50,000	6,572,343
Collington	Campbell	Managing Director	836,198	2,201,067			3,174,714	20,000	6,231,978
Jason	Brown	D.M.D. Engineering and Technical Services	4,352,276		1,147,425		38,640		5,538,342
John	Campbell	D.M.D. Engineering and Technical Services	763,837		261,002		357,964		1,382,803
Kirk	Finnikin	D.M.D. Operations	4,803,526	1,263,671	1,402,608		508,897		7,978,702
Marcia	Hamilton	D.M.D. Finance and Corporate Planning	5,182,657	1,342,653	1,402,608		218,756		8,146,674
Elaine	Hall	D.M.D. Human Resources and Administration	4,768,184	1,116,387	1,402,608				7,287,179
Sharlene	Taylor	Financial Controller	4,410,792	3,180,689	1,402,608		412,102		9,406,192
Lynval	Thompson	General Manager - HWTC	4,435,963	1,074,202	1,402,608		83,020		6,995,793
Neville	Francis	General Manager - Depot	4,327,121	1,202,963	1,402,608		512,723		7,445,415
Hochoy	Gordon	General Manager - Depot	3,439,321	2,906,986	1,179,004		62,647		7,587,959
Lenworth	Mccalla	General Manager - Depot	4,638,170		1,402,608		4,400		6,045,178
Michael	Bisnott	Fleet and Quality Assurance	2,242,696		711,468		138,012		3,092,176
Lewis	Radcliff	Franchise and Protection Manager	4,485,393	3,225,238	1,402,608		498,827		9,612,066
ShellyAnn	Taylor	Manager, Special Projects	4,192,765		1,402,608				5,595,373
Reginald	Allen	Marketing and Communications Manager	3,132,339		593,416		42,576		3,768,331
Clinton	Clarke	Marketing and Communications Manager	550,276	2,814,218	191,222		1,237,499		4,793,214
Dionne	Cruickshank	Legal Officer	3,645,031		1,402,608		334,169		5,381,808
Antionette	Thwaites	Procurement Manager	1,734,246		768,553		364,269		2,867,067
Diana	Satterthwaite	Internal Audit Manager	3,724,944	1,027,273	1,402,608		348,411		6,503,235
Michael	Brown	Maintenance Manager	3,382,490		1,402,608				4,785,098
Marlene	Evans-Roache	Service Planning Manager	3,420,618	2,432,025	1,402,608		130,096		7,385,346
Brian	Tulloch	IT Manager	3,724,944	904,113	1,402,608		270,817		6,302,481
Albert	Carty	Industrial Relations Manager	1,417,442		588,415				2,005,858
Robert	Harris	Industrial Relations Manager	1,635,120	2,175,349	1,089,256		1,143,782		6,043,508
Michelle	Creed- Nelson	Training and Development Manager	3,217,977	801,579	1,402,608		116,732		5,538,897
Patrick	Boodie	Revenue and Budget Controller	3,217,977	920,704	1,402,608		417,706		5,958,995
Christina	Howell	Company Secretary	618,996		228,689				847,685
Carlene	Ross	Company Secretary	2,660,776	792,778	1,133,373		194,495		4,781,422
Sheldon	Smalling	Stores Manager	3,382,490		739,605		52,192		4,174,287
		TOTAL PAID	98,866,908	29,381,894	31,073,158	-	10,663,446	70,000	170,055,406

Note: * The Managing Director is a member of the Board of Directors. He is also a member of the Company's Executive Management Team and is paid a salary.

**Other allowances represents payment for unused vacation leave on the completion of a three -year contract & Ex-gratia Payment, one-off payment allowance, seniority allowance, uniform, robing, library and laundry allowance. Please see table below with the analysis of compensation for other allowances of all senior executives.

***Non-Cash Benefits represents income tax add back of \$70,000.00 for Motor Vehicle for the Managing Director. Since the managing director is allocated a company car, Tax Administration of Jamaica assigns a cost based on the value of the vehicle and income tax is charged on this cost, hence the term tax add back.

ANALYSIS OF OTHER ALLOWANCES FOR JUTC SENIOR EXECUTIVE COMPENSATION 2016-17

SURNAME	FIRST NAME	POSITION	Seniority Allowance	One Off Lump Sum	Library Allowance	Laundry Taxable	Robing Allowance	Uniform Allowance	Unused Vacation	Notice Pay	Mileage	TOTAL
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CAMPBELL	COLLINGTON	Managing Director	15,462						1,268,319	1,890,933		3,174,714
BROWN	JASON	D.M.D Engineering and Technical Services									38,640	38,640
CAMPBELL	JOHN	D.M.D Engineering and Technical Services							159,095	198,869		357,964
FINNIKIN	KIRK	D.M.D Operations							491,817		17,080	508,897
HAMILTON	MARCIA	D.M.D. Finance and Corporate Planning							218,756			218,756
TAYLOR	SHARLENE	Financial Controller							412,102			412,102
THOMPSON	LYNVAL	General Manager - HWTC							83,020			83,020
FRANCIS	NEVILLE	General Manager - Depot							498,123		14,600	512,723
GORDON	HOCHOY	General Manager - Depot							62,647			62,647
MCCALLA	LENWORTH	General Manager - Depot									4,400	4,400
BISNOTT	MICHAEL	Fleet and Quality Assurance							138,012			138,012
LEWIS	RADCLIFFE	Franchise and Protection Manager	54,475	168,328					276,024			498,827
ALLEN	REGINALD	Marketing and Communications Manager									42,576	42,576
CLARKE	CLINTON	Marketing and Communications Manager	20,003						252,408	965,088		1,237,499
CRUICKSHANK	DIONNE	Legal Officer			175,346	32,820	120,435				5,568	334,169
THWAITES	ANTOINETTE	Procurement Manager		116,732					247,537			364,269
SATTERTHWAITE	DIANA	Internal Audit Manager	69,735	135,409					143,267			348,411
EVANS-ROACHE	MARLENE S.	Service Planning Manager							130,096			130,096
TULLOCH	BRIAN	IT Manager	135,408	135,409								270,817
HARRIS	ROBERT LLOYD	Industrial Relations Manager							369,346	774,436		1,143,782
CREED-NELSON	MICHELE	Training and Development Manager		116,732								116,732
BOODIE	PATRICK	Revenue and Budget Controller	53,437	116,732					247,537			417,706
ROSS	CARLENE	Company Secretary		120,234					74,261			194,495
SMALLING Snr	SHELDON	Stores Manager				772		48,620			2,800	52,192
			348,522	909,575	175,346	33,592	120,435	48,620	5,072,367	3,829,325	125,664	10,663,446



MANAGING DIRECTOR'S REPORT



Paul Abrahams
Managing Director

Over the challenging 2016-2017 operating year, arising from absence of a steady flow of spare parts to maintain the Company's fleet, the daily bus run-out numbers went close to an average of 383 units in late 2016.

However, with quick and purposeful action through the combined efforts of the Ministry of Transport and Mining, Ministry of Finance and Public Service and the leadership of the JUTC, the situation was reversed by the beginning of 2017, and the run-out was kept at approximately 400 for the remainder of the financial year.

That demonstrated the overall commitment and resolve to provide adequate service to the over 250,000 commuters who use the service daily, a goal that is intrinsically connected to the general fleet run-out numbers.

This was buoyed by the acquisition of 35 new Chinese-made Golden Dragon buses in 2016, which has offered very useful variety to the fleet make-up, and has proven to be a big asset within the Company.

The 39-seater units are much smaller, more fuel efficient and ideally suited for the rugged terrain than the typical 53-seater Volvo units in the fleet.

Of significant note is that no provision is in place for the acquisition of any new buses for quite some time, hence the need for sustained and effective bus maintenance arrangements over the next few years.

Despite continued financial challenges throughout the year, in search of the goal of better serving the commuters all-round, the management was able to largely settle a number of outstanding employee benefits, such as uniform allowances, incentives and increments dating back to 2015. This accomplishment has served to significantly improve staff morale, which is an obvious driver of both staff commitment and overall performance.

Of important note also, is that while the Company's financial position remained challenging, all efforts were made by the new management to operate with extreme financial prudence. Given the tight fiscal space over the year, and the constraints that it naturally imposed, this kind of approach by the JUTC's management is imperative for the route ahead.

In search of a better financial position and increasing acceptance of the JUTC's service within the KMTR, it should be noted that the public bus service is slated to be gradually expanded across the country as part of the Rural-Urban Transport Plan. This will bring the benefits of the publicly-owned bus service to the wider country under the Government's policy direction.

As we embark on a number of projects to produce improved operational efficiency going forward, I am optimistic that better days are ahead for the JUTC. Of particular note is the overall Automatic Vehicle Locator (AVL) system, which is being explored under a pilot project. This is projected to generate much-improved capacity to centrally monitor the activities of the bus crews on the roads, and direct or re-direct operations as required in the best interest of efficiency and improved overall service.

My heartiest thanks to the Ministry, Board, Management and Staff for the positive inputs in keeping the Company afloat and actively engaged in developing efficiencies to better and more viably serve the commuting public in the years to come.

