

Barbados Port Inc.

Financial Statements

March 31, 2015

(expressed in Barbados dollars)

Barbados Port Inc.

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(expressed in Barbados dollars)

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Barbados Port Inc.

Board of Directors, Officers and Advisors
March 31, 2015

(expressed in Barbados dollars)

Board of Directors

David Harding	-	Chairman
Captain George Fergusson	-	Deputy Chairman
David Jean-Marie	-	Managing Director
Calvin Alkins	-	Director
David Douglas	-	Director
Everton Walters	-	Director
Irvine Best	-	Director
Karen Henry	-	Director (deceased November 2014)
Keith Wilson	-	Director
Michael Weetch	-	Director
Neville Rowe	-	Director
Donna Cadogan	-	Director

Secretary

David Jean-Marie

Attorney-at-law

Lystra Kodilinye

Bankers

Republic Bank (Barbados) Limited
First Citizens Bank (Barbados) Limited
RBC Royal Bank (Barbados) Limited

Auditor

PricewaterhouseCoopers SRL



INDEPENDENT AUDITOR'S REPORT

**To the Shareholder of
Barbados Port Inc.**

We have audited the accompanying financial statements of **Barbados Port Inc.** ("the Company"), which comprise the statement of financial position as of March 31, 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 and fair presentation of the financial statements 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Barbados Port Inc.** as of March 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 to these financial statements, which states that as of March 31, 2015 the Company's current liabilities exceeded its current assets by \$51,170,060 (2014 - \$40,701,448). This, along with other matters as described in Note 2, indicates the existence of a material uncertainty which may cast significant doubt about the ability of **Barbados Port Inc.** to continue as a going concern. Our opinion is not qualified in respect of this matter.

Other Matter

This report is made solely to the company's shareholder in accordance with Barbados Port Inc. (Transfer of Management and Vesting of Assets), Cap. 285B section 7(1). Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

August 31, 2015
Bridgetown, Barbados

Barbados Port Inc.
Statement of Financial Position
As of March 31, 2015

(expressed in Barbados dollars)

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents (note 5)	2,357,612	3,076,920
Accounts receivable (note 6)	7,535,693	7,386,042
Other receivables and prepaid expenses (note 7)	1,111,373	1,608,262
Inventories (note 8)	2,719,541	2,278,029
	<u>13,724,219</u>	<u>14,349,253</u>
Non-current assets		
Financial investments (note 9)	7,898,003	17,740,200
Investment in associated company (note 10)	676,213	1,075,161
Property, plant and equipment (note 11)	156,416,704	161,461,900
Capital works in progress (note 12)	42,952,842	26,298,701
Deferred tax asset (note 13)	9,014,321	-
	<u>216,958,083</u>	<u>206,575,962</u>
Total assets	<u>230,682,302</u>	<u>220,925,215</u>
Liabilities and equity		
Current liabilities		
Bank overdraft (note 5)	11,947,638	18,525,453
Accounts payable and accrued liabilities (note 14)	10,525,358	7,524,381
Current portion of long-term loans (note 15)	42,421,283	29,000,867
	<u>64,894,279</u>	<u>55,050,701</u>
Non-current liabilities		
Deferred capital grant (note 16)	493,030	774,762
Long-term loans (note 15)	55,197,622	68,036,019
Retirement benefit obligations (note 17)	13,181,113	14,550,742
	<u>68,871,765</u>	<u>83,361,523</u>
Total liabilities	<u>133,766,044</u>	<u>138,412,224</u>
Equity		
Share capital (note 18)	100	100
Capital contributions (note 19)	29,145,080	29,145,080
Port Fund	100,000	100,000
Fair value reserve	213,461	249,999
Retained earnings	67,457,617	53,017,812
Total equity	<u>96,916,258</u>	<u>82,512,991</u>
Total liabilities and equity	<u>230,682,302</u>	<u>220,925,215</u>

Approved by the Board of Directors on August 18, 2015

 Director

 Director

Barbados Port Inc.

Statement of Changes in Equity For the year ended March 31, 2015

(with comparative figures for the period from January 1, 2013 to March 31, 2014)

(expressed in Barbados dollars)

	Share capital \$	Capital contributions \$	Port Fund \$	Fair value reserve \$	Retained earnings \$	Total \$
Balance at December 31, 2012	100	29,145,080	100,000	249,999	45,747,757	75,242,936
Net income for the period	-	-	-	-	5,352,072	5,352,072
Other comprehensive income for the period	-	-	-	-	1,917,983	1,917,983
Total comprehensive income for the period	-	-	-	-	7,270,055	7,270,055
Balance at March 31, 2014	100	29,145,080	100,000	249,999	53,017,812	82,512,991
Net income for the year	-	-	-	-	13,657,292	13,657,292
Other comprehensive (loss)/income for the year	-	-	-	(36,538)	782,513	745,975
Total comprehensive income for the year	-	-	-	(36,538)	14,439,805	14,403,267
Balance at March 31, 2015	100	29,145,080	100,000	213,461	67,457,617	96,916,258

Barbados Port Inc.

Statement of Comprehensive Income

For the year ended March 31, 2015

(with comparative figures for the period from January 1, 2013 to March 31, 2014)

(expressed in Barbados dollars)

	2015 \$	2014 \$
Revenue		
Cargo handling	49,798,558	58,626,223
Excess storage	2,326,662	3,721,196
Marine revenue	6,316,572	8,255,156
Passenger levy	7,030,862	8,475,390
Other (note 20)	6,859,171	8,310,579
	<u>72,331,825</u>	<u>87,388,544</u>
Other operating income		
Rent	1,398,113	2,136,010
Gain on disposal of plant and equipment	19,597	212,444
Miscellaneous	1,454,123	2,781,828
	<u>2,871,833</u>	<u>5,130,282</u>
Total operating income	<u>75,203,658</u>	<u>92,518,826</u>
Expenses		
Administration	11,449,730	10,363,455
Staff costs (note 22)	35,416,142	46,250,113
Other expenses	12,345,284	17,589,357
	<u>59,211,156</u>	<u>74,202,925</u>
Operating income before the following:	<u>15,992,502</u>	<u>18,315,901</u>

Barbados Port Inc.

Statement of Comprehensive Income ...continued

For the year ended March 31, 2015

(with comparative figures for the period from January 1, 2013 to March 31, 2014)

(expressed in Barbados dollars)

	2015 \$	2014 \$
Other (expenses)/income		
Interest income	412,658	722,856
Dividend income	34,615	55,769
Impairment loss on property, plant and equipment (note 11)	—	(5,005,722)
	<u>447,273</u>	<u>(4,227,097)</u>
Profit from operations	16,439,775	14,088,804
Finance costs	<u>(12,177,856)</u>	<u>(9,375,114)</u>
Profit before taxation and share of net income of associated company	4,261,919	4,713,690
Share of net income of associated company (note 10)	<u>381,052</u>	<u>638,382</u>
Income before taxation	4,642,971	5,352,072
Taxation (note 23)	<u>9,014,321</u>	<u>—</u>
Net income for the year/period	13,657,292	5,352,072
Other comprehensive income:		
<i>Items that will not be reclassified to income:</i>		
Remeasurement of retirement benefit obligations (note 17)	782,513	1,917,983
<i>Items that may be subsequently reclassified to income:</i>		
Unrealised loss on available-for-sale financial investments	<u>(36,538)</u>	<u>—</u>
Other comprehensive income for the year/period	745,975	1,917,983
Total comprehensive income for the year/period	14,403,267	7,270,055

Barbados Port Inc.

