THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

FINANCIAL STATEMENTS

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

THE PORT AUTHORITYCONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

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

CONTENTS

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Directors of KCT Services Limited
On The Port Authority Container Terminal Operations
(Managed by KCT Services Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of The Port Authority Container Terminal Operations (the Operation), which comprise the statement of financial position as at March 31, 2015, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of 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.

Auditors' Responsibility

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

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

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Directors of KCT Services Limited
On The Port Authority Container Terminal Operations
(Managed by KCT Services Limited) (Continued)

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Operation as at March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

April 15, 2015

THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

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

	Notes	2015 $'000	2014 $'000
Current Assets			
Cash and bank deposits	5	538,098	340,207
Trade and other receivables	6(a)	1,677,870	2,054,654
Inventories – Fuel		17,722	19,328
		2,233,690	2,414,189
Current Liabilities			
Due to related parties	7	420,815	603,612
Trade and other payables	8	446,298	652,326
		867,113	1,255,938
Net Current Assets		1,366,577	1,158,251
Non-current Assets			
Long-term receivables	6(b)	390,062	450,513
		1,756,639	1,608,764
Financed by:			
Retained surplus due to The Port Authority	10	1,438,227	1,361,728
Asset rehabilitation and replacement reserve fund	9	95,507	83,586
Wharfage reserve fund	9	127,539	103,450
Employer's liability insurance reserve	9	95,366	60,000
		1,756,639	1,608,764

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

The financial statements were approved and authorised for issue by the Board of Directors on April 10, 2015 and are signed on its behalf by:

....
Director – Peter Melhado Director – Elva Williams-Richards

THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

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

	Notes	2015 $'000	2014 $'000
Revenue:			
Operating revenue net of rebates	11(a)	10,033,120	9,242,823
Interest income		18,891	15,360
Other income		1,160	23,024
		10,053,171	9,281,207
Expenses:			
Operating expenses		(2,648,949)	(2,483,362)
Administrative and other operating expenses		(4,290,045)	(4,791,056)
		(6,938,994)	(7,274,418)
Finance expense:			
Bank charges and interest	11(b)	(29,015)	(42,198)
Profit being total comprehensive income for the year	11(b)	3,085,162	1,964,591

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

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THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

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

	Notes	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		3,085,162	1,964,591
Adjustments for:			
Amortised cost adjustment on non-current receivables		(20,583)	21,414
Impairment losses (reversed) recognised	6	(72,227)	5,636
Direct receivables write-off		403	-
Interest and bank charges	11	29,015	42,198
Interest income		(18,891)	(15,360)
Foreign exchange gain (net)		(77,263)	(103,286)
Decrease in current assets			
Trade and other receivables		599,609	527,007
Inventories		1,606	5,526
(Decrease) increase in current liabilities			
Related parties		(182,797)	220,963
Trade and other payables		(206,028)	8,611
Net cash provided by operations		3,138,006	2,677,300
Interest and bank charges paid		(29,015)	(42,198)
Interest received		18,891	15,360
Net cash provided by operating activities		3,127,882	2,650,462
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid to The Port Authority		(2,937,287)	(2,577,123)
Net cash used in financing activities		(2,937,287)	(2,577,123)
NET INCREASE IN CASH AND CASH EQUIVALENTS		190,595	73,339
OPENING CASH AND CASH EQUIVALENTS		340,207	256,931
Effect of foreign exchange rate changes		7,296	9,937
CLOSING CASH AND CASH EQUIVALENTS	5	538,098	340,207

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

1. IDENTIFICATION

The Port Authority Container Terminal Operations (the Operation), located in Kingston, Jamaica, are managed by KCT Services Limited (the managing company). The managing company is incorporated and domiciled in Jamaica and its registered office is situated at Port Bustamante, Newport West, Kingston, Jamaica W.I. The managing company is a wholly owned subsidiary of The Port Authority.

The managing company assumed responsibility effective February 1, 2009 and a management agreement dated August 11, 2011 for a term of five years, exists between the managing company and The Port Authority (PAJ) for the management and operation of the Kingston Container Terminal.

Under the operating agreement;

(a) PAJ pays the following to managing company:

- (i) Management fee, calculated as gross cost of labour plus 1% of net profit after depreciation and interest cost, to be paid within ten (10) days of the beginning of each month.
- (ii) An incentive which will be pegged to the productivity and cost per lift ratios which will be established annually based on the budget.