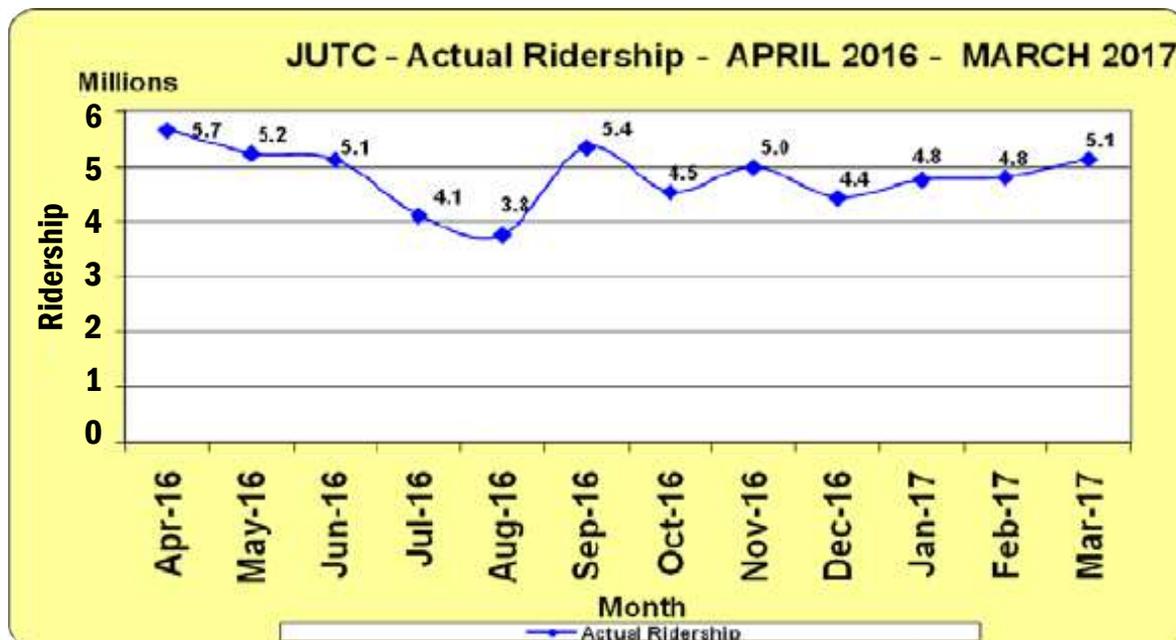
Paul Abrahams

Managing Director



MANAGEMENT INFORMATION AND ANALYSIS OF FINANCIAL DATA

OPERATIONS



Ridership

The JUTC recorded total ridership of 58.03 million passengers for the period 2016-2017 reflecting a decrease of 2% when compared to 59.51 million in the previous year.



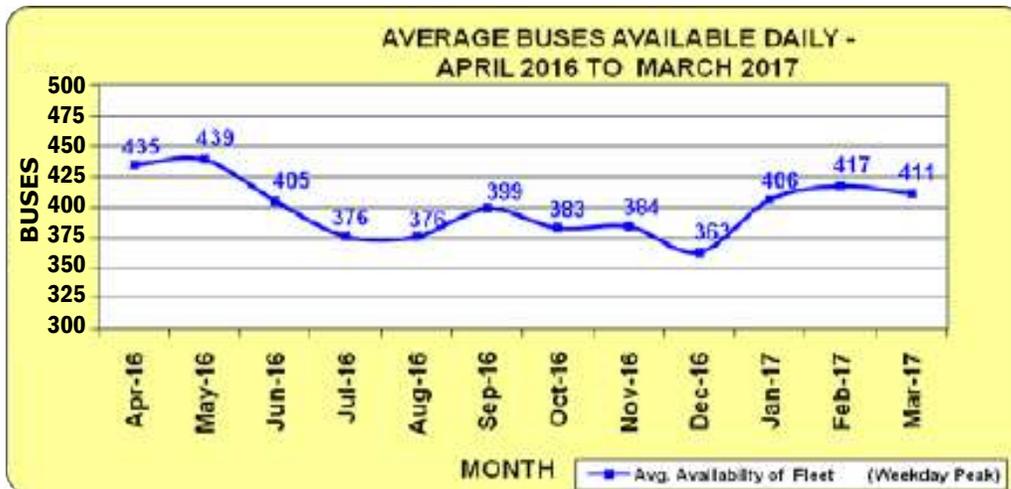
Minister of Transport and Mining, Hon. Michael Henry (centre), looks at something being pointed out by Managing Director of the JUTC, Paul Abrahams (left) and JUTC Chairman, Gregory Mair. The occasion was a ceremony for the official handover of 35 new Golden Dragon buses on September 24, 2016 at the JUTC Training Depot on Lyndhurst Road in Kingston.

Some of the main factors for the decreased ridership were low bus run-out due to lack of adequate servicing and spare parts, continuous competition from illegal operators and legal operators who operate in contravention to the terms of their licence and late dispatching of buses.

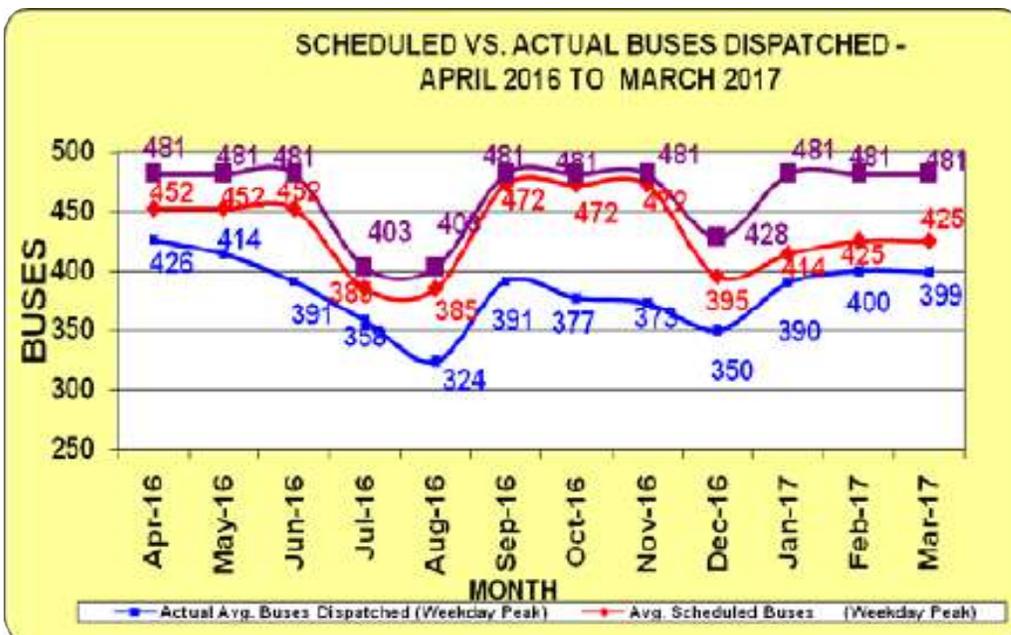
Buses Dispatched

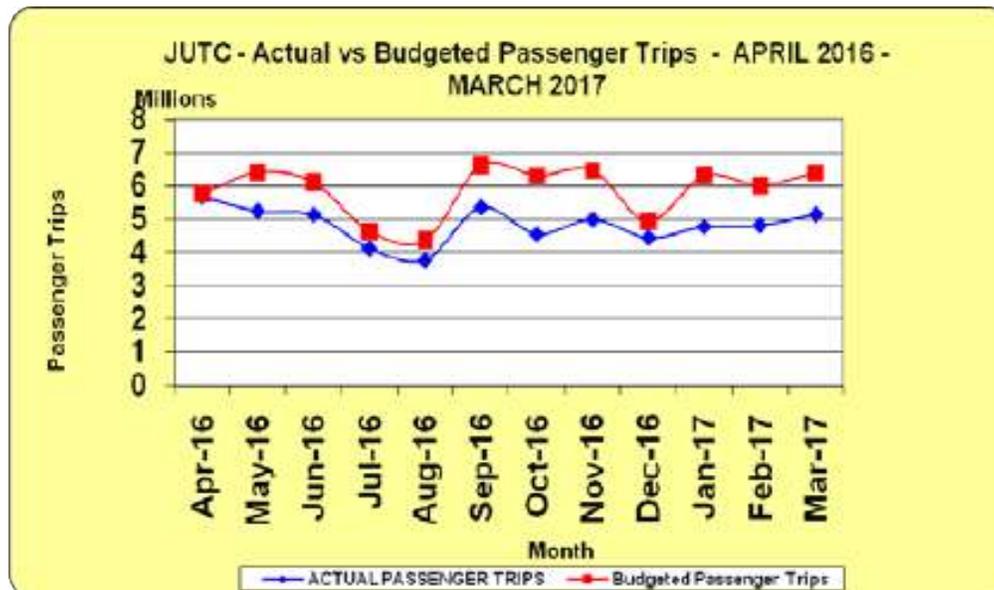
An average of 383 buses was dispatched during the period compared to 423 the previous year. Though several buses in the fleet were pulled from service for maintenance issues, management made every effort to ensure that the available buses were kept in good condition to be able to meet the daily customer demands all year round.

The chart below highlights the average daily bus availability for financial year 2016-2017



The chart below highlights the average number of buses dispatched.





New Buses

The official Handing-Over Ceremony for 35 new Golden Dragon buses out of China was held on September 24, 2016 at the Lyndhurst Depot. Guest speaker, the Honourable L.M. Henry, Minister of Transport and Mining, lauded the partnership between the Jamaican and Chinese Governments that resulted in the acquisition of the buses. Also present for the auspicious occasion was Mr. Vonstrolley – Local Dealer of Golden Dragon; His Excellency, Niu Quing Bao – Chinese Ambassador to Jamaica; Mr. Gregory Mair - Board Chairman; other Board Members, the press and other members of the JUTC team.

Engineering & Technical Services

The Engineering and Maintenance Department remained resolute in its efforts to keep the Company's buses on the roads daily. At the start of the financial year, the unavailability of spare parts threatened the projected fleet availability. However, as the year progressed, the Company received spare parts which improved fleet availability as buses requiring major repairs were returned to operations.

Notwithstanding the setbacks experienced during the year, the Management team is positive that there will be improvements in the upcoming years as funding and arrangements for the procurement of spare parts, engine and transmission rebuilding, coolant flushing of the entire fleet and rehabilitation of buses will be implemented which will improve the maintenance of the fleet. Once these and other measures are employed alongside measures to improve productivity and reliability of the fleet, they will no doubt translate into positive gains for the JUTC in the short and long term.



