KCT SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

(Expressed in Jamaican dollars)

KCT SERVICES LIMITED

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

CONTENTS

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Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Members of KCT Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of KCT Services Limited (the company), 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 shareholders' 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 misstatements 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 Members of 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 company 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 and the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained and the financial statements are in agreement therewith and give the information required in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

April 15, 2015

KCT SERVICES LIMITED

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

	Notes	2015 $'000	2014 $'000
ASSETS			
Non-current asset			
Deferred taxation	5	-	96
Current assets			
Related parties	6	191,102	156,336
Tax recoverable		199	573
		191,301	156,909
Total Assets		191,301	157,005
EQUITY AND LIABILITIES			
Shareholders' equity/(Deficiency in assets)			
Share capital	7	-	-
Accumulated surplus (loss)		329	(1,669)
		329	(1,669)
Current liabilities			
Trade and other payables	8	190,972	158,674
Total Equities and Liabilities		191,301	157,005

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:

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Director – Peter Melhado Director – Elva Williams-Richards

KCT SERVICES LIMITED

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

	Notes	2015 $'000	2014 $'000
Revenue - Management fees	13	3,840	-
Expenses			
Administration	9(a)	(3,115,740)	(3,010,375)
Other	9(b)	(1,372)	(12,345)
		(3,117,112)	(3,022,720)
Reimbursement of administrative expenses	10	3,115,740	3,010,375
Net expenses		(1,372)	(12,345)
Profit (loss) before taxation		2,468	(12,345)
Taxation	11	(470)	-
NET PROFIT (LOSS) BEING TOTAL COMPREHENSIVE LOSS FOR THE YEAR		1,998	(12,345)

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

KCT SERVICES LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED MARCH 31, 2015
(Expressed in Jamaica dollars)

	Share Capital(*) $'000	Accumulated Surplus (Loss) $'000	Total $'000
Balance at April 1, 2013	-	10,676	10,676
Net loss being total comprehensive loss for the year	-	(12,345)	(12,345)
Balance at March 31, 2014	-	(1,669)	(1,669)
Net profit being total comprehensive income for the year	-	1,998	1,998
Balance at March 31, 2015	-	329	329

(*) Represent share capital of $200.

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

KCT SERVICES LIMITED

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

	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss) for the period	1,998	(12,345)
Adjustment for:		
Taxation charge	470	-
Cash provided by (used in) before changes in working capital	2,468	(12,345)
(Increase) decrease in due from related parties	(34,766)	12,197
Increase in payables	32,298	148
Net cash provided by operating activities being net change in cash and cash equivalents	-	-
OPENING CASH AND CASH EQUIVALENTS	-	-
CLOSING CASH AND CASH EQUIVALENTS	-	-

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

(Expressed in Jamaican dollars)

1 IDENTIFICATION

The company is incorporated and domiciled in Jamaica. The company is a wholly owned subsidiary of The Port Authority, (PAJ), a corporate body established and existing under and by virtue of the Port Authority Act. The registered office of the company is situated at Port Bustamante, Newport West, Kingston Jamaica W.I.

The principal activities of the company are the provision of personnel services as well as the management of the Kingston Container Terminals on behalf of PAJ pursuant to a 5-year management agreement dated August 11, 2011, which commenced February 1, 2009.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

(Expressed in Jamaican dollars)

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

2.3 *Standards and Interpretations in issue not yet effective*

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

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

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

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

- 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.

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

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

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

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

- IFRS 9, *Financial Instruments*

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

  Key requirements of IFRS 9:

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

  - 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.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (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)

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

  - The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available under IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  The directors and management anticipate that IFRS 9 will be adopted in the company'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 company'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.

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (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)

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Current versus non-current classification

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

All other assets are classified as non-current.

A liability is current when:

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

The company 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 company.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Fair value measurement (Continued)

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

The company 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

For the purpose of fair value disclosures, the company 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 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

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

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Taxation (Continued)

Deferred tax (Continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.6 Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities. Financial assets and liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition (except for financial assets or liabilities classified as fair value through profit and loss where such transaction costs are expensed).