(b) The management company must:

- (i) Provide the labour required to manage and operate the Container Terminal
- (ii) Operate the container terminal in an efficient manner;
- (iii) Ensure a low cost of operation;
- (iv) Strive for a market leadership position;
- (v) Provide each customer with adequate berthing space and equipment;
- (vi) Conduct a comprehensive programme of training for employees;
- (vii) Build a sound profitable business for all parties to the agreement;
- (viii) Differentiate its service by value adding IT-business solutions, superior customer service and innovative use of proven and new technology; and
- (ix) Not make any additions or alterations to the buildings on the Container Terminal without the prior written consent of the PAJ.

All management, administrative and personnel services are rendered by the management company, and consequently, the Operation has no direct employees (See Employee Benefits, Page 19).

The Financial statements of the Operation do not include spares inventories or property, plant and equipment used in the operation. These assets are included in the overall financial statements of The Port Authority.

Based on the Operation's cash flows, the Operation's surpluses are transferred to The Port Authority.

Taxation
No charge for current or deferred taxation has been included in these financial statements as the results of the container terminal operations are amalgamated with those of the Port Authority which are not subject to taxation.

(Expressed in Jamaican dollars)

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

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

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

		Effective for annual periods beginning on or after
Amendments to Standards		
IAS 32	Financial Instruments: - Amendments to application guidance on the offsetting of financial assets and financial liabilities	January 1, 2014
IFRS 1	First-time Adoption of International Financial Reporting Standards: - Amendment for Government loan with a below-market rate of interest when transitioning to IFRS	July 1, 2013
IFRS 10, 12 and IAS 27	Consolidated Financial Statements, Disclosure of Interests In Other Entities, and Separate Financial Statements: - Amendments for investment entities	January 1, 2014
New and Revised Interpretations		
IFRIC 21	Levies	January 1, 2014

2.3 *Standards and Interpretations in issue not yet effective*

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

		Effective for annual periods beginning on or after
New and Revised Standards		
IAS 16, 24, 38 and IFRS 2, 3, 8 and 13	Amendments arising from 2010 – 2012 Annual Improvements to IFRS	July 1, 2014
IAS 40 and IFRS 1, 3 and 13	Amendments arising from 2011 – 2013 Annual Improvements to IFRS	July 1, 2014

(Expressed in Jamaican dollars)

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

2.3 *Standards and Interpretations in issue not yet effective (Continued)*

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

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

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

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

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

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

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

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

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

- IFRS 9, *Financial Instruments*

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

  Key requirements of IFRS 9:

  - All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

  - With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

  - In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risks since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

- IFRS 9, *Financial Instruments* (Continued)

  Key requirements of IFRS 9: (Continued)

  - The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available under IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an

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    activities have also been introduced.

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

- IFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

- IFRS 15, *Revenue from Contracts with Customers* (Continued)

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

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

  IFRS 15 must be applied in an entity's annual IFRS financial statements for periods beginning on or January 1, 2017. Application of the Standard is mandatory and early adoption is permitted. The directors and management have not yet assessed the impact of the application of this standard on the Operation's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS).

3.2 Basis or preparation

The financial statements are prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The principal accounting policies are set out below and have been consistently applied.

3.3 Current versus non-current classification

The Operation presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Current versus non-current classification (Continued)

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Operation classifies all other liabilities as non-current.

3.4 Fair value measurement

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

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

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

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

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

The Operation has no non-financial assets measured or disclosed at fair value.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement (Continued)

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

3.5 Financial instruments

Financial assets and financial liabilities are recognised when the Operation becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The fair values of financial instruments are discussed in Note 13.

3.5.1 *Financial assets*

Financial assets are recognised and de-recognised on a trade date basis where the purchases or sales of the instruments require delivery of assets within the time frame established by regulation or convention in the market.

Financial assets are classified as ‘loans and receivables’ with the classification being based on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) *Loan and receivables*

These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

3.5.1 *Financial assets (Continued)*

a) *Loan and receivables (Continued)*

Securities purchased under resale agreements

Securities purchased under resale agreements (reverse repurchase agreements) are treated as collateral financing transactions and are recorded at the amount at which the securities were acquired plus accrued interest. The difference between the purchase and resale price is treated as interest income and is accrued over the lives of the agreements using the effective interest

b) *Related party*

A party is related to the Operation if:

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

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

Related party transactions and balances are recognised and disclosed in the financial statements.

c) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flow has been affected.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.5 **Financial instruments (Continued)**

3.5.1 ***Financial assets (Continued)***

c) *Impairment of financial assets (Continued)*

Objective evidence of impairment would include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market of that financial asset because of financial difficulties.