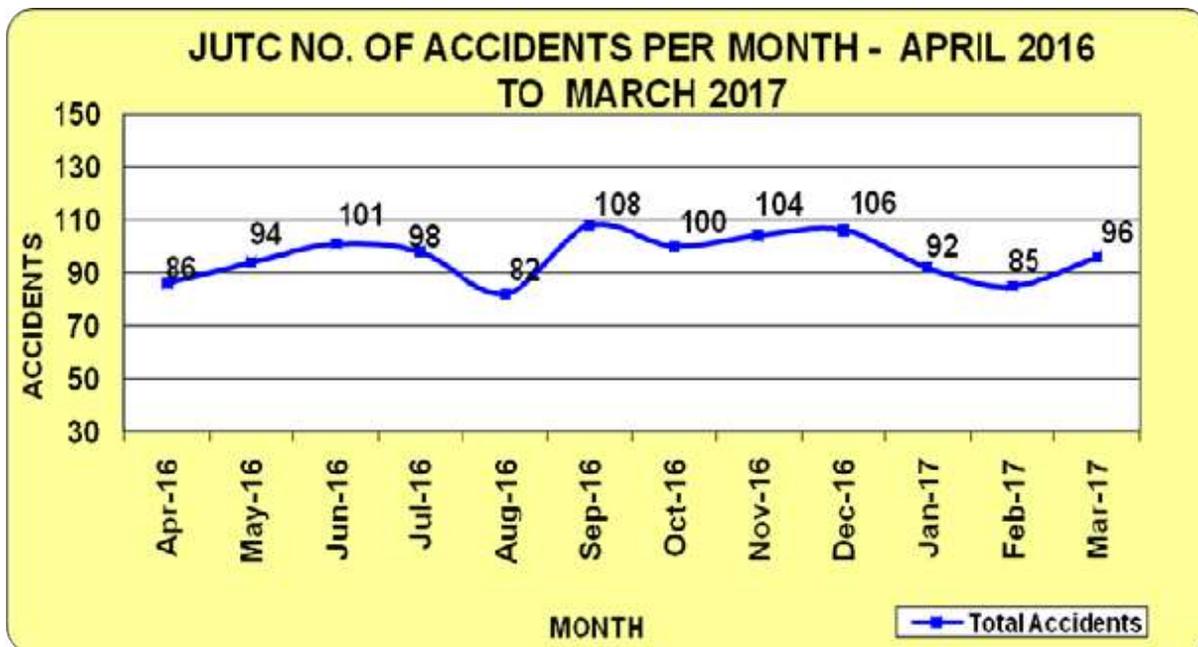
Repairing special service unit 14D1972 from an accident damage are from left to right inside the bus - Body Shop Supervisor Mr. Everett Ford, Mr. Christie McCalla, Mr. Aston Wilson, Mr. Richard Brown, Mr. Jerome Martin and Mr. Michael Bryan (in face visor).

The Board of the JUTC and the Executive Management Team are committed to ensuring that the safety, health and welfare of customers, employees, visitors and contractors are protected at the highest standard.

Members of the Jamaica Constabulary Force assisted the Revenue and Franchise Protection Unit with monitoring illegal operations, the use of the Mandela Highway Exclusive Bus Lane and night patrol of bus routes. The partnership between the JUTC and JCF proved successful as order was maintained along the Mandela Highway and safety aboard our buses for commuters and our drivers improved.

While collisions increased during the year to 1179 compared to 1072 in the previous year, the Company took steps to ensure that drivers received adequate training to operate buses and were reminded of the importance of driving with due care, skill and precision. As part of control measures, management ensured that drivers who were found driving below the Company's required standards received further training

The table below highlights the number of accidents involving JUTC's buses.



Management continued efforts to reinforce a safety culture throughout the organisation. As part of this, the Company continued to invest in staff training and technical training for maintenance staff in line with policy.

Marketing and Corporate Communications

The JUTC continued to engage its customers and stakeholders through the media on a national and local level throughout 2016-2017. This was achieved by sustaining strong public relations efforts, providing information about services, revised bus schedules, new products and our involvement in community initiatives.

Customer Service

The JUTC is committed to promptly responding to feedback from customers. On a daily basis, the Customer Service Department served walk in customers, received and provided responses to written correspondences, received calls from the public reporting lost and/or stolen Smartercards complaints; and/ or making queries about charters, Kingston City Tours and Double Day requirements. All cases received were recorded, investigated and statistics from feedback are analysed to generate customer insight. These customer insights are used to enhance the overall performance of services offered by the Company for the benefit of all customers.



Advertising

For the financial year ended March 2017, the department generated \$36.372 million in revenue from advertising sales which was an increase of \$27.077 million when compared to \$9.295 million generated in 2015-2016 year.

BUS ADVERTISING (\$)'000	
Year	Revenue
2012-2013	13,935
2013-2014	21,008
2014-2015	22,607
2015-2016	9,295
2016-2017	36,228

Charters

The JUTC Charter Service is a strong revenue earner for the Company. The service falls under the purview of the Marketing and Sales Department which is charged with the responsibility of growing the charter business. However, while the Department takes the lead in ensuring the growth of the service, all employees contribute to its development. Throughout the year, all depots ensured that buses were clean, functional and ready to provide excellent transportation service to customers.

Sales from charter services amounted to \$247.081 million, an increase of \$31.244 million when compared to \$215.837 million earned in 2015-2016.

CHARTER REVENUE (\$)'000	
Year	Revenue
2012-2013	106,703
2013-2014	125,085
2014-2015	155,313
2015-2016	215,837
2016-2017	247,081

Kingston City Tour

The Kingston City Tour (KCT) marked its first anniversary on August 01, 2016 and conducted several tours during the year including its inaugural Kingston Drive-Out Tour on Thursday August 25, 2016. Operations continued throughout the year with four tours offered namely: The Spirit of Reggae The Foundation, Yo-Ho-Ho and a Bottle of Rum, The Jamaica Heritage Tour and The Kingston Drive Out Tour. The tours offered patrons the opportunity to visit historical sites and attractions of Kingston that contribute to the rich Jamaican heritage. Tours are led by warm and friendly JUTC staff with transportation provided in our distinct and comfortable buses. Plans are underway to have the KCT service integrated into the Ministry of Tourism's plan for Kingston in the near future.



Double Day

On April 2, 2016 the JUTC hosted a successful Double Day Promotion dubbed "Carnival Double Day". A total of 95,619 commuters topped up their Smartercards with a notable total of \$144.95 million, which exceeded the target of \$100 million. This performance is a true testament of the confidence our loyal and valued customers placed in the reliability of the JUTC's service.

A second Double Day promotion dubbed "Big Bacchanal Double Day" was held on Saturday March 25, 2017. The promotion generated revenues of approximately \$173.80 million or 87% of the \$200 million target.

Information Technology & Special Projects

The Information Technology Department focused on improving the Company's IT infrastructure and improving the services provided to both its internal and external customers. The Department aimed to allow the Company to provide information in real-time in relation to operations and services provided and to improve efficiency within the Company.

Electronic Fare Collection System (EFCS) – FareOn

The Electronic Fare Collection System, FareOn remained the Company's central point of managing revenue collection. As such, significant focus was given to its improvement. Throughout the year, the system offered high availability, high capacity and modern servers to support its expanded use.

Automatic Vehicle Locator (AVL)

In an effort to track the location and enhance the security of the fleet, the JUTC embarked on pilot projects to monitor buses using AVL platforms namely: Amber Connect Fleet Management System from Amber Connect Limited and RMA5/Green Driver System (GDS) from EC-IS. The RMA5/Green Driver System (GDS) was placed on 15 of the Golden Dragon buses acquired during the year and Amber Connect on 10 buses assigned to the Spanish Town Depot. The pilot project lasted for 6 months. A total of 130 buses were outfitted with On-board Tracking Units (OBUs) during the period.

Wi-Fi Project

Discussions were held between the JUTC and EC-IS for the provision of specification documentation on the modems that were compatible with the RMA5 system. The information will be passed to Digicel to assess the compatibility with their system to allow the Company to explore the possibility of providing on-bus Wi-Fi service to commuters in the upcoming financial year.

KRONOS System

The financial year saw resurrection renewed focus on the implementation of the KRONOS time and attendance system. This system is geared towards effectively tracking employees' attendance, managing overtime and other staff-related efficiencies to assist with the preparation of payroll. Management looks forward to full implementation of KRONOS as it is seen as a tool to enhance accountability across the Company.

Human Resources & Administration

Training

The JUTC provided several training programmes during the 2016-2017 financial year. Several training opportunities were made available to bus drivers in particular, to ensure that they received exposure to the highest standards of training to enable them to provide efficient, friendly, reliable and safe bus service to our customers.

- In our commitment to social inclusion as a Company, we engaged two members from the Jamaica Association on Intellectual Disabilities (JAID) on March 21, 2016 to participate in a 10 month Job Skills Training Programme. This project by JAID was in collaboration with the Ministry of Labour & Social Security with support from international partners including the World Bank and the Japanese Government. The project was developed to provide opportunities for the individuals to improve skills, competencies and be certified in an effort to make them more employable in the competitive work environments. The two individuals were assigned to assist with janitorial duties.

- **Customer Service Training**

Customer Service Guides participated in a training session facilitated by the Training Unit on November 14, 2016. The major topics covered were 'Excellence in Customer Service', 'Creating Customer Delight', 'How to Deal with Disgruntled Customers', 'Resolving Conflicts' 'Developing and Maintaining Positive Self Esteem' and 'Ethics and Professionalism'. The sessions were interactive and comprised discussions and role plays. Participants indicated that they learnt new strategies for dealing with conflict and difficult customers and committed to utilising these skills on the job.

- **HEART Trust NTA Driver Certification Programme**

Throughout the year, drivers assigned to the depot locations participated in the HEART Trust NTA Driver Certification Programme conducted by the Training Unit. The sessions comprised theoretical and practical components. Topics highlighted include: defensive driving, the Road Code, safety standards, night driving, recognising symptoms of fatigue, overtaking skills, recognising crash skills and negotiating skills.

Staff Welfare

Retirement Planning Session for employees who were slated for retirement within the next three years was held at the Rockfort Depot Training Room on May 4, 2016. The moderator for the session was Mrs. Georgia Redway, Corporate Human Resources Manager. Presenters included: National Insurance Scheme (NIS), Sagicor, Hope United, Guardian Group Limited, National Council for Senior Citizens (NCSC) and the Company's Nurse, Ms. Rachel Bryan.

Health and Wellness

On June 17, 2016, the Rockfort Depot re-opened its Gymnasium. The day was marked by a re-opening function which included a health talk from nutritionist and fitness expert Mark Mattocks. Mr. Mattocks encouraged staff members to use the gym at least three times a week and imparted tips for proper food intake. Members of the JUTC Management team in attendance included Managing Director, Paul Abrahams and Deputy Managing Director, Kirk Finnikin who were in full support of the operation of the gym. They encouraged employees to plan an exercise programme that is in line with their health needs and schedules which in turn will increase their productivity on the job.