Statement of Cash Flows

For the year ended March 31, 2015

(with comparative figures for the period from January 1, 2013 to March 31, 2014)

(expressed in Barbados dollars)

	2015	2014
	\$	\$
Cash flows from operating activities		
Income before taxation	4,642,971	5,352,072
Adjustments for:		
Depreciation	6,569,158	8,268,704
Gain on disposal of property, plant and equipment	(19,597)	(212,444)
Interest and dividend income	(447,273)	(778,625)
Finance costs	12,177,856	9,375,114
Share of net income of associated company	(381,052)	(638,382)
Pension and other post-retirement benefits	2,898,142	4,070,715
Impairment of property, plant and equipment	-	5,005,722
Amortisation of deferred grant	(281,732)	(352,164)
Operating profit before working capital changes	25,158,473	30,090,712
(Increase)/decrease in accounts receivable	(149,651)	523,917
Decrease/(increase) in other receivables and prepaid expenses	496,889	(340,816)
(Increase)/decrease in inventories	(441,512)	324,076
Increase in accounts payable and accrued liabilities	3,491,720	1,039,818
Decrease in amount due to associated company	-	(1,704,821)
Cash generated from operations	28,555,919	29,932,886
Finance costs paid	(8,915,339)	(6,863,185)
Pension and other post-retirement benefits' contributions	(3,485,258)	(4,664,415)
Net cash generated from operating activities	16,155,322	18,405,286
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,239,267)	(462,511)
Expenditure on capital works in progress	(21,879,239)	(10,281,173)
Proceeds from disposal of property, plant and equipment	7,960,000	212,444
Interest and dividend income received	592,742	626,631
Purchase of financial investments	(15,785,045)	(898,057)
Proceeds on disposal of financial investments	25,445,235	-
Dividend received from associated company	330,000	862,500
Capital reduction payment received from associated company	450,000	-
Net cash used in investing activities	(7,125,574)	(9,940,166)
Cash flows from financing activities		
Loan received	41,671,087	721,510
Repayment of long-term loans	(44,842,328)	(14,068,611)
Net cash used in financing activities	(3,171,241)	(13,347,101)
Net increase/(decrease) in cash and cash equivalents	5,858,507	(4,881,981)
Cash and cash equivalents - beginning of year/period	(15,448,533)	(10,566,552)
Cash and cash equivalents - end of year/period (note 5)	(9,590,026)	(15,448,533)

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

1 Establishment of the Barbados Port Inc.

The Barbados Port Authority was established by the Barbados Port Authority Act, Cap 285B, as amended by the Barbados Port Authority (Amendment) Acts 1978-33 and 1987-37. The Act as initially amended was proclaimed on January 1, 1979.

Upon the commencement of the Act on January 1, 1979 all property (other than land and buildings) belonging to the Crown and used exclusively for the purpose of the Port Department and Port Contractors (Barbados) Limited was transferred to and vested in the Authority, and all liabilities of the Port Department and Port Contractors (Barbados) Limited existing at the commencement of the Act were assumed and assured by the Authority.

The Act was repealed on December 19, 2003 and a new Act, the Barbados Port Inc. (Transfer of Management and Vesting of Assets) Act 2003, was proclaimed.

The Act was passed:

- a) To provide for the Port of Bridgetown to be managed by the Barbados Port Inc., a Company incorporated under the Companies Act, for the purpose of enabling the Port to operate as a commercial entity.
- b) To transfer the assets and liabilities of the Government of Barbados in relation to the operation of the Port of Bridgetown to the Barbados Port Inc.
- c) To repeal the Barbados Port Authority Act.

The main provisions of the Act are disclosed below.

Commencement of Operations

The Port shall be operated by the Company from the date of the commencement of this Act.

Transfer of Assets, Liabilities, Rights, etc

For the purposes of the Act:

1. The lands of the Port shall be leased to the Company by the Crown for such period as the Crown determines.
2. All:
 - a) Assets in relation to the operation of the Port that were vested in the Authority immediately before the commencement of this Act;
 - b) Liabilities that were incurred by or on behalf of the Authority in relation to the operation of the Port and subsisting immediately before the commencement of this Act; and
 - c) Rights to set, collect and retain port dues and charges for the provision and use of port facilities and services

are transferred and vested in the Company, and by virtue of this Act and without further assurance, transfer or other formality are to be held with effect from the date of the commencement of this Act, by the Company to the same extent and interest and in the same manner as they were vested in or held by the Authority.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

1 Establishment of the Barbados Port Inc. ...continued

Transfer of Assets, Liabilities, Rights, etc ...continued

All contracts entered into by or on behalf of the Authority in relation to the operation of the Port before the commencement of this Act, shall be deemed to have been entered into by or on behalf of the Company from the date of the commencement of this Act.

In respect of the operation of the Port:

- a) All rights, privileges, duties or obligations conferred or imposed upon the Authority; and
- b) All powers and remedies as to the taking and resisting of legal proceedings for the ascertaining, perfecting or enforcing of all rights or liabilities vested in the Authority immediately before the commencement of this Act, shall be deemed to be conferred or imposed on the Company.

The Company's principal place of business is at University Row, St. Michael, Barbados.

Financial statement presentation

Consistent with the provisions of Section 355.7 of the Companies Act Cap 308, which addressed the preservation of a Statutory Company incorporated under the Companies Act, and in accordance with the substance of the corporatisation plan of the Port, these financial statements were presented from the year to December 31, 2003 as if the Barbados Port Authority had been "continued" as Barbados Port Inc.

During 2013, the Company changed its year end from December 31 to March 31, the year end of the Government of Barbados.

2 Going concern

These financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the normal course of business and assumes that the Company will continue in operation for the foreseeable future. However at the year end the Company's current liabilities exceeded its current assets by \$51,170,060 (2014 - \$40,701,448). Included in current liabilities are amounts due in respect of the Company's long-term loans of \$42,421,283 (2014 - \$29,000,867) of which \$38,421,283 (2014 - \$19,820,014) are guaranteed by the Government of Barbados.

As part of the expansion plans for the Port, the Company embarked in 2012 on the Cruise Pier project and in 2015 on the Berth 5 project. Included in the current portion of long-term loans are amounts of \$28,925,000 (2014 - \$14,000,000) borrowed to facilitate commencement of these projects of which \$14,000,000 was replaced on April 1, 2015 through the issuance of bonds (see below). The Company is in discussions with potential financiers with a view to securing overall financing arrangements of US\$220 million and \$50 million for the Cruise Pier and Berth 5 projects respectively, out of which these loan amounts will be repaid.

The Company entered into a Letter of Undertaking with Republic Bank (Barbados) Limited dated April 25, 2014 for the issuance of up to \$107.5 million bonds in two tranches. As at the date of these financial statements \$36.9 million bonds were subscribed, and net proceeds of \$23.0 million were received (note 15 (vi)).