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables would include the Operation's past experience of collecting payments.

For financial assets carried at amortised cost, the amount of the impairment is the

interest rate.

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

3.5.1 *Financial assets (Continued)*

d) *De-recognition of financial assets*

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

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable recognised in profit or loss.

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

3.5.2 Financial liabilities

Financial liabilities are classified as “other financial liabilities”.

Other financial liabilities
Other financial liabilities including trade and other payable and amounts due to related companies are initially measured at fair value, net of transaction cost and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

3.5.2 Financial liabilities (Continued)

Other financial liabilities (Continued)
The financial liabilities of the Operation include its Payables (except accruals) and Amounts due to PAJ.

De-recognition of financial liabilities
The Operation de-recognises financial liabilities when the Operation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.6 Inventories

Inventories, which represent fuel, are valued at the lower of cost and net realisable value, cost being determined on a weighted average cost basis. Net realisable value represents the estimated selling price of fuel less all estimated costs of completion and cost necessary to make the sale. The Operation draws down on other inventories such as equipment spares from the PAJ as needed and is billed accordingly by PAJ.

3.7 Provisions

Provisions are recognised when the Operation has a present obligation (legal or constructive), as a result of a past event, it is probable that the Operation will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those flows (when the effect of the time value of money is material).

3.8 Asset rehabilitation & replacement reserve

A required 6.06% of the wharfage import and export revenue is transferred annually to an Asset Rehabilitation & Replacement Reserve Fund.

3.9 Wharfage fund reserve

A required 16% of the wharfage import and export revenue is transferred annually to a reserve fund.

3.10 Employer's Liability Insurance Reserve

Transfers are made from Retained Surplus due to The Port Authority to the Employer's Liability Reserve up to the policy deductible limit to settle claims as they arise. Claims up to the policy deductible limit are charged to expenses when advised.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3.11 **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering services
Revenue from a contract to provide services are recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

3.12 **Employee benefits**

(i) All management and administrative services are rendered by KCT Services Limited (see Note 1).
(ii) Pension scheme costs: Pension costs are reflected in the books of KCT Services Limited.
(iii) Leave obligation: The Operation provides for unused vacation leave to be billed by KCT Services Limited in the period in which it is incurred.

Staff cost incurred by KCT Services Limited in the Operations are charged to the Operations.

3.13 **Net finance expense**

Net finance expense comprises bank charges and interest on temporary overdrafts recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset. Interest income arising from direct investment of reserve funds is transferred to those reserves (Note 9).

3.14 **Foreign currencies**

The Jamaican dollar is deemed the functional currency in these financial statements, the currency of the primary economic environment in which the Operation (and its owner) operate (its functional currency).

Exchange differences are recognised in profit and loss for the period in which they arise.

In preparing the financial statements of the Operation, transactions in currencies other than the Operation's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on the translation of non-monetary items carried at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item. Other exchange differences are recognised in profit or loss in the period in which they arise.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements

Management believes, based on the Operation, that is has made no critical judgement in the preparation of the financial statements.

Key sources of estimation uncertainty

Management believes the following is key assumption concerning the future and is the key source of estimation uncertainty at the end of the reporting period that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Provision for impairment of trade receivables

Periodically the Operation assesses the collectability of its trade receivables. Provisions are established or increased as described in Note 3. There is, however, no certainty that the Operation will collect the total remaining unimpaired balance, as some balances that are estimated to be collectible as at the end of the reporting period may subsequently become doubtful. Trade receivables amounted to $1.967 billion (2014: $2.388 billion) at the end of the reporting period net of a provision of $8.780 million (2013: $81.007 million). (See Note 6).

5. CASH AND BANK DEPOSITS

	2015		2014	
	US$'000	**J$'000**	**US$'000**	**J$'000**
Cash - J$	-	3,904	-	15,676
- US$	1,921	219,964	734	79,996
Securities purchased under resale agreements:				
Wharfage reserve fund - (Notes 5 (a) & (b))	1,103	126,308	937	102,160
Asset rehabilitation and replacement reserve fund - (Notes 5 (a) & (b))	830	95,057	762	83,097
Insurance fund - (Note 5 (c))	-	92,865	-	59,278
	3,854	538,098	2,433	340,207

5. CASH AND BANK DEPOSITS (CONTINUED)

(a) Short-term deposits have an original maturity of one (1) month and are being held to meet short-term cash needs. The deposits are at an interest rate of 2% (2014: 3%) per annum.