The fair values of financial instruments are discussed in Note 15. Listed below are the company's financial assets and liabilities and the specific accounting policies relating to each:

3.6.1 *Financial assets*

Financial assets are recognised and derecognised on trade date where the purchase or sale of the instrument is under a contract whose terms require delivery of the instrument within the timeframe established by regulation or convention in the market. The company's financial assets are classified as 'loans and receivables' with the classification being based on the nature and purpose of the financial asset and is determined at the time of initial recognition.

(a) *Loans 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. The company's portfolio of loans and receivables comprise amounts due from related parties.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.1 *Financial assets (Continued)*

(a) *Loans and receivables (Continued)*

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial assets, 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.

(b) *Related party*

A party is related to the company if:

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

(ii) the party is an associate of the company;
(iii) the party is a joint venture in which the company is a venturer;
(iv) the party is a member of the key management personnel of the company 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 company, or of any entity that is a related party of the company.

Related party transactions are recorded at the company's normal rates at transaction dates. No interest is charged on balances, since settlement is anticipated in the near future.

(c) *Impairment of financial assets*

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.1 *Financial assets (Continued)*

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

Objective evidence of impairment could include:

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

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

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

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

For financial assets measured at amortised cost, 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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.1 *Financial assets (Continued)*

(d) *Derecognition of financial assets*

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the company 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 company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.6.2 *Financial liabilities and equity instruments*

Classification as debt or equity
Debt and equity instruments issued by the company are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (Continued)

3.6.2 *Financial liabilities and equity instruments (Continued)*

Financial liabilities
These are classified as “other financial liabilities”.

Financial liabilities are initially measured at fair value, net of transaction costs (where applicable). They are subsequently re-measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial.

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

The company’s financial liabilities comprise trade and other payables.

Derecognition of financial liabilities

The company derecognises financial liabilities when the company'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.

3.7 Employee benefits

Defined contributory plan

The company operates a defined contributory pension plan, the assets of which are held separately from those of the company. Contributions to this pension scheme, which are made on the basis provided for by the rules applicable to a particular accounting period, are expensed in the period in which they are incurred.

Termination obligations

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Employee benefits (Continued)

Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave for services rendered by employees up to the end of the reporting period and is classified as current or non-current based on when the payment is expected to be made.

3.8 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive), as a result of a past event, it is probable that the company 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 cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.9 Revenue recognition

Rendering of services

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

Management fee

Revenue from management fee is recognised on an accrual basis in accordance with the terms of the relevant agreement, provided that it is probable that the economic benefit will flow to the company and the revenue and the amount of revenue can be measured reliably.

3.10 Foreign currencies

The Jamaican dollar is deemed the functional currency in these financial statements, the currency of the primary economic environment in which the company operates (its functional currency).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Foreign currencies (Continued)

In preparing the financial statements of the company, transactions in currencies other than the company'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 for the period in which they arise.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

Management believes there are no judgements made that had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Income and deferred taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of estimates in respect of items deductible or not deductible for tax purposes is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. A change of +/- 10% in the final tax outcome of these estimates would have the effect of approximately $0.047 million (2014: $Nil) increase/decrease in the tax charged to the period (See Note 5 and Note 11).