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

2 Going concern ...continued

The Company's net working capital deficiency position and absence of committed financing of the Cruise Pier and Berth 5 projects, result in material uncertainty about the Company's ability to continue as a going concern. However based on the initiatives described above and additional steps which the Company will take during the next twelve months, the Board of Directors is confident that the Company will be able to meet its liquidity and cash flow requirements in the short and medium term.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

i) *New standards, amendments and interpretations adopted by the Company*

IAS 19 (amendment)	'Employee benefits' (effective July 1, 2014)
IFRS 12	'Disclosures of interests in other entities' (effective January 1, 2014)
IAS 36 (amendment)	'Impairment of Assets' (effective January 1, 2014)

ii) *New standards, amendments and interpretations mandatory for the first time for the financial period beginning April 1, 2014 but not currently relevant to the Company*

IAS 32 (amendment)	'Financial instruments: presentation' (effective January 1, 2014)
IFRS 10 (amendment)	'Consolidated financial statements' (effective January 1, 2014)
IAS 27 (amendment)	'Separate financial statements' (effective January 1, 2014)
IAS 39 (amendment)	'Financial instruments; recognition and measurement' (effective January 1, 2014)

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

a) Basis of preparation ...continued

iii) *New standards, amendments and interpretations issued but not yet effective for the financial period beginning April 1, 2014 and not early adopted*

IFRS 9, 'Financial instruments', retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company is yet to assess the full impact of the standard.

b) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow-moving and defective items.

c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. Assets acquired under lease arrangements are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Land is not depreciated.

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

Depreciation of property, plant and equipment is provided on a straight-line basis at rates which are expected to write off the assets over their estimated useful lives. The annual rates used for this purpose are as follows:

Leased assets

Wharves, breakwater and crossberths	-	2%
Administration building	-	2%
Transit sheds and workshops	-	4%
Other buildings	-	5%

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

c) Property, plant and equipment

Other assets

Watercraft	-	3% and 5%
Cargo handling equipment	-	10% and 6 $\frac{2}{3}$ %
Marine equipment and navigational aids	-	10%
Motor vehicles	-	20%
Pallets	-	33 $\frac{1}{3}$ %
Other equipment and furniture	-	10%
Port expansion asset	-	2%

The assets' useful lives are reviewed, and adjusted if appropriate, at the date of each statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

d) Foreign currency translation

i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Barbados dollars, which is the Company's functional and presentation currency.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

e) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Company follows the liability method of accounting for deferred tax whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are provided for at the corporation tax rates expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised when it is probable that taxable income will be available against which the assets may be utilised.

f) Investment in associated company

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associated company includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Company's share of its associates' post-acquisition profits or losses and post-acquisition movements is recognised in the statement of comprehensive income. The cumulative post-acquisition movements in reserves are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in share of income of associated company, in the statement of comprehensive income.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

g) Financial investments

The Company classifies its financial assets in the following categories:

- i) *Available-for-sale*
- ii) *Loans and receivables*
- iii) *Held-to-maturity*

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired.

i) *Available-for-sale*

Available for sale financial assets are intended to be held for an indefinite period of time and hence are included in non-current assets unless management intends to dispose of the investment within twelve months of the statement of financial position date. They may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They are measured initially at fair value and are subsequently remeasured at their fair value based on quoted bid prices. Investments without quoted prices are carried at management's valuation based on the net assets of the entity net of any provisions made where there is an indication of impairment. Unrealised gains and losses are recorded in the statement of comprehensive income. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded gain or loss is transferred to the statement of comprehensive income.

ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially measured at fair value which is the cash consideration to originate or purchase the loan plus transaction costs - and are subsequently measured at amortised cost using the effective interest method less provision for impairment. The Company's loans and receivables comprise government bonds and fixed deposits.

iii) *Held-to-maturity*

Held to maturity financial assets are non-derivative financial instruments with fixed or determinable payments and fixed maturities that management has both the intent and ability to hold to maturity. They are initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using the effective interest method less provision for impairment if any.

Purchases and sales of investments are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

g) Financial investments ...continued

Financial assets

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The impairment loss for an available-for-sale equity security is recognised in income if there has been a significant or prolonged decline in its recoverable amount below cost. Significant or prolonged declines are assessed in relation to the period of time and extent to which the fair value of the equity security is less than its cost.

Except for equity securities, 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, and the amount of the reversal is recognised in income. For equity securities, any subsequent increases in fair value after an impairment has occurred are recognised in other comprehensive income.

Financial liabilities

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the date of the statement of financial position, the following items were classified as financial liabilities: bank overdraft, accounts payable, due to associated company and long-term loans.

h) Employee benefits

The Company operates both a defined benefit and a defined contribution pension plan.

i) Defined contribution plan

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. For defined contribution plans, the Company pays contributions to administered pension insurance plans. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

h) Employee benefits ...continued

ii) Defined benefit plan

A defined benefit plan is any plan other than a defined contribution plan. The Company operates a defined benefit pension plan for its employees, the assets of which are held in a separate fund administered by a Trustee. The scheme is generally funded through payments from the employees and the Company, and contributions are determined by full independent actuarial calculations every three years and interim valuations in years where a full valuation has not been performed.

Employee benefits

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the statement of comprehensive income.

iii) Other post-retirement benefit obligations

The Company also provides post-retirement medical benefits to their retirees. Fifty percent to sixty percent of the premium is funded by the Company, dependent on the category of employee. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for the Company's defined benefit pension plan.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

i) Revenue recognition

i) *Cargo handling*

Revenue generated from inbound cargo handling is recognised on the delivery of cargo to the consignees or on delivery of auctioned cargo to the buyer.

Revenue generated from outbound cargo and other revenue is recognised on the basis of the usage of the facilities and services provided by the Company.

ii) *Excess storage*

Revenue generated from excess storage is recognised on the basis of the usage of the storage facilities, which ordinarily exceeds the free storage period at the Port.

iii) *Marine revenue*

Marine revenue is generated on vessels making a Port call in Barbados on the basis of the length or net registered tonnage of the vessel and is recognised as earned.

iv) *Passenger levy*

Passenger levy is applied to the greater of embarking and disembarking passengers per cruise vessel at the Bridgetown Port and is recognised as earned.

v) *Interest income*

Interest income is recognised in the statement of comprehensive income on the accrual basis, using the effective interest method.

vi) *Dividend income*

Dividend income is recognised when the Company's right to receive payment is established.

vii) *Rental income*

Rental income is recognised on an accrual basis.

viii) *Other revenue*

Other revenue is recognised on an accrual basis.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at the anticipated realisable value. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the anticipated realisable value. The carrying amount of the asset is reduced through the use of the provision for impairment of receivables and the amount of loss is recognised in the statement of comprehensive income within administration expenses. When a trade receivable is uncollectible, it is written off against the provision for impairment of receivables and any subsequent recoveries of amounts previously written off are credited against administration expenses.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term deposits with original maturities of three months or less and bank overdrafts.

m) Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

n) Long-term loans

Long-term loans are recognised initially at fair value, net of transaction costs incurred. Long-term loans are subsequently stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the long-term loans using the effective interest method. Associated costs are classified as finance costs in the statement of comprehensive income. Long-term loans due within twelve months of the date of the statement of financial position are classified as current liabilities.