(b) Short-term deposits totaling $221.365 million (2014: $185.257 million) are held in support of special reserve funds (see Note 9) and as such are restricted. These funds can only be used, with the approval of The Port Authority, for the purpose for which they were set up.

(c) This amount represents funds set aside for employee liability insurance. This deposit is at an interest rate of 7% (2013: 7.5%) per annum and matures within one month of year end (Note 9).

For the purpose of the Statement of Cash Flows, cash and cash equivalents represents cash and bank deposits.

6 TRADE AND OTHER RECEIVABLES

		2015 $'000	2014 $'000
(a)	Current:		
	Trade receivable	1,302,745	1,732,952
	Provision for impairment	(8,780)	(81,007)
		1,293,965	1,651,945
	Current portion of long-term trade receivables (Note 6(b))	282,491	285,714
	Staff receivables	22,325	41,751
	Claim receivable	16,539	15,365
	Other receivables	330	1,213
	Prepayments	62,220	58,666
		1,677,870	2,054,654

Receivables in the amount of $8.780 million (2014: $81.007 million) were provided for in respect of doubtful debts, and a write-down in the amount of $26.698 million (2014: $47.281 million) was recognised in respect of interest free long-term receivables at amortised cost.

The average credit period on services rendered is 30 days.

6 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Current (Continued)

It is the policy of the Operation to minimise credit and the associated risks of non-collection as mandated by The Port Authority (PAJ). The management of credit risk is treated as a priority. The Operation in conjunction with PAJ has established a credit quality review process, and has credit policies and procedures which require regular analysis of the ability of debtors to meet their obligations. The credit policy requires that each customer must be analysed individually for creditworthiness prior to offering them a credit facility. The credit evaluation process is done by the PAJ and includes inter alia, reviewing the number of years that the customer has been in business, the volume of business conducted, reviewing financial statements and obtaining bank references for the customer. In certain instances an irrevocable bank guarantee is required prior to the granting of credit. The credit policy also addresses specific actions that will be taken when receivables are outstanding in excess of the credit periods granted.

Approximately 53% (2014: 46%) of trade receivables that are neither past due nor impaired have the best credit scoring attributable under the internal assessment system used by the Operation. Of the trade and long-term receivable balances at the end of the reporting period, $1.766 billion (2014: $2.059 billion) is due from 5 (2014: 4) of the Operation's customers. This represents 90% (2014: 86%) of the total balance. There are no other customers who each represent more than 5% of the total balance of the trade receivables (current and deferred).

As at March 31, 2015, receivables of $0.890 billion (2014: $1.179 billion), was past due but not impaired.

Aging of past due but not impaired:

	2015 $'000	**2014 $'000**
Past due 30-60 days	466,638	564,314
Past due 61-90 days	75,371	105,348
More than 91 days	348,134	509,787
	890,143	1,179,449

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

6 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Current (Continued)

Movement in the allowance of impaired receivables

	2015 $'000	2014 $'000
Balance at beginning of the year	81,007	75,371
Impairment losses (reversed) recognised	(72,227)	5,636
Balance at end of period	8,780	81,007

Ageing of impaired trade and other receivables

	2015 $'000	2014 $'000
Over 90 days	8,780	81,007

(b) Non-current trade receivables

	2015 $'000	2014 $'000
Due from shipping lines	699,251	783,508
Less: Amortised cost adjustment	26,698	47,281
	672,553	736,227
Less: Current maturities (Note 6(a))	282,491	285,714
	390,062	450,513

This balance, represents amounts outstanding from shipping lines. Repayment commenced April 2013 and is scheduled for completion by July 2017 (2014: October 2017). No interest is charged to the shipping lines. However, a consequent write-down of $26.698 million (2014: $47.281 million) was recognised at year end to record the outstanding interest free balance at amortised cost.

7 RELATED PARTY BALANCES AND TRANSACTIONS

a) Due to related parties

	Due to The Port Authority	
	2015	**2014**
	$'000	**$'000**
Spares consumed	48,429	235,003
Other payables	181,284	212,272
	229,713	447,275

	Due to KCT Services Limited (Management Company)	
	2015	**2014**
	$'000	**$'000**
Management fee	130	(2,338)
Unused vacation – staff	158,306	135,614
Other staff accruals	32,666	23,061
	191,102	156,337
Total due to related parties	420,815	603,612

b) Related party transactions

	2015	**2014**
	$'000	**$'000**
Staff charges	3,115,740	3,010,375
Spares consumed	817,037	852,036
Spares surcharge	74,725	94,671
	4,007,502	3,957,082

c) Compensation for key management

	2015	**2014**
	$'000	**$'000**
Short term benefits	61,904	67,918
Unused vacation	10,430	6,829
Post-retirement benefits	2,057	5,468
	74,391	80,215

7 RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

c) Compensation for key management (Continued)

The remuneration of the above staff is determined by the Board of Directors of KCT Services Limited under the guidelines set by the Ministry of Finance and the PAJ, having regard to the performance of individuals and market trends. This is an expense of KCT Services Limited that is recharged to the Operations.