Nestlé Corporate Wellness Programme

Nestle brought back its good eating habits programme to the JUTC in August 2016 having provided several members of staff with breakfast at the Spanish Town Transportation Centre earlier in the year. This was part of Nestlé's efforts to encourage staff that breakfast ought to be the best meal for the day. On their second visit, their activities were based at the Spanish Town Depot which included presentations on the different food groups, guidance on how to maintain a balanced diet and the importance of reading the labels of commercially packed foods for their nutritional content. The wellness session was widely supported by staff members.

Sports

Netball

The JUTC Netballers placed among the top 12 teams which participated in the Dress Parade that marked the start of the 2016 Jamaica Netball Association Business House Competitions on Saturday, June 18, 2017. For the first time, the JUTC entered an A Team and B Team in the competition. The A Team were the runners-up for the Season having lost to Scotia A in the finals played at the National Indoor Sports Centre on Saturday August 13, 2016.

The Netballers later played the Jamaica Under 21 National Squad in a practice match on June 30, 2016. A combined A and B Team played the Young Sunshine Girls at the Scotia Bank Court in Liguanea, St. Andrew. In spite of the 41-10 scoreline, the JUTC Netballers had fun while giving a good display of their skills and received valuable practice and advice in the process.



Dominoes

The JUTC Domino Team did not place in the 2016 season's League or in the Business House Competitions of the National Association of Domino Bodies.

The JUTC Inter-Depot Domino competition was well supported during the year. Team 'Driver B' came out on top in the Spanish Town Inter-department Domino Tournament, the finals of which were played on Friday July 29, 2016. After keenly contested rounds between teams comprising drivers, bush washers, members of staff from Finance and Administration, Team 'Driver B' walked away with the winner's trophy and cash prize of \$25,000.

Football

The JUTC Football Team missed advancing to the semi-finals of the 2016 Business House Competition. However, the team won several matches during the season and did the Company proud in their efforts.

Team 'Bus Wash A' won the 2016 Six-A-Side Football Inter-Depot Football Competition. The team placed second in the previous season and was determined to win the 2016 Championship title. They walked away with the Winner's Trophy and \$25,000.



JUTC's Fitzroy Anglin has control of the ball in their match against Jamaica National in the recent Business House Competition.

Finance and Corporate Planning

For the financial year 2016-2017, the Company continued steadfastly to improve the servicing of clients' accounts and honouring outstanding debts. However, cash flow constraints curtailed its best efforts.

Revenue

The fare structure on which the JUTC operated during the financial year did not allow the Company to generate sufficient revenue from its operations to meet the operational expenses which followed. As such, the Company continued to rely significantly on government subsidy and grants.

The Company generated revenues of \$4.960 million compared to \$5.081 million in 2015-2016.

Other Revenue Sources

In addition to the main revenue source of passenger buses, the Company earned revenue from the following sources: Fare Box receipts including Smartercard, Charter Services, Bus Advertising and Licence fees from sub-franchise operations.

Illustrated below are the income earned from the various revenue generating activities for the year under review.

Revenue Source	(2016-2017) \$M	(2015-2016) \$M
Government Grant	2,680.62	2,060.55
Fare Box	4,960.49	5,081.02
Charter	247.08	215.84
Bus Advertising	36.23	9.30
Sub-Franchising	-	87.24

Expenditure

For the financial year 2016-2017, expenditure incurred was \$10,594.44 million, compared to \$9,899.76 million incurred during the previous year.

Fuel cost was one of the Company's significant operating expenses. Notwithstanding this, total fuel costs decreased to \$1,400.49 million when compared to \$1,563.52 million recorded in the previous year.

FIVE YEAR STATISTICAL REVIEW

PARTICULARS	2016/2017	2015/2016	2014/2015	2013/14	2012/13
Total Revenue	\$5.17B	\$5.25B	\$4.91B	\$3.44B	\$3.24B
Total Expenses	\$10.59B	\$9.9B	\$10.25B	\$6.68B	\$6.42B
Revenue Recovery Ratio	49%	53%	48%	51%	50%
No. of Buses Available	398	438	431	322	300
Fleet Utilization	96%	97%	95%	95%	95%
Staff per Bus	5.59	5.06	4.93	5.6	5.7
No. of Depots	3	3	3	3	3
No. of Revenue (Pax) Trips ('000)	58,034	59,509	58,258	52,300	54,223
No. of Cycle Trips	824,833	951,495	970,982	718,665	698,484
Daily Avg. Run-out	383	423	411	307	286



**JAMAICA URBAN TRANSIT
COMPANY LIMITED**

FINANCIAL STATEMENTS

MARCH 31, 2017



KPMG
Chartered Accountants
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Kingston
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INDEPENDENT AUDITORS' REPORT

To the Member of
JAMAICA URBAN TRANSIT COMPANY LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Jamaica Urban Transit Company Limited ("the company"), set out on pages 5 to 36, which comprise the statement of financial position as at March 31, 2017, the 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, except for the effects of the matters described in the Basis for Qualification Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the company as at March 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

- (i) As disclosed in Note 33 to the financial statements, there were several actions against the company involving claims for damages due to negligence or other causes. Although a provision approximately \$1,376,237,000 (2016: \$1,680,000,000) has been made in the financial statements, the determination of any eventual potential liability is not possible at this time as the company's attorneys are defending against these actions, as necessary.



INDEPENDENT AUDITORS' REPORT

To the Member of
JAMAICA URBAN TRANSIT COMPANY LIMITED

Report on the Audit of the Financial Statements cont'd

Basis for Qualified Opinion (cont'd)

- (ii) We were unable to obtain sufficient appropriate audit evidence about the completeness and accuracy of PAYE, Education Tax deductions and Transport Authority payable amounting to \$2,874,536,000 (2016: \$1,911,283,000), \$449,190,000 (2016: \$498,899,000) and \$151,349,000 (2016: \$132,229,000), respectively, [included in accounts payable and accruals (note 18)]. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and 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 the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA URBAN TRANSIT COMPANY LIMITED

Report on the Audit of the Financial Statements cont'd

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.
- 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 company'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 company'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



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA URBAN TRANSIT COMPANY LIMITED

Report on the Audit of the Financial Statements cont'd

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

- 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.

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.

Report on additional matters as required by the Jamaican Companies Act

Except as indicated in the Basis for Qualified Opinion section of our report, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, except as indicated in the Basis for Qualified Opinion section of our report, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

Chartered Accountants
Kingston, Jamaica

September 28, 2017

JAMAICA URBAN TRANSIT COMPANY LIMITED

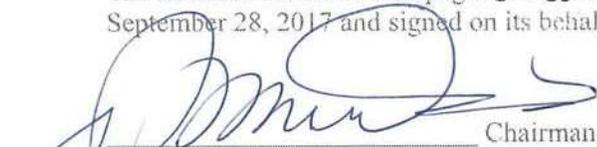
Statement of Financial Position

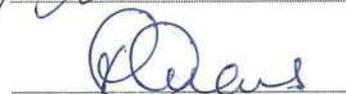
March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
NON-CURRENT ASSETS			
Property, plant and equipment	4	14,564,743	15,531,131
Intangible assets	5	487	302
Interest in related company	6	16,020	16,020
Investments	7	18,313	20,927
Assets held for sale	8	<u>164,169</u>	<u>12,860</u>
Total non-current assets		<u>14,763,732</u>	<u>15,581,240</u>
CURRENT ASSETS			
Inventories	9	975,720	1,087,607
Taxation recoverable		-	29,084
Accounts receivable and prepayments	10	324,181	211,859
Resale agreements	11	-	33,397
Cash and cash equivalents	12	<u>332,650</u>	<u>49,531</u>
Total current assets		<u>1,632,551</u>	<u>1,411,478</u>
TOTAL ASSETS		<u>16,396,283</u>	<u>16,992,718</u>
EQUITY			
Share capital	13	25,000	25,000
Capital reserves	14	151,471	151,471
Capital contributions	15	23,990,012	23,177,277
Other reserves	16	752,250	752,250
Accumulated deficit		<u>(20,285,469)</u>	<u>(17,537,944)</u>
Total equity		<u>4,633,264</u>	<u>6,568,054</u>
NON-CURRENT LIABILITY			
Long-term loans	17	<u>1,073,800</u>	<u>965,532</u>
CURRENT LIABILITIES			
Accounts payable and accruals	18	8,854,943	7,158,012
Due to related company	19(a)	151,349	132,229
Short-term borrowings	20	306,690	488,809
Provisions	21	<u>1,376,237</u>	<u>1,680,082</u>
Total current liabilities		<u>10,689,219</u>	<u>9,459,132</u>
TOTAL LIABILITIES		<u>11,763,019</u>	<u>10,424,664</u>
TOTAL EQUITY AND LIABILITIES		<u>16,396,283</u>	<u>16,992,718</u>

The financial statements on pages 5 to 36 were approved for issue by the Board of Directors on September 28, 2017 and signed on its behalf by:


Chairman


Managing Director

JAMAICA URBAN TRANSIT COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Revenue	22	4,960,493	5,081,015
Direct expenses	24	<u>(4,554,295)</u>	<u>(4,785,866)</u>
Gross profit		406,198	295,149
Other operating income	23	205,797	166,074
Administrative expenses	24	(4,767,193)	(4,562,262)
Other operating expenses	25	<u>(1,133,295)</u>	<u>(394,619)</u>
Operating loss		(5,288,493)	(4,495,658)
Finance costs	26	<u>(139,656)</u>	<u>(157,014)</u>
Loss from operations, before grant income		(5,428,149)	(4,652,672)
Grant income – Government of Jamaica	19(b)(iii)	<u>2,680,624</u>	<u>2,060,545</u>
Loss, being total comprehensive loss for the year		<u>(2,747,525)</u>	<u>(2,592,127)</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Statement of Changes in Equity
Year ended March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