General and specific finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other finance costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Significant accounting policies ... *continued*

o) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

q) Capital grants

Grants related to assets, including non-monetary grants at fair value, are capitalised and presented in the statement of financial position as deferred grants. These grants are amortised over the expected useful lives of the related assets.

Grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

4 Critical accounting estimates and judgements

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on reported assets, liabilities, revenues and expenses. The items which may have a significant effect on the Company's financial statements are set out below:

Pension benefits

The cost of the defined benefit pension plan and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets of the plan, future pension increases, future salary increases, proportion of employees opting for early retirement, future changes in the NIS ceiling and inflation. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used are disclosed in Note 16.

Impairment of available-for-sale financial assets

The Company follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Barbados Port Inc.
Notes to Financial Statements
March 31, 2015

(expressed in Barbados dollars)

5 Cash and cash equivalents

	2015 \$	2014 \$
Cash at bank	2,357,612	3,076,920
Bank overdraft	<u>(11,947,638)</u>	<u>(18,525,453)</u>
	<u>(9,590,026)</u>	<u>(15,448,533)</u>

Significant concentrations of cash and cash equivalents are as follows:

	2015 \$	2014 \$
First Citizens Bank (Barbados) Limited (long term issue credit rating BBB+ by Standard & Poors)	2,230,423	2,542,398
Republic Bank (Barbados) Limited (unrated)	<u>(11,821,828)</u>	<u>(17,992,371)</u>

The following have been pledged as security as at March 31, 2015:

- i) First legal debenture over the fixed and floating assets of the Company stamped to cover the amount of \$14,400,000.
- ii) Hypothecation of term deposit #2051620 in the amount of \$8,000.
- iii) Hypothecation of term deposit in the amount of \$12,000.
- iv) Letter of comfort from the Government of Barbados to the extent of \$10,000,000.

Barbados Port Inc.
Notes to Financial Statements
March 31, 2015

(expressed in Barbados dollars)

6 Accounts receivable

	2015 \$	2014 \$
Trade receivables	8,253,709	8,013,666
Less: Provision for impairment of receivables	<u>(718,016)</u>	<u>(627,624)</u>
	<u>7,535,693</u>	<u>7,386,042</u>

As at year end, trade receivables of \$5,059,561 (2014 - \$5,112,081) were fully performing.

Trade receivables that are less than three months past due are not considered impaired. As at year end trade receivables of \$2,476,132 (2014 - \$2,273,961) were past due but not considered impaired. The ageing analysis of these receivables is as follows:

	2015 \$	2014 \$
Over 30 days	868,466	903,731
Over 60 days	541,526	199,774
Over 90 days	<u>1,066,140</u>	<u>1,170,456</u>
	<u>2,476,132</u>	<u>2,273,961</u>

As at period end, trade receivables of \$718,016 (2014 - \$627,624) were past due, impaired and provided for.

	2015 \$	2014 \$
Over 90 days	<u>718,016</u>	<u>627,624</u>
Total trade receivables	<u>8,253,709</u>	<u>8,013,666</u>

The movement in the provision for impairment of receivables is as follows:

	2015 \$	2014 \$
Balance - beginning of year/period	627,624	481,244
Write back of provision	-	(100,112)
Increase in provision	<u>90,392</u>	<u>246,492</u>
Balance - end of year/period	<u>718,016</u>	<u>627,624</u>

The carrying value of accounts receivable is considered to approximate fair value because of their short term maturity.

The Company does not hold any collateral on its accounts receivable.

Barbados Port Inc.
Notes to Financial Statements
March 31, 2015

(expressed in Barbados dollars)

7 Other receivables and prepaid expenses

	2015 \$	2014 \$
Staff receivables	411,235	463,204
Dividend receivable	21,154	21,154
Other	7,441	3,000
	<hr/>	<hr/>
Other receivables	439,830	487,358
Prepaid expenses	671,543	1,120,904
	<hr/>	<hr/>
	1,111,373	1,608,262

No provision for impairment on these receivables was required in 2015 or 2014.

8 Inventories

	2015 \$	2014 \$
Fuel	20,285	76,820
Equipment spares	3,074,435	2,575,728
Stationery	46,049	46,709
	<hr/>	<hr/>
	3,140,769	2,699,257
Less: provision for obsolescence	(421,228)	(421,228)
	<hr/>	<hr/>
	2,719,541	2,278,029

The Company wrote off inventory of \$Nil (2014 - \$191,197) directly to the statement of comprehensive income during the year.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

9 Financial investments

	2015 \$	2014 \$
Available-for-sale:		
Insurance Corporation of Barbados Limited (Equities) - at market value		
At beginning of the year/period	499,999	499,999
Unrealised loss included in other comprehensive income	(36,538)	-
At March 31	<u>463,461</u>	<u>499,999</u>
Loans and receivables:		
Term deposits at Republic Bank (Barbados) Limited	22,871	21,948
Debt Service Reserve Account at First Citizens Bank (Barbados) Limited	-	2,591,648
US\$ Bond Holders Account at First Citizens Bank (Barbados) Limited	-	6,981,136
Debt Service Reserve Account at Republic Finance & Trust (Barbados) Limited	6,416,671	-
Ansa Finance Lease Reserve Account at First Citizens Bank	995,000	-
	<u>7,434,542</u>	<u>9,594,732</u>
Held-to-maturity:		
Government of Barbados Treasury Note 5.875% (January 1, 2009 - October 31, 2014)	-	1,536,719
Government of Barbados Treasury Note 7.25% (March 1, 2007 - December 31, 2014)	-	6,108,750
	-	<u>7,645,469</u>
	<u>7,898,003</u>	<u>17,740,200</u>

Government of Barbados Treasury Note 5.875% was held by RBC Royal Bank (Barbados) Limited as security for a loan to assist in financing the Dredging Project and was released when this loan was fully repaid in February 2012. This Treasury Note was then held by First Citizens Bank (Barbados) Limited as part of the security for the \$14 million loan obtained during 2012, until maturity of the Note during 2014.

The term deposits at Republic Bank (Barbados) Limited, the Debt Service Reserve account and the Government of Barbados Treasury Note 7.25% were held by First Citizens Bank (Barbados) Limited in connection with the \$25 million loan which was fully repaid on December 31, 2014. The Debt Service Reserve Account as well as the US\$ Bondholders Account, both held at First Citizens Bank (Barbados) Limited were utilised in paying off the First Citizens Bank (Barbados) Limited loans effective December 31, 2014.

Barbados Port Inc.
Notes to Financial Statements
March 31, 2015

(expressed in Barbados dollars)

9 Financial investments ...continued

The Debt Service Reserve at Republic Finance & Trust (Barbados) Limited is being held in connection with the \$70 million bond issue, whilst the Ansa Finance Lease Reserve Account is being held in connection with a financing lease from Ansa Merchant Bank.