5 DEFERRED TAX ASSET

This comprises:

	2015 $'000	2014 $'000
Deferred tax assets	39,577	34,000
Deferred tax liabilities	(39,577)	(33,904)
Net assets	-	96

The following are the main deferred tax assets and liability recognised by the company and the movements thereon, during the current and prior reporting periods:

(a) Deferred tax assets

	Accrued Vacation $'000	Tax Loss $'000	Total $'000
At April 1, 2013	32,200	96	32,296
Credited to income for the year	1,704	-	1,704
At March 31, 2014	33,904	96	34,000
Credited to income for the year (Note 11)	5,673	(96)	5,577
At March 31, 2015	39,577	-	39,577

(b) Deferred tax liability

	Reimbursable Expense $'000
At April 1, 2013	(32,200)
Charged to income for the year	(1,704)
At March 31, 2014	(33,904)
Charged to income for the year (Note 11)	(5,673)
At March 31, 2015	(39,577)

6 RELATED PARTIES

	Due from (to) PAJ KCT Operations 2015 $'000	2014 $'000
Management fee	130	(2,338)
Unused vacation	158,306	135,614
Other staff accruals	32,666	23,060
	191,102	156,336

7 SHARE CAPITAL

	2015 $	2014 $
Authorised:		
200 ordinary shares of no par value at the beginning and the end of the year		
Stated capital:		
Issued and fully paid at the beginning and end of the year:		
200 ordinary shares of no par value	200	200

8 TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Accrual – vacation leave	158,306	135,614
Statutory payable	2,557	1,920
Other payroll liabilities	30,109	21,140
	190,972	158,674

9 EXPENSES

a) Administrative expenses

	2015 $'000	2014 $'000
Clerical and port workers	915,742	910,177
Employer's contribution NHT	68,384	66,667
Employer's contribution NIS	30,229	30,110
Compensation allowance	3,917	1,886
Education fund/Education tax	74,730	73,420
Executive salary	61,904	53,287
Group life insurance	19,128	17,422
H.E.A.R.T.	69,004	67,649
Laundry	71,735	71,407
Lunch allowance	105,658	104,700
Welfare benefit	13,545	20,328
Management salary	171,694	172,779
Overtime	309,108	236,260
Subscription	922	148
Scholarship fund	6,130	5,905
Ex-gratia payment	70,296	57,530
Pension	72,026	65,991
Provision for unused vacation leave	22,692	6,812
Supervisory salary	590,714	566,657
Staff training incentive	16,486	24,943
Staff medical	114,163	101,253
Staff travel	218,508	217,908
Uniform/Protective clothing	67,444	52,957
Productivity incentive	-	58,553
Expatriate allowance and taxes	2,095	6,642
Insurance - Personal accident	11,958	10,014
Industrial relation	31	92
Retirees benefit	7,497	8,878
Total Administrative expenses	3,115,740	3,010,375

Summarised as follows:

	2015 $'000	2014 $'000
Salaries	2,861,404	2,762,138
Statutory deductions	242,347	237,845
Other staff cost	11,989	10,392
	3,115,740	3,010,375

9 EXPENSES (CONTINUED)

b) Other expenses

	2015 $'000	2014 $'000
Board fees	145	159
Audit fees	446	382
Asset tax	200	329
Management fees	-	8,911
Other expenses	581	2,564
	1,372	12,345

10 REIMBURSEMENT OF ADMINISTRATIVE EXPENSES

This amount represents expenses reimbursed by PAJ KCT Operations during the period. The reimbursement represents the total administration cost for the period.

11 TAXATION

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

	2015 $'000	2014 $'000
Current tax	374	-
Deferred tax (Note 5)	96	-
	470	-

At March 31, 2014, the company had losses, subject to agreement with the Commissioner General, Tax Administration Jamaica, of approximately $0.591 million available for offset against future profits. A deferred tax asset of $0.096 million was booked in respect of $0.384 million of these tax losses. No deferred tax asset was recognised in respect of the remaining $0.207 million of such losses due to the unpredictability of future sustained taxable profits. As at March 31, 2015, the company had fully utilised the losses available for offset against future profits.

11 TAXATION (CONTINUED)

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

	2015 $'000	**2014 $'000**
Profit (loss) before taxation	2,468	(12,345)
Tax at the domestic income tax rate of 25%	617	(3,086)
Tax effect of expenses not deductible for tax purposes	65	82
Tax effect of tax loss utilised	(52)	-
Tax effect of employment tax credit	(160)	-
Tax effects of tax losses not recognised	-	3,004
Tax credit	470	-

12 PENSION SCHEME

The company operates a contributory scheme for employees who have satisfied certain minimum requirements: The scheme, which is a defined contribution plan, is administered by Sagicor Life Jamaica Limited, The company's contributions to the scheme for the year aggregated $72.026 million (2014: $65.991 million).