	<u>Share capital</u> (Note 13)	<u>Capital reserves</u> (Note 14)	<u>Capital contributions</u> (Note 15)	<u>Other reserves</u> (Note 16)	<u>Accumulated deficit</u>	<u>Total</u>
Balances at March 31, 2015	25,000	151,471	22,180,676	752,250	(14,945,817)	8,163,580
Total comprehensive loss:						
Loss for the year	-	-	-	-	(2,592,127)	(2,592,127)
Transaction with owners:						
Capital contributions	-	-	<u>996,601</u>	-	-	<u>996,601</u>
Balances at March 31, 2016	25,000	151,471	23,177,277	752,250	(17,537,944)	6,568,054
Total comprehensive loss:						
Loss for the year	-	-	-	-	(2,747,525)	(2,747,525)
Transaction with owners:						
Capital contributions	-	-	<u>812,735</u>	-	-	<u>812,735</u>
Balances at March 31, 2017	<u>25,000</u>	<u>151,471</u>	<u>23,990,012</u>	<u>752,250</u>	<u>(20,285,469)</u>	<u>4,633,264</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Statement of Cash Flows

Year ended March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(2,747,525)	(2,592,127)
Adjustments for:			
Amortisation	5	528	342
Interest income	23	(3,509)	(4,039)
Interest expense	26	90,394	104,438
(Gain)/loss on disposal of property, plant and equipment		(554)	6,474
Foreign exchange loss on revaluation of long-term loans		43,467	39,819
Depreciation	4	1,712,650	1,595,287
Provisions		<u>(303,845)</u>	<u>360,112</u>
		(1,208,394)	(489,694)
Changes in operating assets and liabilities:			
Inventories		111,887	86,954
Accounts receivable and prepayments		(112,333)	(36,910)
Accounts payables and accruals		1,692,371	1,210,971
Due to related company		<u>19,120</u>	<u>17,800</u>
Cash provided by operations		502,651	789,121
Taxation recoverable		<u>29,084</u>	<u>(693)</u>
Net cash provided by operating activities		<u>531,735</u>	<u>788,428</u>
CASH FLOWS USED BY INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(903,254)	(1,559,498)
Purchase of intangible assets	5	(713)	-
Proceeds from disposal of property, plant and equipment		6,237	12,680
Investments and resale agreements, net		36,011	(2,384)
Interest received		<u>3,520</u>	<u>4,269</u>
Net cash used by investing activities		<u>(858,199)</u>	<u>(1,544,933)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan financing, net		26,707	(116,781)
Interest paid		(85,834)	(94,235)
Capital contribution	15	<u>812,735</u>	<u>996,601</u>
Net cash provided by financing activities		<u>753,608</u>	<u>785,585</u>
Net increase in cash and cash equivalents		427,144	29,080
Cash and cash equivalents at the beginning of the year		(94,494)	(123,574)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	<u>332,650</u>	<u>(94,494)</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

1. The company

Jamaica Urban Transit Company Limited (the company) is a limited liability company incorporated under the Jamaican Companies Act and is domiciled in Jamaica. The company was incorporated in Jamaica on July 13, 1998 and commenced operations in August 1998. Through the Accountant General, the company is wholly owned by the Government of Jamaica (GOJ or Government).

The registered office of the company is situated at Michael Manley Drive, Twickenham Park, Spanish Town, St. Catherine, Jamaica.

On September 7, 1998, the company was granted exclusive licence by the Ministry of Transport and Works to operate public passenger transport services in the Kingston Metropolitan Transport Region, which is the company's principal activity. The licence was for an original term of ten (10) years and has been extended to continue for a further ten (10) years.

At March 31, 2017, the company had in its employment 2309 (2016: 2,197) members of staff.

2. Basis of preparation

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and comply with the provisions of the Jamaican Companies Act.

New and amended standards that became effective during the year

Certain new and amended standards came into effect during the current financial year. The adopting of these standards and amendments did not result in any change to the amounts and disclosures in the financial statements.

New and amended standards that are not yet effective

At the date of authorisation of these financial statements, certain new and amended standards which have been issued are not yet effective at the reporting date and the company has not early-adopted them. The company has assessed the relevance of all such new and amended standards with respect to its operations and has determined that the following may be relevant:

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

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

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met;
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences;
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

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

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessees will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The company is assessing the impact that these new and amended standards may have on its financial statements when they are adopted.

(b) Basis of measurement and functional currency:

The financial statements are prepared using the historical cost basis, modified for the inclusion of buildings, buses and certain equipment at valuation.

The financial statements are presented in Jamaica dollars (\$), which is the functional currency of the company. All amounts are rounded to the nearest thousand, unless otherwise indicated.

(c) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the company will continue in operational existence for the foreseeable future. This means, inter alia, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate the company or certain the scale of its operations. This is commonly referred as the going concern basis.

The financial statements have been prepared on the going concern basis, although the company reported losses for the year of \$2,747,525,000 (2016: \$2,592,127,000), and has significant accumulated deficit of \$20,285,469,000 (2016: \$17,537,944,000) and net current liabilities as at the reporting date. The appropriateness of this basis is dependent on the ability of the company to obtain continued financing from the Government of Jamaica, and, ultimately, on future profitable operations.

2. Basis of preparation (continued)

(c) Going concern (continued):

Management has undertaken a bus scheduling system which will reduce the waiting time of the passengers and will result in operational efficiencies. The operations of the company are significantly financed by Government Grants. In addition to the Government Grants, the Government of Jamaica has demonstrated its willingness that it will continue to provide such financial assistance as the company may require to meet its obligations for the foreseeable future by providing financial guarantees in respect of a significant portion of the company's loans and has purchased all the buses and spare parts for the company and approved waivers to write off statutory liabilities and related interest and penalties. Management is therefore confident that the Government of Jamaica views the company as a critical national entity and will provide the necessary funding for the company to remain in operation, and therefore, is of the opinion that the preparation of the financial statements on the going concern basis continues to be appropriate.

(d) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

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

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period, to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(ii) Residual value and useful life of property, plant and equipment:

The residual value and useful life of property, plant and equipment are reviewed at least at each reporting date, and if expectations differ from previous estimates, the change is accounted for as a change in accounting estimates. The useful life of an asset is defined in terms of the assets expected utility to the company.

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

2. Basis of preparation (continued)

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

(iii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a significant adjustment to the carrying amount reflected in the financial statements.

3. Significant accounting policies

(a) Revenue and income recognition:

Revenue is recognised as follows:

Services:

Revenue earned from fare income (regular, concessionary, premium and charter services) is recognised in the profit or loss when the services are completed. Revenue from sale of Smart Cards is deferred and recognised in income when used.

Grant income:

Grant income is recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

Government Grants relating to property, plant and equipment are recognised directly in equity as capital contributions. Government Grants relating to revenue items/working capital are recognised in profit or loss. Other grants to discharge designated liabilities are recognised in income when approved.

Interest income:

Interest income is recognised on the accruals basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

3. Significant accounting policies (continued)

(a) Revenue and income recognition (continued):

Other operating income:

Other operating income includes sub-licence fees, which is recognised in profit or loss on the date the company's right to receive payment is established, which is upon approval of an application. It also includes advertising income, which is recognised in profit or loss on an accruals basis in accordance with the substance of the relevant agreements.

(b) Property, plant and equipment and depreciation:

- (i) Items of property, plant and equipment are measured at cost or valuation, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- (ii) Depreciation:

Land and work-in-progress are not depreciated. Depreciation on other assets is calculated using the straight-line method to write-down their cost or deemed cost to their residual values over their estimated useful lives. The annual rates are:

Buildings and leasehold improvements	2½%
Tools, furniture and fixtures	10%-20%
Motor vehicles/cycles	6⅔% - 20%
Computers and equipment	33⅓%

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

Gains and losses on disposal of property, plant and equipment are included in profit or loss.

(c) Intangible assets:

Separately acquired computer software licences are measured at historical cost. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

(d) Investments:

Investments classified as loans and receivables and held-to-maturity are initially measured at amortised cost, calculated on the effective interest rate method, less impairment losses. Premiums and discounts are included in the carrying amount of the related instrument and amortised over the life of the investment using the effective interest method.

3. Significant accounting policies (continued)

(e) Assets held for sale:

Assets are classified as assets held for sale when their carrying amounts are to be recovered principally through a sale transaction and the sale is considered highly probable. They are measured at the lower of carrying amounts and fair values less costs to sell.

Impairment losses on initial reclassification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

(f) Foreign currencies:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to Jamaica dollar at the year-end exchange rates. Exchange gains and losses resulting from the settlement of such transactions and balances are included in profit or loss. For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balance.

(g) Accounts receivable and prepayments:

Trade and other accounts receivable are measured at amortised cost, less impairment losses.

(h) Accounts payable and accruals:

Trade and other payables are measured at amortised cost.

(i) Inventories:

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(j) Interest in related company:

Interest in related company is measured at cost, less impairment losses.

(k) Cash and cash equivalents:

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Bank overdraft repayable on demand and forms an integral part of the company's cash management activities is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. Significant accounting policies (continued)

(l) Provisions:

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Borrowings:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(o) 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, in this case the company”).

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

(i) Has control or joint control over the company;

(ii) Has significant influence over the company; or

(iii) Is a member of the key management personnel of the company or of a parent of the company.

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

(i) The entity and the company 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.

3. Significant accounting policies (continued)

(o) Related parties (continued):

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

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company.
- (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 company or to the parent of the company.

(c) A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. The Directors and Senior Executives of the company are referred to as “key management personnel”.

(p) Resale agreements:

Resale agreements are short-term transactions, whereby securities are purchased with simultaneous agreements to resell the securities on a specified date at a specified price. Resale agreements are accounted for as short-term collateralized lending and are measured at amortised cost. The difference between the purchase and resale consideration is recognised as interest income on the accrual basis over the period of the agreements, using the effective interest method.

(q) Finance costs:

Finance costs comprise interest payable on borrowings (using the effective interest method) and foreign exchange losses recognised in profit or loss.

(r) Impairment:

The carrying amounts of the company’s assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company’s receivables is calculated as the value of the expected future cash flows, discounted at the original effective interest rate inherent to the asset. Receivables with a short duration are not discounted.

3. Significant accounting policies (continued)

(r) Impairment (continued):

(i) Calculation of recoverable amount (continued):

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment:

An impairment in respect of receivable is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(s) Taxation:

Taxation for the year comprises current and deferred income taxes. Current income tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current income tax is calculated at tax rates enacted at the reporting date. Deferred income tax is charged or credited to profit or loss, except where it relates to items charged or credited to equity, in which case, it is also dealt with in equity.