The maturity dates of the Company's loans and receivables are tied to the long-term loans against which they are secured.

No provision for impairment of financial investments was required in 2015 and 2014.

The fair value of loans and receivables and held-to-maturity financial investments at year end was \$7,434,542 (2014 - \$9,594,732) and \$Nil (2014 - \$7,978,702) respectively.

10 Investment in associated company

	2015 \$	2014 \$
Bridgetown Cruise Terminals, Inc.		
750,000 Class 'A' common shares (30% interest) - at cost	750,000	750,000
Increase in equity value over cost to end of previous period	325,161	549,279
	<u>1,075,161</u>	<u>1,299,279</u>
Share of net income for the year/period	381,052	638,382
Dividends received	(330,000)	(862,500)
Capital reduction payment received	(450,000)	-
	<u>676,213</u>	<u>1,075,161</u>

The results of the associated company as of March 31, 2015 and 2014 are as follows:

	Assets \$	Liabilities \$	Revenues \$	Net Income \$
Year ended 2015	<u>3,293,808</u>	<u>1,039,765</u>	<u>4,630,394</u>	<u>1,270,173</u>
Period ended 2014	<u>4,742,435</u>	<u>1,158,565</u>	<u>4,196,043</u>	<u>2,127,940</u>

Barbados Port Inc.

Notes to Financial Statements
March 31, 2015

(expressed in Barbados dollars)

11 Property, plant and equipment

	Land	Buildings, sheds, workshop and incinerator	Wharfs and breakwater	Watercraft, tugs, etc.	Cargo handling equipment, vehicles, other equipment and navigational aids	Port expansion asset	Total
	\$	\$	\$	\$	\$	\$	\$
At December 31, 2012							
Cost	52,309,305	27,389,925	23,503,167	29,694,492	92,128,840	78,068,622	303,094,351
Accumulated depreciation	—	(20,048,288)	(13,780,098)	(13,143,553)	(81,519,567)	(7,804,082)	(136,295,588)
Net book amount	52,309,305	7,341,637	9,723,069	16,550,939	10,609,273	70,264,540	166,798,763
Period from January 1, 2013 to March 31, 2014							
Opening net book amount	52,309,305	7,341,637	9,723,069	16,550,939	10,609,273	70,264,540	166,798,763
Transferred from capital works in progress	2,082,743	359,154	—	—	5,033,155	—	7,475,052
Additions	—	—	—	—	462,511	—	462,511
Disposals	—	—	—	—	(228,779)	—	(228,779)
Accumulated depreciation on disposals	—	—	—	—	228,779	—	228,779
Impairment loss	—	—	—	(5,005,722)	—	—	(5,005,722)
Depreciation for period	—	(744,791)	(587,579)	(1,243,826)	(3,740,792)	(1,951,716)	(8,268,704)
Closing net book amount	54,392,048	6,956,000	9,135,490	10,301,391	12,364,147	68,312,824	161,461,900
At March 31, 2014							
Cost	54,392,048	27,749,079	23,503,167	29,694,492	97,395,727	78,068,622	310,803,135
Impairment	—	—	—	(5,005,722)	—	—	(5,005,722)
Accumulated depreciation	—	(20,793,079)	(14,367,677)	(14,387,379)	(85,031,580)	(9,755,798)	(144,335,513)
Net book amount	54,392,048	6,956,000	9,135,490	10,301,391	12,364,147	68,312,824	161,461,900

Barbados Port Inc.

Notes to Financial Statements
March 31, 2015

(expressed in Barbados dollars)

11 Property, plant and equipment ... continued

	Land	Buildings, sheds, workshop and incinerator	Wharfs and breakwater	Watercraft, tugs, etc.	Cargo handling equipment, vehicles, other equipment and navigational aids	Port expansion asset	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended March 31, 2015							
Opening net book amount	54,392,048	6,956,000	9,135,490	10,301,391	12,364,147	68,312,824	161,461,900
Transferred from capital works in progress	4,272,213	331,123	-	-	621,762	-	5,225,098
Additions	45,000	113,685	-	-	4,080,582	-	4,239,267
Disposals	-	-	-	(7,984,124)	-	-	(7,984,124)
Accumulated depreciation on disposals	-	-	-	43,721	-	-	43,721
Depreciation for year	-	(604,190)	(470,063)	(303,091)	(3,630,442)	(1,561,372)	(6,569,158)
Closing net book amount	58,709,261	6,796,618	8,665,427	2,057,897	13,436,049	66,751,452	156,416,704
At March 31, 2015							
Cost	58,709,261	28,193,886	23,503,167	4,956,680	102,443,116	78,068,622	295,874,732
Accumulated depreciation	-	(21,397,268)	(14,837,740)	(2,898,783)	(89,007,067)	(11,317,170)	(139,458,028)
Net book amount	58,709,261	6,796,618	8,665,427	2,057,897	13,436,049	66,751,452	156,416,704

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

11 Property, plant and equipment ...continued

The carrying amount of the tugs was reduced to the recoverable amount of \$7,960,000 as at March 31, 2014 through recognition of an impairment loss. The recoverable amount of the tugs was equivalent to their fair value less costs to sell based on the post balance sheet date sale of the tugs to a third party. This valuation was considered to be level 2 in the fair value hierarchy. No such impairments have been recognised in the current year.

12 Capital works in progress

	Cruise Pier project \$	Berth 5 project \$	Other \$	Total \$
At December 31, 2011				
Cost	20,165,942	–	3,326,638	23,492,580
Period from January 1, 2013 to March 31, 2014				
Opening net book amount	20,165,942	–	3,326,638	23,492,580
Additions	2,364,463	–	8,190,871	10,555,334
Transfers to property, plant and equipment	–	–	(7,475,052)	(7,475,052)
Expensed	–	–	(274,161)	(274,161)
Closing net book amount	22,530,405	–	3,768,296	26,298,701
At March 31, 2014				
Cost	22,530,405	–	3,768,296	26,298,701
At March 31, 2014				
Opening net book amount	22,530,405	–	3,768,296	26,298,701
Additions	3,210,878	14,515,138	4,230,022	21,956,038
Transfers to property, plant and equipment	–	–	(5,225,098)	(5,225,098)
Expensed	–	–	(76,799)	(76,799)
Closing net book amount	25,741,283	14,515,138	2,696,421	42,952,842
At March 31, 2015				
Cost	25,741,283	14,515,138	2,696,421	42,952,842

During 2012, the Company commenced work on the design phase of the new Cruise Pier project. It is anticipated that the total cost of the project will be US\$220 million. Financing arrangements for the project are currently being negotiated.

Barbados Port Inc.
Notes to Financial Statements
March 31, 2015

(expressed in Barbados dollars)

12 Capital works in progress ...continued

During the year, the Company commenced work on the design and construction of an extension to Berth 5 allowing the Port to receive larger cargo and cruise vessels. It is anticipated that the total cost of the project will be \$50 million. Financing arrangements for the project are currently being negotiated. A short-term loan to finance work to date was obtained as described in note 15(vii). Subsequent to year end further loan funds were received (note 30).