8 TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade payables	143,233	229,204
Transshipment volume rebates	24,179	12,370
Security fee	74,763	136,833
Accruals	188,968	263,840
Other	15,155	10,079
	446,298	652,326

9 ASSET REHABILITATION AND REPLACEMENT, WHARFAGE RESERVES AND EMPLOYER'S LIABILITY INSURANCE RESERVE

	Asset rehabilitation & replacement reserve fund $'000	Wharfage reserve fund $'000	Employer's liability insurance reserve $'000	Total $'000
Balance as at April 1, 2013	71,618	78,759	30,000	180,377
Transfers from profit or loss	6,262	16,532	30,000	52,794
Interest earned and foreign exchange gained on reserves during the year	5,706	8,159	-	13,865
Balances as at March 31, 2014	83,586	103,450	60,000	247,036
Transfers from profit or loss	6,524	17,225	30,000	53,748
Interest earned and foreign exchange gained on reserves during the year	5,397	6,864	5,366	17,627
Balances as at March 31, 2015	95,507	127,539	95,366	318,411

10 RETAINED SURPLUS DUE TO THE PORT AUTHORITY

Pursuant to Section 16 of the management agreement, the Operation shall pay over to PAJ the net surplus derived from the operations of the container terminal within thirty days of each month end.

The net surplus generated resulted from the use of assets owned by PAJ with a net book value of $23.272 billion (2014: $29.594 billion) at the end of the reporting period.

11 NET OPERATING REVENUE AND PROFIT FOR YEAR

(a) Net operating revenue represents the invoiced value of services provided in the container operations net of rebates.

(b) Net profit is stated after charging the following:

	2015 $'000	2014 $'000
Expense on financial assets (at amortised cost):		
- Bank charges and interest	29,015	42,198
- Impairment losses (reversed) recognised	(72,227)	5,636
- Direct receivables written-off	403	-
- Amortised cost adjustment on non-current trade receivables	(20,583)	21,414
Other:		
- Audit fee	1,275	1,093

12 FINANCIAL RISK MANAGEMENT

(a) Financial instruments risks

The Operation has exposure to the credit risk, market risk and liquidity risk, from the use of financial instruments.

Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	2015 $'000	2014 $'000
Financial Assets (at amortised cost)		
Long-term receivables	390,062	450,513
Trade and other receivables	1,615,650	1,995,988
Cash and bank deposits	538,098	340,207
Total financial assets	2,543,810	2,786,708
Financial Liabilities (at amortised cost)		
Related parties	420,815	603,612
Trade and other payables	257,330	388,486
Total financial liabilities	678,145	992,098

Financial risk management policies and objectives

Senior management of the managing company, together with The Port Authority (PAJ), have overall responsibility for the establishment and oversight of the operations risk management framework. Senior management has responsibility for monitoring the operations risk management policies. Senior management reports monthly to the senior management of the PAJ on its activities.

The Operation's risk management policies are established to identify and analyse the risks faced by the operations, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the company's activities. The PAJ, through its internal audit department, has monitoring oversight of the risk management policies.

12 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Financial instruments risks (Continued)

(i) Credit risk:

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

The maximum credit exposure is represented by the carrying amount of financial assets shown on the statement of financial position.

The maximum exposure to credit risk at the reporting date was:

	2015 $'000	**2014 $'000**
Cash and bank deposits	538,098	340,207
Trade and other receivables	2,005,712	2,446,501
	2,543,810	2,786,708

Cash and bank deposits

These are placed with counter-parties who are believed to have minimal risk of default.

Trade and other receivables

The Operation has management personnel whose responsibility involves regular analysis of the ability of its customers to meet payment obligations. Credit evaluations are performed on all customers requiring credit and the PAJ consulted with on an ongoing basis.

The Operation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has established a credit policy under which each customer is analysed for creditworthiness prior to being offered a credit facility. Each customer is given a credit period which represents the maximum time allowed for having balances outstanding. These are reviewed monthly. Management has procedures in place to restrict service to customers if the customers have not cleared outstanding debts within the credit period.

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Operation’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.