Deferred income tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(t) Employee benefits:

(i) Pension benefits:

The company operates a defined contribution pension plan. A defined contribution plan is a pension plan under which an entity pays fixed contributions into a separate fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs (note 27).

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

3. Significant accounting policies (continued)

(t) Employee benefits (continued):

(ii) Other employees' benefits:

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

(iii) Termination benefits:

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 company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

4. Property, plant and equipment

	Land	Buildings	Leasehold improvements	Tools, furniture and fixtures	Motor vehicles/cycles	Computers and equipment	Work-in-progress	Total
Cost or valuation:								
March 31, 2015	50,000	1,422,608	1,804	99,858	19,506,704	634,492	6,122	21,721,588
Additions	-	8,959	15,041	3,566	1,507,159	23,231	1,542	1,559,498
Disposals	-	-	-	(50)	(30,159)	(85)	-	(30,294)
Transfer	-	-	-	-	3,143	-	(3,143)	-
March 31, 2016	50,000	1,431,567	16,845	103,374	20,986,847	657,638	4,521	23,250,792
Additions	-	-	644	4,149	865,369	21,690	11,402	903,254
Disposals	-	-	-	-	(321,592)	-	-	(321,592)
Transfer to non-current assets held for sale	-	-	-	-	(446,829)	-	-	(446,829)
Transfer	-	-	-	-	-	1,910	(1,910)	-
March 31, 2017	<u>50,000</u>	<u>1,431,567</u>	<u>17,489</u>	<u>107,523</u>	<u>21,083,795</u>	<u>681,238</u>	<u>14,013</u>	<u>23,385,625</u>
Depreciation:								
March 31, 2015	-	378,624	457	56,711	5,495,754	203,968	-	6,135,514
Charge for the year	-	35,729	320	10,926	1,488,867	59,445	-	1,595,287
Eliminated on disposal	-	-	-	(21)	(11,058)	(61)	-	(11,140)
March 31, 2016	-	414,353	777	67,616	6,973,563	263,352	-	7,719,661
Charge for the year	-	35,789	430	10,808	1,604,312	61,311	-	1,712,650
Transfer to non-current assets held for sale	-	-	-	-	(315,909)	-	-	(315,909)
Eliminated on disposal	-	-	-	-	(295,520)	-	-	(295,520)
March 31, 2017	-	<u>450,142</u>	<u>1,207</u>	<u>78,424</u>	<u>7,966,446</u>	<u>324,663</u>	-	<u>8,820,882</u>
Net Book Values:								
March 31, 2017	<u>50,000</u>	<u>981,425</u>	<u>16,282</u>	<u>29,099</u>	<u>13,117,349</u>	<u>356,575</u>	<u>14,013</u>	<u>14,564,743</u>
March 31, 2016	<u>50,000</u>	<u>1,017,214</u>	<u>16,068</u>	<u>35,758</u>	<u>14,013,284</u>	<u>394,286</u>	<u>4,521</u>	<u>15,531,131</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

4. Property, plant and equipment (continued)

Total additions for the year include \$812,735,000 (2016: \$996,601,000) acquired via capital contributions (note 15).

In order to affix a value to certain of the company's buildings and its fleet of motor buses acquired from the amalgamation of the services in the Kingston Metropolitan Transport Region, these items were independently valued on January 31, 2006 to \$1,268,840,000 and \$2,014,520,000, respectively, on the open-market, using the existing use basis, by Karl Erik Backwall, a valuator certified by the Chamber of Commerce of Sweden. The surplus arising on revaluation, inclusive of depreciation no longer required, has been included in capital reserves (note 14).

The company enjoys the beneficial ownership of several of the properties it occupies, for which it has no title and for which it has responsibility for repairs and maintenance and has no obligation to pay rental or lease. These properties include properties which were to have been transferred to the company by various government ministries and agencies when the company was formed. In addition to enjoying beneficial ownership, the company is exposed to the risks and costs of ownership. These properties are therefore capitalised and reflected in the financial statements of the company.

Buses valuing \$202,000,000 have been held as security for a bank overdraft facility [note 12(ii)].

5. Intangible assets

	<u>Computer Software</u>
At cost:	
Balance at March 31, 2015 and March 31, 2016	97,497
Addition	<u>713</u>
Balance as at March 31, 2017	<u>98,210</u>
Amortisation:	
March 31, 2015	96,853
Charge for the year	<u>342</u>
March 31, 2016	97,195
Charge for the year	<u>528</u>
March 31, 2017	<u>97,723</u>
Net Book Values:	
March 31, 2017	<u>487</u>
March 31, 2016	<u>302</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

6. Interest in related company

	<u>2017</u>	<u>2016</u>
Shares, at cost (200 ordinary share at no par)	1	1
Advance	<u>16,019</u>	<u>16,019</u>
	<u>16,020</u>	<u>16,020</u>

The 200 ordinary shares represent a 100% shareholding in the related company, Jamaica Ultimate Tyre Company Limited, a company incorporated and resident in Jamaica. The company has not consolidated the financial statements of the related company, as the directors are of the opinion that control, as defined in *IFRS 10 Consolidated Financial Statements*, is not met.

The advance represents funds lent to the related company to settle costs associated with start-up operations. The advance is interest free and has no fixed repayment terms. Payment is however not expected within twelve months of the reporting date.

7. Investments

The company's investments comprise:

	<u>2017</u>	<u>2016</u>
Held-to-maturity:		
GOJ securities	9,000	9,000
Others	<u>9,313</u>	<u>11,927</u>
	<u>18,313</u>	<u>20,927</u>

At March 31, 2017, the fair value of held-to-maturity securities amounted to \$18,313,000 (2016: \$20,927,000). These investments currently earn interest at 8.75% (2016: 8.50%) per annum for United States denominated securities and 8.50% (2016: 8.50%) per annum for the Jamaica dollar denominated securities.

The investments are held as securities for a bank overdraft facility [note 12(i)].

8. Non-current assets held for sale

	<u>2017</u>	<u>2016</u>
Buses	<u>164,169</u>	<u>12,860</u>

This represents the fair value less costs to sell the buses which were removed from the regular fleet and advertised for sale.

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

9. Inventories

Inventories mainly comprise spare parts, tools and consumables that are used in the general operations and maintenance of the fleet of busses and are made up as follows.

	<u>2017</u>	<u>2016</u>
Spare and tools	963,531	1,101,447
Fuel	17,303	2,262
Goods in transit	62,214	38,672
Others	<u>26,230</u>	<u>38,784</u>
	1,069,278	1,181,165
Less: allowance for obsolete items	(93,558)	(93,558)
	<u>975,720</u>	<u>1,087,607</u>

10. Accounts receivable and prepayments

	<u>2017</u>	<u>2016</u>
Trade receivables	166,108	71,766
Prepayments	216,396	103,943
Other receivables	<u>55,182</u>	<u>117,560</u>
	437,686	293,269
Less: allowance for impairment losses - trade receivables	(75,528)	(43,436)
- other receivables	(37,977)	(37,974)
	<u>324,181</u>	<u>211,859</u>

Trade receivables include amounts receivable from related parties [note 19 (a)].

The aging of trade receivables is as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
0-30 days	94,527	3,947	-	-
31-60 days	1,734	1,734	8,803	-
61-90 days	969	969	587	-
Over 90 days	<u>68,878</u>	<u>68,878</u>	<u>62,376</u>	<u>43,436</u>
	<u>166,108</u>	<u>75,528</u>	<u>71,766</u>	<u>43,436</u>

Movement in the provision for impairment of trade receivables is as follows:

	<u>2017</u>	<u>2016</u>
At April 1	43,436	21,633
Provision for impairment (note 24)	<u>32,092</u>	<u>21,803</u>
At March 31	<u>75,528</u>	<u>43,436</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

11. Resale agreements

	<u>2017</u>	<u>2016</u>
Resale agreements	-	<u>33,397</u>

The company disposed of its resale agreements during the year. The resale agreements, with original maturity periods of 90 days or less, earned interest at 6.75% per annum for the Jamaica dollar denominated securities and 1.3% per annum for the United States denominated securities. The fair value of the securities used to collateralise the resale agreements approximated their carrying values. The resale agreements were pledged as security for a bank overdraft facility [note 12(i)].

12. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	<u>2017</u>	<u>2016</u>
Cash in hand and at bank	332,650	49,531
Bank overdraft (note 20)	-	<u>(144,025)</u>
	<u>332,650</u>	<u>(94,494)</u>

The company has an approved bank overdraft facility of \$150 million which currently attracts interest at 15%. The details of securities pledged are as follows:

- (i) Letter of hypothecation for \$50,000,000 from NCB Capital Market Limited to the company's bankers backed by a combination of sale agreements, Government of Jamaica investment debentures and resale agreements (notes 7 and 11).
- (ii) Executed bill of sale for \$100 million over certain of the company's buses with a market value of \$202,000,000 held in registerable form.

13. Share capital

	<u>2017</u>	<u>2016</u>
Authorised, issued and fully paid:		
250,000,200 ordinary shares of no par value	<u>25,000</u>	<u>25,000</u>

14. Capital reserves

	<u>2017</u>	<u>2016</u>
Realised (a)	9,851	9,851
Unrealised (b)	<u>141,620</u>	<u>141,620</u>
Balance at end of year	<u>151,471</u>	<u>151,471</u>

- (a) This arose from the disposal of property, plant and equipment and is available for capital distribution, net of capital transfer tax of 5%.
- (b) This represents the surplus on revaluation of buildings on January 31, 2006 (note 4).

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

15. Capital contributions

	<u>2017</u>	<u>2016</u>
At beginning of the year	23,177,277	22,180,676
Contributions during the year (note 4)	<u>812,735</u>	<u>996,601</u>
At end of the year	<u>23,990,012</u>	<u>23,177,277</u>
Analysed as follows:		
Buildings (including depots)	1,188,734	1,188,734
Buses and other vehicles	21,726,078	21,073,929
Tools and equipment	<u>1,075,200</u>	<u>914,614</u>
	<u>23,990,012</u>	<u>23,177,277</u>

The amount received during the year represents the cost of buses and other vehicles purchased by the Government of Jamaica on behalf of the company.