13 Deferred tax asset

	2015 \$	2014 \$
Deferred tax asset - beginning of year/period	-	-
Deferred tax credit (note 23)	<u>9,014,321</u>	-
Deferred tax asset - end of year/period	<u>9,014,321</u>	-

The Company has recognised \$9,014,321 (2014 - \$Nil) of its total deferred tax asset of \$28,076,783 (2014 - \$25,979,515) due to the probability of this amount being recoverable.

The total deferred tax asset consists of the following components:

	2015			2014
	Recognised \$	Unrecognised \$	Total \$	Unrecognised \$
Delayed tax depreciation	-	57,443,762	57,443,762	53,692,854
Interest receivable	-	-	-	(130,781)
Retirement benefit obligations	-	13,181,113	13,181,113	14,550,742
Unutilised tax losses (note 24)	5,134,076	-	5,134,076	14,985,143
Qualifying capital expenditure (note 25)	<u>30,923,208</u>	<u>5,624,972</u>	<u>36,548,180</u>	<u>20,820,102</u>
	<u>36,057,284</u>	<u>76,249,847</u>	<u>112,307,131</u>	<u>103,918,060</u>
Deferred tax asset at corporation tax rate of 25% (2014 - 25%)	<u>9,014,321</u>	<u>19,062,462</u>	<u>28,076,783</u>	<u>25,979,515</u>

The expiry dates of tax losses are disclosed in Note 24 and the expiry dates of qualifying capital expenditure are disclosed in Note 25. The other temporary differences have no expiry dates.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

14 Accounts payable and accrued liabilities

	2015 \$	2014 \$
Accounts payable	2,643,051	1,291,434
Accrued liabilities	7,251,752	5,060,500
Interest payable	393,071	883,814
VAT payable	237,484	288,633
	<u>10,525,358</u>	<u>7,524,381</u>

15 Long-term loans

	2015 \$	2014 \$
i) RBC Royal Bank Barbados - Port Rehabilitation Project	10,453,596	13,440,337
ii) a) First Citizens Bank (Barbados) Limited - Series 1	-	2,598,381
b) First Citizens Bank (Barbados) Limited - Series 2	-	9,415,895
iii) a) First Citizens Bank (Barbados) Limited (US\$7.5M)	-	14,347,583
b) First Citizens Bank (Barbados) Limited (\$5M)	-	8,380,246
iv) Republic Bank (Barbados) Limited - \$50M	27,740,961	34,854,444
v) First Citizens Bank (Barbados) Limited	14,000,000	14,000,000
vi) Republic Bank (Barbados) Limited - \$70M	23,853,598	-
vii) Ansa Bridging Loan	14,925,000	-
viii) Ansa Finance Lease Liability	6,645,750	-
	<u>97,618,905</u>	<u>97,036,886</u>
Less: current portion	<u>(42,421,283)</u>	<u>(29,000,867)</u>
	<u>55,197,622</u>	<u>68,036,019</u>

- i) This loan was obtained from RBC Royal Bank (Barbados) Limited in order to assist in the funding of the Port Rehabilitation Project. It commenced on July 1, 2003 and bears interest fixed at the rate of 6.75%. The loan of \$34,000,000 is repayable by 26 semi-annual instalments of principal and interest from the period December 31, 2005 to July 1, 2018. Interest capitalised during the moratorium period of July 2003 to June 2005 amounted to \$4,827,641. Repayment of the loan commenced on December 31, 2005 and the outstanding amount owed to the Bank is \$10,453,596 (2014 - \$13,440,337). The loan is secured by a Government of Barbados guarantee.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

15 Long-term loans ...continued

- ii) The loan from First Citizens Bank (Barbados) Limited commenced on July 22, 2007. The loan of \$25,000,000 was in two series as follows:
 - a) Series 1 - \$12,500,000 bore interest fixed at 5.375%. This series was repayable by 16 semi-annual installments of \$866,127 plus interest payable on June 30 and December 31 beginning December 31, 2007 and ending June 30, 2015. Interest capitalised during the moratorium period of July 2005 to June 2007 amounted to \$1,358,037. Repayment of this series commenced on December 31, 2007 and the outstanding amount owing to the Bank is \$Nil (2014 - \$2,598,381) as the loan was repaid in full effective December 31, 2014.
 - b) Series 2 - \$12,500,000 bore interest fixed at 6.25%. This series was repayable by 22 semi-annual installments of \$724,300 plus interest payable on June 30 and December 31 beginning December 31, 2009 and ending June 30, 2020. Interest capitalised during the moratorium period of July 2005 to June 2009 amounted to \$3,434,590. Repayment of the loan commenced on December 31, 2010 and the outstanding amount owing to the Bank is \$Nil (2014 - \$9,415,895) as the loan was repaid in full effective December 31, 2014.
- iii) This loan from First Citizens Bank (Barbados) Limited issued January 2007, was obtained to finance the Port's capital works programme and was a combination facility of US\$7.5million and Bds\$5.0million as follows:
 - a) US\$ Facility - This facility bore interest fixed at 8.25% for the first 7 years, thereafter floating at US prime rate with a floor of 7.75% and a ceiling of 9.0%. This facility was repayable by variable semi-annual payments of principal and interest. The Bank disbursed US\$4,215,000 of the facility. Interest capitalised during the moratorium period of January 2007 to January 2014 amounted to US\$2,958,792. The loan was repaid in full effective December 31, 2014.
 - b) Bds\$ Facility - This facility bore interest fixed at 8.25% for the first 7 years, thereafter floating at 1.5% discount to First Citizens Bank (Barbados) Limited's corporate prime rate with a floor of 7.75% and a ceiling of 9.0%. This facility was repayable by variable semi-annual payments of principal and interest. Interest capitalised during the moratorium period of January 2007 to January 2014 amounted \$3,380,246. The loan was repaid in full effective December 31, 2014.
- iv) This loan from Republic Bank (Barbados) Limited was obtained on October 31, 2008 to refinance a portion of existing debt, including pension liabilities and to fund ongoing capital works. The loan of \$50,000,000 is for a term of 10 years and bears interest at the rate of 7.0% fixed. Interest is to be paid quarterly during the term of the facility, with a moratorium on principal repayments during the first three years. Commencing December 31, 2011 and ending September 30, 2018, the loan is to be repaid by 28 blended quarterly payments of \$2,274,076. The amount owed to the Bank is \$27,740,961 (2014 - \$34,854,444). The loan is secured by a Government of Barbados guarantee.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