Management manages this risk by conducting research and monitoring the movement of securities on the local markets. There were no changes in the approach to managing market risk during the year.

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1: IUED)

(ii)

:e risk:

	L		I	
	$'000	$'000		
Assets				
		-		
		15,631	1,	
		-		
Total assets	540,988	15,631	1,987,191	2,543,810
	-	-		
ayables	-	-		
Total liabilities	-	-		
	540,988	15,631		
Cumulative gap	540,988	556,619	1,865,665	

12 **FI UED)**

(a ,

	Les		No	Total $'000
	3			
Total assets	335,981			
	-	-		
	-	-		
Total liabilities	-	-	992,098	992,098
	335,981	30,610		
	335,981	366,591		

.132million

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments risks (Continued)

(ii) Market risk (Continued)

- Foreign currency risk:

The Operation incurs foreign currency risk primarily on purchases that are denominated in a currency other than the Jamaica dollar.

At reporting date, the Operation's net foreign currency asset position was as follows:

	2015		2014	
	US$'000	**J$'000**	**US$'000**	**J$'000**
Trade and other receivables	17,176	1,966,517	21,706	2,365,737
Cash and bank deposits	3,855	441,329	2,433	265,253
	21,031	2,407,846	24,139	2,630,990

Exchange rates, in terms of Jamaican dollars which is the Operation's principal intervening currency, were as follows:

	J$
At March 31, 2015	114.49
At March 31, 2014	108.99

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

	Revaluation		**Devaluation**	
	2015		**2015**	
	Changes in Currency rates		**Changes in Currency Rates**	
	%	**$'000**	**%**	**$'000**
<u>Currency</u>				
United States Dollars	+1	(24,078)	-10	240,785

	Revaluation		**Devaluation**	
	2014		**2014**	
	Changes in Currency rates		**Changes in Currency Rates**	
	%	**$'000**	**%**	**$'000**
<u>Currency</u>				
United States Dollars	+1	(26,310)	-15	394,649

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments risks (Continued)

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Operation will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

The Operation, in conjunction with the PAJ, manages liquidity risk by maintaining an adequate amount of liquid financial assets of appropriate terms and currencies, and committed funding to meet all contractual obligations and recurring payments.

The outflows as at March 31, 2015 and March 31, 2014, for due to The Port Authority and trade and other payables, are represented by their Statement of Financial Position carrying amounts and require settlement within 12 months of reporting date.

Liquidity and interest risk analyses in respect of non-derivative financial liabilities

Non-derivative financial liabilities

The following tables detail the Operation's remaining contractual maturity for non-derivative financial liabilities.

The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities that will be paid on those liabilities except where the Operation anticipates that the cash flow will occur in a different period.

	2015
	Term to Maturity/ Re-pricing
	Less than 1 Year $'000
Financial Liabilities	
Non-Interest bearing	
Related parties	420,815
Trade and other payables	257,330
Total	678,145

12 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Financial instruments risks (Continued)

(iii) Liquidity risk (Continued)

Liquidity and interest risk analyses in respect of non-derivative financial liabilities (Continued)

	2014
	Term to Maturity/ Re-pricing
	Less than 1 Year $'000
Financial Liabilities	
Non-Interest bearing	
Related parties	603,612
Trade and other payables	388,486
Total	992,098

Non-derivative financial assets

The following tables detail the Operation's remaining contractual maturity for non-derivative financial assets.

The tables below have been drawn up based on the undiscounted contractual maturities of financial assets including interest that will be earned on those assets except where the Operation anticipates that the cash flow will occur in a different period.

	2015		
	Term to Maturity/Re-pricing		
	Less than 1 Year $'000	1-5 Years $'000	Total $'000
Financial Assets			
Interest bearing			
Long-term receivables	-	410,828	410,828
Trade and other receivables	1,621,582	-	1,621,582
Cash and bank deposits	549,026	-	549,026
Total	2,170,608	410,828	2,581,436

12 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Financial instruments risks (Continued)

(iii) Liquidity risk (Continued)

Liquidity and interest risk analyses in respect of non-derivative financial liabilities (Continued)

Non-derivative financial assets (Continued)

	2014		
	Term to Maturity/Re-pricing		
	Less than 1 Year $'000	**1-5 Years $'000**	**Total $'000**
Financial Assets			
Interest bearing			
Long-term receivables	-	527,932	527,932
Trade and other receivables	2,004,560	822	2,005,382
Cash and bank deposits	347,610	-	347,610
Total	2,352,170	528,754	2,880,924

There were no changes to the Operation's approach to liquidity risk management during the year.