16. Other reserves

This represents advances received from the Ministry of Finance and Planning (MoFP) for which the MoFP has confirmed its intention not to demand payment. Although there is no unavoidable obligation to settle these amounts, the balance is treated as equity in the financial statements.

17. Long-term loans

	<u>2017</u>	<u>2016</u>
(a) FINSAC Limited	9,500	9,500
(b) Petrocaribe Development Fund	707,098	758,732
(c) The Bank of Nova Scotia Jamaica Limited	283,400	318,800
(d) Transport Authority	130,492	93,563
(e) National Commercial Bank	<u>250,000</u>	<u>-</u>
	1,380,490	1,180,595
Less: Current and past due (note 20)	<u>(306,690)</u>	<u>(215,063)</u>
	<u>1,073,800</u>	<u>965,532</u>

- (a) This loan is unsecured and attracts interest at 6%. The loan was initially repayable on July 31, 2008, however, during 2011 the loan was restructured and the repayment date was revised to January 31, 2013. The amount has still not been settled.
- (b) In March 2007, the company received a loan of US\$3 million from the Petrocaribe Development Fund, disbursed in the equivalent Jamaica dollars, for the purpose of financing working capital requirements. In June 2007, the company received an additional loan of US\$6.7 million from Petrocaribe Development Fund, disbursed in the equivalent Jamaica dollars, for the purposes of financing working capital.

On November 1, 2009, the loan was restructured and the then outstanding interest of US\$1.165 million was capitalised. The principal is to be repaid monthly, with interest at 5% per annum, over a fifteen (15) year period. This loan is unsecured and is approved by the Ministry of Finance and Planning.

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

17. Long-term loans (cont'd)

- (c) On September 15, 2009, the company received a loan of \$425 million from The Bank of Nova Scotia Jamaica Limited. The loan was subject to a moratorium of twenty four (24) months on principal. Upon expiration of the moratorium, the principal is repayable in fifteen (15) equal semi-annual installments of \$11,800,000 and a final payment of \$248,000,000. Interest is payable quarterly and the rate is set at six (6) months weighted average Treasury Bill yield, plus 1.625% per annum. The loan is secured by a guarantee from the Government of Jamaica to cover all obligations of the company under this facility.
- (d) The initial loan of \$100,000,000 received from the Transport Authority attracts interest of 2% per annum and is repayable in 15 equal quarterly instalments of \$6,936,000 (including interest) ending in June 2016. No payment was made on this loan during the year. During the year, the company received a demand loan for US\$290,500, which attracts interest of 5% per annum. These loans are unsecured.
- (e) The loan of \$250,000,000 attracts interest of 10.15% per annum and is to be repaid monthly over a five (5) year period. The loan is secured by:
- i. An executed Bill of Sale for \$100M over 2012 Volvo Buses with market value of J\$202.17M and comprehensively Insured with NCB's interest noted to expire May 31, 2017.
 - ii. Letter of approval from the Minister of Finance and Planning dated January 31, 2017.
 - iii. First Legal Mortgage over property located at 104 Maxfield Avenue, Kingston 13 registered with Vol 1050 Folio 862 with current market value J\$61.2M; force sale value J\$39.7M; registered stamp to cover J\$36.7M (Valuation Report dated June 4, 2015 – Channel Realty Co. Ltd). Peril insurance with the bank's interest noted to expire July 01, 2017.
 - iv. First Legal Mortgage over property located at 26 Lyndhurst Road Kingston 5 registered with Vol 1373 Folio 156 with current market value J\$286M; force sale value J\$228.8M; registered stamp to cover J\$171.1M; (Valuation Report dated June 3, 2015 – Channel Realty Co. Ltd). Peril insurance with the bank's interest noted to expire May 31, 2017.
 - v. First Lgal Mortgage over property located at 27 Lyndhurst Road Kingston 5 registered with Vol 1373 Folio 152 with current market value J\$29M; force sale value J\$23.2M; registered stamp to cover J\$17.4M (Valuation Report dated June 3, 2015 – Channel Realty Co. Ltd), Land only.

18. Accounts payable and accruals

	<u>2017</u>	<u>2016</u>
Trade payables	555,838	773,041
Statutory deductions - payroll taxes (a)	2,913,147	2,452,014
Provision for estimated interest and penalties (a)	3,926,353	2,804,302
Accrued vacation leave	197,074	226,807
GCT payable	362,461	199,961
Other payables and accruals (b)	<u>900,070</u>	<u>701,887</u>
	<u>8,854,943</u>	<u>7,158,012</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

18. Accounts payable and accruals

- (a) The company made a submission to the Minister of Finance and Planning for waiver of outstanding contributions and estimated interest and penalties applicable to the outstanding statutory deductions. During the year ended March 31, 2014, the company received approval from Cabinet for a waiver of a portion of the existing liabilities [note 19(b)(iii)].
- (c) Trade and other payables and accruals include amounts payable to related entities of \$35,865,000 (2016: \$69,070,000) [note 19(a)].

19. Related party balances and transactions

- (a) The statement of financial position includes balances, arising in the ordinary course of business with related parties as follows:

	<u>2017</u>	<u>2016</u>
Due from related entities – trade receivables (note 10)	67,823	52,293
Due to related entities – Accounts payable and accruals [note 18(c)]	(35,865)	(69,070)
Due to related company- Transport Authority	<u>(151,349)</u>	<u>(132,229)</u>

- (b) The statement of profit or loss and other comprehensive income includes transactions arising in the ordinary course of business with related parties as follows:

	<u>2017</u>	<u>2016</u>
(i) Management fees – Jamaica Ultimate Tyre Company Limited (note 23)	<u>-</u>	<u>(51,034)</u>
(ii) Purchase of tyres – Jamaica Ultimate Tyre Company Limited	<u>264,722</u>	<u>250,749</u>
(iii) Government Grants:		
Cash subvention	844,223	578,780
Purchase of spare parts	488,095	736,810
Loan payments on behalf of the company	303,639	138,973
Payment/waiver of statutory liabilities	146,598	145,468
Payments to Collector of Customs	<u>898,069</u>	<u>460,514</u>
	<u>2,680,624</u>	<u>2,060,545</u>
(iv) Interest expense:		
Accountant General	-	6,539
Finsac	7,065	570
Transport Authority	<u>1,871</u>	<u>885</u>
	<u>8,936</u>	<u>7,994</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

19. Related party balances and transactions (continued)

(c) Key management:

Key management personnel compensation:		
Salaries and other short-term employees benefits	170,055	149,659
Payroll taxes – employer’s contributions	<u>9,897</u>	<u>8,916</u>
	<u>179,952</u>	<u>158,575</u>
Directors’ emoluments:		
Fees and expenses (note 24)	3,422	1,815
Management remuneration (included above)	<u>12,804</u>	<u>11,803</u>

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the company, directly, including directors (whether executive or otherwise).

20. Short-term borrowings

	<u>2017</u>	<u>2016</u>
Bank overdraft (note 12)	-	144,025
Ministry of Finance and Planning (MoFP) (a)	-	129,721
Current and past-due portion of long-term loans (note 17)	<u>306,690</u>	<u>215,063</u>
	<u>306,690</u>	<u>488,809</u>

(a) The short-term loan of \$129,721,000 represented advances from the MoFP and attracted interest at 5% per annum. This loan was unsecured and was repaid during the year.

21. Provisions

The movement on the provision for claims and legal fees during the year is as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	1,680,082	1,319,970
Additions	-	507,192
Utilised	<u>(303,845)</u>	<u>(147,080)</u>
Balance at the end of the year	<u>1,376,237</u>	<u>1,680,082</u>

Provisions represent management’s best estimate for the maximum liability payable in relation to claims made on the company (see also note 33).

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

22. Revenue

Revenue is shown net of rebates and discounts and comprises:

	<u>2017</u>	<u>2016</u>
Fare income:		
Regular	3,807,402	3,951,071
Concessionary	681,144	735,062
Premium services	224,866	179,045
Charter	<u>247,081</u>	<u>215,837</u>
	<u>4,960,493</u>	<u>5,081,015</u>

23. Other operating income

	<u>2017</u>	<u>2016</u>
Interest	3,509	4,039
Franchise	-	87,240
Advertising	36,228	9,295
Management fees [note 19(b)(i)]	-	51,034
Other	<u>166,060</u>	<u>14,466</u>
	<u>205,797</u>	<u>166,074</u>

24. Expenses by nature

Total direct and administrative expenses:

	<u>2017</u>	<u>2016</u>
Advertising and public relations	12,323	35,213
Auditors' remuneration	4,804	4,000
Bank charges	20,235	18,984
Bus licence	19,339	17,475
Claims for damages	(247,390)	513,075
Depreciation and amortisation	1,712,650	1,595,629
Directors' emoluments [note 19(c)]	3,422	1,815
Fuel	1,400,491	1,563,515
General Consumption Tax expense	256,349	279,152
Impairment losses (note 10)	32,092	21,803
Insurance	132,620	130,057
Inventory write-off	87	54
Legal and other professional fees	42,795	7,252
Motor vehicles	96,903	76,846
Repairs and maintenance	682,135	822,233
Special Consumption Tax and Ad Valorem	<u>742,846</u>	<u>-</u>
Balance b/d	<u>4,911,701</u>	<u>5,087,103</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

24. Expenses by nature

Total direct and administrative expenses:

	<u>2017</u>	<u>2016</u>
Balance c/d	4,911,701	5,087,103
Security	136,311	112,069
Smart card commission and discounts	347,387	382,558
Staff costs (note 27)	3,045,050	2,869,269
Terminal fees	1,524	99,149
Toll fees	249,432	273,108
Tyres	231,181	216,379
Utilities	31,965	89,029
Travelling expense	15,240	19,637
Other expenses	<u>351,697</u>	<u>199,827</u>
	<u>9,321,488</u>	<u>9,348,128</u>
Allocated as follows:		
Direct expenses	4,554,295	4,785,866
Administrative expenses	<u>4,767,193</u>	<u>4,562,262</u>
	<u>9,321,488</u>	<u>9,348,128</u>

25. Other operating expenses

	<u>2017</u>	<u>2016</u>
Interest and penalties on outstanding statutory contributions	1,133,295	388,145
Loss on disposal of property, plant and equipment	<u>-</u>	<u>6,474</u>
	<u>1,133,295</u>	<u>394,619</u>

26. Finance costs

	<u>2017</u>	<u>2016</u>
Interest on:		
Loans	64,414	79,996
Overdraft	<u>25,980</u>	<u>24,442</u>
	90,394	104,438
Foreign exchange losses on loans	<u>49,262</u>	<u>52,576</u>
	<u>139,656</u>	<u>157,014</u>

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

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27. Staff costs

	<u>2017</u>	<u>2016</u>
Wages and salaries	2,596,066	2,166,410
Payroll taxes – employer’s contributions	213,406	191,992
Pension costs (note 28)	116,154	98,824
Other staff costs	<u>119,424</u>	<u>412,043</u>
	<u>3,045,050</u>	<u>2,869,269</u>

28. Pension scheme

The company operates a defined-contribution pension scheme (scheme) for employees who have satisfied certain minimum service requirements. Guardian Life Insurance Company Limited administers the scheme. The rules of the scheme require members to contribute 5% of their pensionable salaries per annum and allow additional voluntary contributions of up to 5%. The rules of the scheme also require the employer to contribute the equivalent of 5% of members’ pensionable salaries.