15 Long-term loans ...continued

- v) The loan from First Citizens Bank (Barbados) Limited was obtained on February 15, 2012 to finance 70% of the cost of preparation of detailed planning documents in relation to a proposed project which involves the construction of a new cruise terminal. The loan of \$14,000,000 bears interest at the rate of 7.0%. Interest only is payable monthly in arrears. The loan is secured by an assignment of US \$750,000 from the Company's US dollar account held at First Citizens Bank (Barbados) Limited and a Letter of Comfort from the Ministry of Finance and Economic Affairs on behalf of the Government of Barbados for \$10,000,000. The principal was repayable in full in December 31, 2012. However extensions were subsequently granted up to March 31, 2015. Subsequent to year end, on April 1, 2015, the loan was rolled over by participation in the new \$70 million bond issue described below.
- vi) This bond was issued through Republic Bank (Barbados) Limited for the purposes of refinancing existing loans and working capital management. As at March 31, 2015, net subscriptions totalled \$22,964,000 (Note 2) and capitalised interest to March 31, 2015 totalled \$889,598. The loan bears interest fixed at 7.5%, with a moratorium on principal and interest payments for the first 3 years, during which interest is capitalised. In year 4, amortised quarterly payments of principal and interest will commence. This loan is secured by a first mortgage over fixed and floating assets of the Company stamped to cover \$87,500,000; a charge over the Debt Service Reserve Account funded at \$7,000,000 per annum; and a letter of comfort from the Government of Barbados to the extent of \$70,000,000.
- vii) This loan from ANSA Merchant Bank was obtained on March 16, 2015 to assist with funding of the extension of Berth 5. The loan of US\$7.5 million is for a term of 1 year and bears interest at a rate of 6.5%. Interest is to be repaid on a quarterly basis in arrears commencing 3 months after the issue date. The principal is to be repaid at maturity via a single bullet payment. The amount owed to the bank is US\$7,500,000 (2014 - \$Nil). This loan is secured by a letter of comfort from the Government of Barbados and a second legal charge over property assets of the Company.

Barbados Port Inc.
Notes to Financial Statements
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15 Long-term loans ...continued

viii) This finance lease, arranged and financed through ANSA Merchant Bank Limited was entered into for the purchase of operational equipment. The face value of the lease is US\$23,396,494 which represents 100% of the cost of the equipment being leased. The lease bears interest at the rate of 7.25%; with a moratorium on principal and interest payments for the first 18 months, during which interest is capitalised. As of March 31, 2015, equipment with a fair value of \$3,782,088 was received. Capitalised interest to date is \$2,863,662.

Monthly lease payments of \$958,189 will commence on November 11, 2015. The lease is secured by a letter of comfort from the Government of Barbados, a charge over the Ansa Finance Lease Reserve Account, monthly assignment of US\$229,594 in revenues and a sale option agreement which will entitle the lessor to require the Government of Barbados to purchase the equipment at a fixed price in the event of default by the Company.

	2015 \$	2014 \$
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	4,790,946	-
Later than 1 year and no later than 5 years	45,993,086	-
Later than 5 years	12,456,461	-
	<u>63,240,493</u>	<u>-</u>
Future finance charges on finance lease liabilities	(11,215,043)	-
	<u>52,025,450</u>	<u>-</u>
Present value of finance lease liabilities:		
The present value of finance lease liabilities is as follows:		
No later than 1 year	4,708,003	-
Later than 1 year and no later than 5 years	38,849,255	-
Later than 5 years	8,468,192	-
	<u>52,025,450</u>	<u>-</u>

The maturity of loan balances has been disclosed in note 26 (a)(iii).

The fair value of the Company's fixed rate borrowings was \$99,952,315 (2014 - \$100,182,078) at the end of the year.

Barbados Port Inc.

Notes to Financial Statements

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16 Deferred capital grant

The Company has obtained capital grants from the Barbados Competitiveness Programme Implementation Unit to partly fund the acquisition of the Klein Port Management Systems, as follows:

	2015 \$	2014 \$
Balance - beginning of year/period	774,762	1,126,926
Amortisation	(281,732)	(352,164)
Balance - end of year/period	<u>493,030</u>	<u>774,762</u>

The system is being amortised over its useful life of four years.

17 Retirement benefit obligations

The Company maintained a non-contributory defined benefit plan with the Insurance Corporation of Barbados Limited until November 30, 2005. Employees were eligible to join that plan on January 1 following one year's continuous service. The Company withdrew from this Statutory Corporation Pension Fund (SCPF) in order to establish a new plan in keeping with the requirements of the Barbados Port Inc. (Transfer of Management and Vesting of Assets) Act 2003. The Port created a new Defined Benefit (DB) Plan for employees who were previously part of the SCPF, as well as a Defined Contribution (DC) Plan for new employees.

The Company also offers post-retirement medical benefits to its employees, pensioners and their dependents. These medical benefits are offered under a scheme which is insured with an insurance provider. Period-end obligations are as follows:

	2015 \$	2014 \$
Pension plan	8,481,955	9,114,519
Post-retirement medical benefits	<u>4,699,158</u>	<u>5,436,223</u>
	<u>13,181,113</u>	<u>14,550,742</u>

Pension plan

The amounts recognised in the statement of financial position for the pension plan liability are as follows:

	2015 \$	2014 \$
Present value of funded obligations	61,007,142	60,949,174
Fair value of plan assets	<u>(52,525,187)</u>	<u>(51,834,655)</u>
Pension plan liability	<u>8,481,955</u>	<u>9,114,519</u>

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

17 Retirement benefit obligations ...continued

Pension plan ...continued

Changes in the present value of funded obligations are as follows:

	2015	2014
	\$	\$
Present value of funded obligations - beginning of year/period	60,949,174	59,569,125
Current service cost	1,619,345	2,175,187
Interest cost	4,632,365	5,650,600
Benefits paid	(3,972,787)	(4,655,885)
Actuarial gain on obligations	(2,220,955)	(1,789,853)
	<u>61,007,142</u>	<u>60,949,174</u>

Changes in the fair value of plan assets are as follows:

	2015	2014
	\$	\$
Plan assets - beginning of year/period	51,834,655	47,847,099
Expected return on plan assets	3,995,139	4,630,356
Contributions - total	3,403,846	4,562,621
Benefits paid	(3,972,787)	(4,655,885)
Actuarial losses on plan assets	(2,735,666)	(549,536)
	<u>52,525,187</u>	<u>51,834,655</u>

Movements in the net liability recognised in the statement of financial position:

	2015	2014
	\$	\$
Net liability - beginning of year/period	9,114,519	11,722,026
Contributions paid	(3,403,846)	(4,562,621)
Expense recognised in the statement of comprehensive income	2,256,571	3,195,431
Actuarial loss/(gain) recognised in the statement of other comprehensive income	514,711	(1,240,317)
	<u>8,481,955</u>	<u>9,114,519</u>

Barbados Port Inc.

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17 Retirement benefit obligations ...continued

Pension plan ...continued

Expense recognised in the statement of comprehensive income:

	2015	2014
	\$	\$
Current service cost	1,619,345	2,175,187
Interest cost	4,632,365	5,650,600
Expected return on plan assets	<u>(3,995,139)</u>	<u>(4,630,356)</u>
	<u>2,256,571</u>	<u>3,195,431</u>
Actual return on plan assets	<u>1,259,473</u>	<u>4,081,134</u>

Expense recognised in the statement of other comprehensive income:

	2015	2014
	\$	\$
Actuarial gains on retirement benefit obligations	2,220,955	1,789,853
Return on plan assets excluding amounts included in interest expense	<u>(2,735,666)</u>	<u>(549,536)</u>
	<u>(514,711)</u>	<u>1,240,317</u>

	2015	2014
	%	%
Plan assets are comprised as follows:		
Bonds	53.6	63.0
Equities	38.4	34.8
Deposits	0.9	-
Other assets	<u>7.1</u>	<u>2.2</u>
Net assets	<u>100.0</u>	<u>100.0</u>

Barbados Port Inc.
Notes to Financial Statements
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17 Retirement benefit obligations ...continued

Pension plan ...continued

Retirement Benefit Obligations

Through its defined benefit pension plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Barbados bond yields; if plan assets underperform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.