(b) Capital management

The operation's objectives when managing capital for the Operation are to safeguard its ability to continue as a going concern in order to provide returns to The Port Authority, which entity, in turn, seeks to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Operation is not subject to any external regulatory capital requirements and capital adequacy is monitored by the Operation's management on a regular basis. The Operation's strategy remains unchanged from 2014.

The capital structure of the Operation consists of reserves (Note 9) and retained surplus to The Port Authority.

13 FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

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

The following methods and assumptions have been used:

(i) The carrying amounts of cash and short-term deposits, trade receivables, trade payables and other assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.

(ii) The carrying amounts of long-term receivables are assumed to approximate fair value based on the adjustment in regards to the deemed effective interest rate.

<u>Fair value measurement recognised in the Statement of Financial Position</u>
There were no financial instruments that were measured subsequent to initial recognition at fair value.

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

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

THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

STATEMENT OF OPERATING PROFIT
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

		2015 $'000	2014 $'000
Operating revenue:			
Import and export	(Schedule II)	10,588,042	9,182,727
Other operating	(Schedule II)	1,921,828	1,868,803
Wharfage	(Schedule II)	1,024,274	917,905
Gross revenue		13,534,144	11,969,435
Less: Volume rebate		(3,501,024)	(2,726,612)
Net operating revenue		10,033,120	9,242,823
Operating expenses:			
Cost of operating revenue:			
Direct expenses	(Schedule III)	1,542,400	1,449,285
Repairs and maintenance	(Schedule III)	1,085,857	1,017,003
Wharfage	(Schedule III)	20,692	17,074
		2,648,949	2,483,362
Administrative and other operating expenses:			
Administrative expenses	(Schedule IV)	712,127	1,382,549
Property	(Schedule IV)	455,474	378,900
Promotion	(Schedule IV)	6,704	19,232
Staff charges rendered by KCT Services Limited		3,115,740	3,010,375
		4,290,045	4,791,056
Total operating expenses	(Schedule II)	6,938,994	7,274,418
Operating profit before other income, and net finance (expense)/income		3,094,126	1,968,405

Schedule II

THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

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

	2015			2014		
	No. of Boxes '000	**$'000**	**Average Per Box $**	**No. of Boxes '000**	**$'000**	**Average Per Box $**
Import and Export Revenue:						
Discharging:						
Full Container load (Domestic)	49	1,228,718	25,075.88	47	1,167,256	24,835.23
Empty Domestic		7,803	-	1	12,285	12,285.00
Out of Gauge Cargo		31,515	-	-	26,966	-
Full transshipment	263	2,868,617	10,907.29	260	2,397,011	9,219.27
Empty Transshipment	121	1,003,083	8,289.94	97	897,869	9,256.33
False moves	20	197,796	9,889.80	19	169,392	8,915.37
	453	5,337,532	11,782.63	424	4,670,779	11,015.99
Loading:						
Full Container load (Domestic)	10	258,760	25,876.00	9	203,800	22,644.44
Empty Domestic	42	1,145,124	27,264.86	38	949,747	24,993.34
Out of Gauge Cargo		25,366	-		20,808	-
Full transshipment	281	2,828,257	10,064.97	252	2,332,637	9,256.50
Empty Transshipment	98	993,003	10,132.68	110	1,004,955	9,135.95
	431	5,250,510	12,182.16	409	4,511,947	11,031.66
Total Import and export **(Schedule 1)**	884	10,588,042	11,977.42	833	9,182,727	11,023.68
Other Operating Revenue:						
Equipment hire		24,530	27.74		16,039	19.25
Receival and delivery (Equipment		652,469	738.09		601,905	722.58
Container storage		141,600	160.18		47,183	56.64
Stripping and stuffing		(85)	(0.10)		-	-
Office rental		2,541	2.87		2,329	2.80
Foreign exchange difference		69,966	79.15		93,349	112.06
Miscellaneous revenue		130,335	147.43		84,768	101.76
Reefer charges		808,266	914.33		942,962	1,132.01
Side wharfage		43,248	48.92		36,147	43.39
Mooring and unmooring		48,958	55.38		44,121	52.97
Total other operating revenue (Schedule I)		1,921,828	2,174.01		1,868,803	2,243.46
Wharfage Revenue (Schedule I)		1,024,274	1,158.68		917,905	1,101.93
GROSS OPERATING REVENUE		13,354,144	15,106.50		11,969,435	14,369.07
Less: Rebate		(3,501,024)	(3,960.43)		(2,726,612)	(3,273.24)
NET OPERATING REVENUE		10,033,120	11,349.68		9,242,823	11,095.83
Less: Total operating expenses (Schedule 1)		(6,938,994)	(7,849.54)		(7,274,418)	(8,732.79)
Operating profit before other income and net finance (expenses)/income		3,094,126	3,500.14		1,968,405	2,363.03

THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

STATEMENT OF COST OF OPERATING REVENUE
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

		2015 No. of boxes		**2014 No. of boxes**
Import		453		424
Export		431		409
		884		833
	$'000	**Average Per box ($)**	**$'000**	**Average Per box ($)**
Direct expenses:				
Equipment hire	160,668	181.75	93,967	112.81
Energy	342,127	387.02	381,288	457.72
Fuel	367,742	416.00	337,632	405.32
Forklift hire	27,257	30.83	25,128	30.17
Ice - port workers	36	0.04	1,456	1.75
Meal allowance	3,664	4.14	75	0.09
Overtime stevedoring	69,333	78.43	25,550	30.67
Stevedoring labour	418,484	473.40	384,729	461.85
Transportation	103,812	117.43	95,343	114.46
Shipping Association of Jamaica			99,008	118.86
- other cost	46,358	52.44		
Shipping Association of Jamaica				
- night premium	260	0.29	2,114	2.54
Working ship equipment	2,659	3.01	2,995	3.60
Schedule I	1,542,400	1,744.80	1,449,285	1,739.84
Repairs and maintenance				
Chassis	11,965	13.54	10,815	12.98
Cranes	446,636	505.24	341,938	410.49
Forklifts	2,663	3.01	6,318	7.58
Roadheads	41,195	46.60	39,007	46.83
Spreader	22,823	25.82	21,341	25.62
Stackers	79,214	89.61	48,110	57.76
Straddle carriers	330,832	374.24	365,200	438.42
Tools	3,277	3.71	11,284	13.55
Trailers	44,153	49.95	43,779	52.56
Spares Surcharge	74,725	84.53	94,671	113.65
Workshop equipment	28,374	32.10	34,540	41.45
Schedule 1	1,085,857	1,228.35	1,017,003	1,220.89
Wharfage expenses:				
Shippers' council fees	40	0.05	37	0.04
Wharfage cess	7,323	8.28	5,378	6.46
Overtime receival	4,754	5.38	3,420	4.11
Overtime scanning	1,557	1.76	1,524	1.85
Wharfage tax	7,018	7.94	6,715	8.06
Schedule 1	20,692	23.41	17,074	20.50

Schedule IV

THE PORT AUTHORITY CONTAINER TERMINAL OPERATIONS
(MANAGED BY KCT SERVICES LIMITED)

STATEMENT OF ADMINISTRATIVE AND OPERATING EXPENSES
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaican dollars)

	2015 $'000	**Average Per box ($)**	**2014 $'000**	**Average Per box ($)**
Administrative expenses:				
Legal and professional fees	2,164	2.45	3,934	4.72
Audit fees	1,275	1.44	1,093	1.31
Bad debt	(93,213)	(105.44)	448,766	538.73
Cleaning and sanitation	23,878	27.01	21,961	26.36
Claims expenses	23,321	26.38	69,436	83.36
Consultancy fees	32,746	37.04	13,845	16.63
Courier charges	502	0.57	446	0.54
Information Technology	118,519	134.07	100,347	120.46
GCT expenses	112,969	127.79	105,125	126.20
General expenses	37,348	42.25	39,495	47.41
Light and water	374,371	423.49	458,220	550.08
Management fees	3,840	4.34	(8,911)	(10.70)
Motor vehicle expenses	7,743	8.76	5,658	6.79
Pest control	431	0.49	343	0.41
Office expenses	3,571	4.04	3,691	4.43
Stationery and printing	16,764	18.96	16,228	19.49
Telephone	13,175	14.90	14,640	17.58
Safety and Security	8,406	9.51	65,505	78.64
Transportation	24,317	27.50	22,727	27.28
Schedule I	712,127	805.57	1,382,549	1,659.72
Property expenses:				
Insurance	352,262	398.49	276,718	332.19
Repair and maintenance	103,212	116.76	102,182	122.67
Schedule I	455,474	515.24	378,900	454.86
Promotion:				
Donation and Subscription	884	1.00	609	0.73
Promotional expenses - PAJ	5,301	6.00	18,180	21.83
Promotional expenses - other	519	0.59	443	0.53
Schedule I	6,704	7.58	19,232	23.09