13 RELATED PARTY TRANSACTIONS

	2015 $'000	**2014 $'000**
Revenue		
Management fee income (charge) - PAJ KCT Operations	3,840	(8,911)
Expenses		
Reimbursement of administrative expenses	3,115,740	3,010,375

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

	2015 $'000	**2014 $'000**
Director's - fees	75	88
- other expenses	70	71
Key management personnel		
Short-term benefits	61,904	67,917
Post-retirement benefit	2,057	5,468

14 FINANCIAL RISK MANAGEMENT

(a) Financial instruments risks

The company 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		
Related parties	191,102	156,336
Financial Liabilities		
Trade and other payables	32,666	23,060

Financial risk management policies and objectives

Senior management of the 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 company's risk management policies. Senior management of the company reports monthly to the senior management of the PAJ on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, 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.

(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
Related parties	191,102	156,336

Related party transactions are only with PAJ KCT Operations who are believed to have minimal risk of default given the profitability of the operations and its support from the Port Authority of Jamaica.

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments risks (Continued)

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates 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.

As at the reporting date the company had no interest bearing financial instruments or foreign currency assets or liabilities.

- Interest rate risk

Interest rate risk is the risk that the future cash flows or value of a financial instrument will fluctuate due to changes in market interest rates.

At the reporting date the interest profile of the company's financial instruments was:

	Non-Interest Bearing Repricing/ Maturity Less Than 1 Year
	$'000
At March 31, 2015	
Assets	
Related parties	191,102
Total assets	191,102
Liabilities	
Trade and other payables	32,666
Total liabilities	32,666
Total interest rate sensitivity gap	158,436

14 **FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Financial instruments risks (Continued)

(ii) Market risk (Continued)

- Interest rate risk

	Non-Interest Bearing Repricing/ Maturity Less Than 1 Year
	$'000
At March 31, 2014	
Assets	
Related parties	156,336
Total assets	156,366
Liabilities	
Trade and other payables	23,060
Total liabilities	23,060
Total interest rate sensitivity gap	133,276

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company 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 company, 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 the end of each reporting period for trade and other payables are represented by their 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 company's remaining contractual maturity for non-derivative financial liabilities.

14 **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)

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 company anticipates that the cash flow will occur in a different period.

	March 2015
	Term to Maturity
	Less Than 1 Year
	$'000
Financial Liabilities	
Non-interest bearing	32,666
Trade and other payables	

	March 2014
	Term to Maturity
	Less Than 1 Year
	$'000
Non-interest bearing	
Trade and other payables	23,060

Non-derivative financial assets

The following tables detail the company'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 company anticipates that the cash flow will occur in a different period.

	March 2015
	Term to Maturity
	Less Than 1 Year
	$'000
Financial Assets	
Related parties	191,102

14 **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)

	March 2014
	Term to Maturity
	Less Than 1 Year
	$'000
Financial Assets	
Related parties	156,336

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

(iv) Capital management

The company'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 company is not subject to any external regulatory capital requirements and capital adequacy is monitored by the company's management on a regular basis. The company's strategy remains unchanged from year ended March 31, 2014.

15 **FAIR VALUE 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, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the company would realise in a current market exchange.

The following method and assumption have been used:

(i) The carrying amounts of financial assets and liabilities maturing within twelve months are assumed to approximate their fair values because of the short-term maturity of these instruments.

Fair value measurements recognised in the Statement of Financial Position
There were no financial instruments that were measured at fair value subsequent to initial recognition.

16 OPERATIONS

In keeping with its objective to privatise, The Port Authority of Jamaica's Container Terminal Operations, 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.