The company’s contributions to the scheme for the year amounted to \$116,154,000 (2016: \$98,824,000).

29. Self-insurance fund

Under the terms of the Public Passenger Transport (Kingston Metropolitan Transport Region) Act, the company obtained an exemption from the provisions of the Motor Vehicles Insurance (Third-Party Risks) Act. A condition of this exemption is the requirement for the company to establish and maintain an insurance fund for the provision of a sum of money which shall be available for the making good of all losses, damages, costs and expenses which the company may suffer, incur or become liable to as a result of its operations.

As at March 31, 2017, the company had not fulfilled the requirements for establishing and maintaining the insurance fund as specified.

30. Taxation

Based on the results for the year adjusted for taxation, the company had no charge for taxation. At the reporting date, taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, available for relief against future taxable profits, amounted to approximately \$19,858,226,000 (2016: \$17,647,920,000) however, the amount that can be utilized is restricted to 50% of chargeable income (before prior year losses) in any one year.

The company has not recognised a deferred tax asset of \$4,964,556,000 (2016: \$ 4,411,980,000) as management is of the opinion that sufficient taxable profits will not be available in the foreseeable future to enable the company to utilise this asset.

31. Financial risk management

(a) Introduction and overview:

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

These risks are managed through an established risk management framework for the company. The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to suffer a financial loss.

Exposure to credit risk:

Current credit exposure is the amount of loss that the company would suffer if all counterparties to which the company was exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statement of financial position.

(i) Cash and cash equivalents:

Cash and cash equivalents are held in financial institutions which are appropriately licensed and regulated, therefore management regards them as strong. These financial institutions are kept under review by the Finance Committee.

(ii) Investments and resale agreements:

The company limits its exposure to credit risk by investing only with counterparties that have high credit ratings. Therefore, management does not expect any counterparty to fail to meet its obligations.

The company has documented investment policies, which serve as a guide in managing credit risk on investment securities and resale agreements. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

31. Financial risk management (continued)

(b) Credit risk (continued):

(iii) Accounts receivable:

The management of credit risk in respect of accounts receivable is executed by the management of the company. The Finance Committee is given the responsibility for the oversight of the company's credit risk and the development of credit policies. There is a documented credit policy, which serves as a guide to the company's credit process.

The company does not hold collateral against its accounts receivable.

Allowances for losses:

The company establishes an allowance for losses that represents its estimate of incurred losses in its accounts receivable. Component of this allowance is a specific loss provision that relates to individually significant exposures.

Write-off policy:

The company writes off accounts receivable (and any related allowances for losses) when it determines that accounts receivable are uncollectible. This determination is usually made after considering information such as account history, payment patterns, changes in the debtor's financial position, or economic condition of the debtor's industry. Amounts for write-off must be submitted to the Board of Directors for approval.

The company's financial assets are concentrated in Jamaica and there are no significant concentration of credit risk with any one counterparty or group of counterparties.

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

(c) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial liabilities as they fall due. 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 marketable securities, and the availability of funding through an adequate amount of committed facilities.

The company is experiencing liquidity challenges and the daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Finance Committee. Daily reports cover the liquidity position of the company, including any exceptions and remedial action taken, are submitted regularly to the Finance Committee. The company manages this risk by relying on financial support from the Government of Jamaica and negotiating longer credit periods with suppliers.

Notes to the Financial Statements (Continued)

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(Expressed in thousands of Jamaica dollars, unless otherwise stated)

31. Financial risk management (continued)

(c) Liquidity risk (continued):

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

The following table presents the contractual maturities of financial liabilities (including interest):

	2017					
	Carrying amount	Contractual amounts	6 months or less	6 to 12 months	1 to 5 years	Over 5 years
Loans	1,380,490	1,737,374	273,587	127,437	1,059,766	276,584
Accounts payable	8,854,943	8,854,943	8,854,943	-	-	-
Due to related company	<u>151,349</u>	<u>151,349</u>	<u>151,349</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total outflow	<u>10,386,782</u>	<u>10,743,666</u>	<u>9,279,879</u>	<u>127,437</u>	<u>1,059,766</u>	<u>277,584</u>

	2016					
	Carrying amount	Contractual amounts	6 months or less	6 to 12 months	1 to 5 years	Over 5 years
Loans	1,310,316	2,069,401	257,437	153,617	740,708	917,639
Bank overdraft	144,025	144,025	144,025	-	-	-
Accounts payable	7,023,125	7,023,125	7,023,125	-	-	-
Due to related company	<u>132,229</u>	<u>132,229</u>	<u>132,229</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total outflow	<u>8,609,695</u>	<u>9,368,780</u>	<u>7,556,816</u>	<u>153,617</u>	<u>740,708</u>	<u>917,639</u>

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

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

(i) Foreign currency risk:

Foreign currency risk is the risk that market value of, or the cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The company incurs foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currency giving rise to this risk is the US dollar.

The company manages this risk by minimizing the amount of foreign currency transactions undertaken and limiting outstanding foreign currency balances.

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

31. Financial risk management (continued)

(d) Market risk (continued):

(i) Foreign currency risk (continued):

At the reporting date, the Jamaica dollar equivalent of net foreign currency liabilities was as follows:

	<u>2017</u>	<u>2016</u>	<u>Exchange rate</u>	
			<u>2017</u>	<u>2016</u>
			J\$:US\$1	J\$:US\$1
J\$ equivalent of US\$ liabilities	<u>(746,027)</u>	<u>(773,423)</u>	<u>127.77</u>	<u>121.30</u>

Sensitivity analysis:

A 1% (2016: 1%) strengthening of the Jamaica dollar against the US dollar at March 31, 2017 would have decreased loss by \$7,460,000 (2016: \$7,734,000).

A 6% (2016: 6%) weakening of the Jamaica dollar against the United States dollar at March 31, 2017 would have increased loss by \$44,762,000 (2016: \$46,405,000).

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

(ii) Interest rate risk:

Interest rate risk is the risk of loss from fluctuations in future cash flows or fair value of financial instruments due to changes in market interest rates.

It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments which forms the majority of the company's financial assets.

At March 31, interest-bearing financial instruments were as follows:

	<u>Carrying amount</u>	
	<u>2017</u>	<u>2016</u>
Fixed rate financial assets:		
Cash and cash equivalents	1,250	900
Resale agreements	-	33,397
Investments	<u>9,126</u>	<u>20,927</u>
	<u>10,376</u>	<u>55,224</u>

31. Financial risk management (continued)

(d) Market risk (continued):

(ii) Interest rate risk (continued):

	<u>Carrying amount</u>	
	<u>2017</u>	<u>2016</u>
Fixed rate financial liabilities:		
Long-term loans	1,347,390	861,795
Short-term borrowings	<u>9,500</u>	<u>129,721</u>
	<u>1,356,890</u>	<u>991,516</u>
Variable rate financial liabilities:		
Long-term loans	23,600	318,800
Bank overdraft	<u>-</u>	<u>144,025</u>
	<u>23,600</u>	<u>462,825</u>

Sensitivity analysis:

The company does not account for any financial instruments at fair value, therefore, a change in interest rate at the reporting date would not affect the carrying amount of the financial instruments.

A decrease of 50 (2016: 100) basis points in interest rates on variable rate financial liabilities would have decreased loss for the year by \$118,000 (2016: \$4,628,000).

An increase of 100 (2016: 100) basis points in interest rates on variable rate financial liabilities would have increased loss for the year by \$236,000 (2016: \$4,628,000).

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

(e) Capital management:

The company is not a regulated entity and, therefore, has no externally imposed capital requirements. However, the company seeks to maintain a minimum capital to safeguard its ability to continue as a going concern, so that it can continue to provide benefits to its stakeholders and to maintain a strong capital base to support the development of its business. The company defines its capital base as total equity. The policies in respect of capital management are reviewed regularly by the Board of Directors.

There were no changes in the company's approach to capital management during the year and the company is not subject to any external capital requirement.

JAMAICA URBAN TRANSIT COMPANY LIMITED

Notes to the Financial Statements (Continued)

March 31, 2017

(Expressed in thousands of Jamaica dollars, unless otherwise stated)

32. Fair values

Fair value is the price 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 company does not carry any financial instrument at fair value and most of the company's financial instruments lack an available trading market. Where the fair value of the company's financial instruments is assumed to approximate their carrying value, no fair value computation and disclosure, in accordance with the fair value IFRS 13 hierarchy, is done.

The fair value of cash and cash equivalents, resale agreements, accounts receivable, due to related company, short-term borrowings and accounts payables are assumed to approximate their carrying values in view of their short-term nature.

The fair value of investments is as disclosed in note 7. The fair value of long-term loans could not be determine as the loans are not all market terms and there is no similar instrument with fair value with which they could be compared.

33. Contingent liabilities

At the reporting date, there were several actions against the company involving claims for damages due to negligence or other causes. Though a provision of approximately of \$1,376,237,000 (2016: \$1,680,082,000) has been made in the financial statements, and the determination of any eventual potential liability is not possible at this time as the company's attorneys are defending against these actions, as necessary.



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