The pension investment committee invests the funds for the defined benefits section of the plan and amends the asset allocation as necessary to meet the objectives. The bonds held by the plan represent primarily investments in Government of Barbados securities. There are limited (6%) investments in corporate bonds.

The Company believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plan efficiently.

Changes in bond yields

A decrease in Government of Barbados bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Life expectancy

The primary obligation of the plan is to provide benefits for the life of the member. As such increases in life expectancy will result in an increase in the plan's liabilities. A sensitivity analysis of changes in life expectancy indicates this risk is not very material.

Expected contributions for the year ending March 31, 2016 are \$7,355,197.

The weighted average duration of the defined benefit plan is 13.10 (2014 – 11.05) years.

Expected maturity analysis of undiscounted pension benefits:

	Less than a year \$m	Between 1-2 years \$m	Between 2-5 years \$m	Over 5 years \$m	Total \$m
Pension benefits	3.79	4.00	14.70	27.74	50.23

Barbados Port Inc.

Notes to Financial Statements

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17 Retirement benefit obligations ...continued

Principal actuarial assumptions used for accounting purposes were:

	2015 %	2014 %
Discount rate	7.75	7.75
Future promotional salary increases	2.00	2.00
Future inflationary salary increases	3.00	3.00
Proportion of employees opting for early retirement	10.00	10.00
Future changes in NIS ceiling	3.50	3.50
Mortality	AA	AA

The sensitivity of the present value of funded obligations to changes in the weighted principal assumptions is:

	<u>Impact on present value of funded obligations</u>		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(5,976,597)	7,216,872
Salary growth rate	0.5%	2,506,413	(2,215,803)
Life expectancy	1 year	3,272,908	n/a

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the obligations to significant actuarial assumptions, the same method (present value of the funded obligations calculated with the projected unit credit method at the end of the year) has been applied as when calculating the pension plan liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Barbados Port Inc.
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17 Retirement benefit obligations ...continued

Post-retirement medical benefits

The amounts recognised in the statement of financial position for the post retirement medical benefits are as follows:

	2015 \$	2014 \$
Present value of funded obligations	<u>4,699,158</u>	<u>5,436,223</u>

The Company fully funds the post-retirement medical benefits as there are no plan assets.

Changes in the present value of funded obligations are as follows:

	2015 \$	2014 \$
Present value of funded obligations - beginning of year/period	5,436,223	5,340,399
Current service cost	214,867	271,418
Interest cost	426,487	525,566
Past service cost - vested benefits	217	78,300
Benefits paid	(81,412)	(101,794)
Actuarial gains on obligations	<u>(1,297,224)</u>	<u>(677,666)</u>
Present value of funded obligations - end of year/period	<u>4,699,158</u>	<u>5,436,223</u>

Barbados Port Inc.
Notes to Financial Statements
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(expressed in Barbados dollars)

17 Retirement benefit obligations ...continued

Post-retirement medical benefits ...continued

Movements in the net liability recognised in the statement of financial position:

	2015	2014
	\$	\$
Net liability - beginning of year/period	5,436,223	5,340,399
Contributions paid	(81,412)	(101,794)
Expense recognised in the statement of comprehensive income	641,571	875,284
Actuarial gains recognised in the statement of other comprehensive income	<u>(1,297,224)</u>	<u>(677,666)</u>
Net liability - end of year/period	<u>4,699,158</u>	<u>5,436,223</u>

Expense recognised in the statement of comprehensive income:

	2015	2014
	\$	\$
Current service cost	214,867	271,418
Interest cost	426,487	525,566
Past service cost - vested benefits	<u>217</u>	<u>78,300</u>
	<u>641,571</u>	<u>875,284</u>

The effect of a 1% movement in the assumed medical cost trend is as follows:

	Increase	Decrease
	\$	\$
Effect on the current service cost and interest cost	769,166	540,434
Effect on funded obligations	5,485,782	4,061,710

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

17 Retirement benefit obligations ...continued

Post-retirement medical benefits ...continued

Principal actuarial assumptions used for accounting purposes were:

	2015	2014
	%	%
Discount rate	7.75	7.75
Medical cost inflation	4.00	5.00
Proportion of employees opting for early retirement	10.00	10.00

The amounts recognised in the statement of financial position and the statement of comprehensive income for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised are disclosed above along with an analysis of the sensitivity of these assumptions.

The discount rate is determined based on the estimate of yield on long-term Government Bonds that have maturity dates approximating the terms of the Company's obligation. The estimate of expected rate of change in the National Insurance Scheme ceiling is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

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

18 Share capital

Authorised

The Company is authorised to issue an unlimited number of common shares without nominal or par value.

Issued

	2015	2014
	\$	\$
100 (2014 - 100) common shares, stated value	<u>100</u>	<u>100</u>

Barbados Port Inc.

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March 31, 2015

(expressed in Barbados dollars)

19 Capital contributions

Capital contributions made by the sole shareholder, the Government of Barbados, comprise the following:

	2015	2014
	\$	\$
Value of leased assets of \$42,310,845 less long-term loan obligations of \$28,229,630 at January 1, 1979, under the lease agreement with the Crown.	14,081,215	14,081,215
Value of the other assets less other liabilities of the former Port Department and Port Contractors (Barbados) Limited at January 1, 1979, transferred to, or assumed by Barbados Port Inc, less the amount of \$100,000 allocated to the Port Fund as established under Section 7(I) of the Barbados Port Authority Act, Cap. 285B.	<u>15,063,865</u>	<u>15,063,865</u>
	<u>29,145,080</u>	<u>29,145,080</u>

Leased assets and long-term obligations under lease agreement with the Crown

- a) The freehold land and buildings and the static facilities at the Port of Bridgetown belonging to the Crown (other than the land and buildings and related wharf facilities of the bulk handling facility) which were valued at \$42,310,845 at January 1, 1979 are being leased for a period of 50 years from January 1, 1979 at a yearly rent of \$100.
- b) Under the terms of the lease agreement, the Port will have the option to renew the lease for a further term of 50 years from the expiration of the original lease period and will be responsible for the maintenance and insurance of the leased assets and for the payment of property taxes thereon, and will receive the income from the subletting of any part or parts of the properties.
- c) Under the terms of the lease agreement, the Port also undertook to reimburse the Crown for the debt servicing assumed by the Crown in connection with Loan Contract dated February 21, 1975 and made between the Government of Barbados and Inter-American Development Bank for a loan of US\$9,100,000 or the equivalent thereof in other currencies, to partially finance the Project for the Expansion and Improvement of the Port of Bridgetown; and to assume the liability to the Crown for long term loans made by the Crown for the construction of the Deep Water Harbour which amounted to \$3,320,236 and \$6,709,394 at January 1, 1979. This loan was fully repaid in 1994.
- d) Since the terms of the lease transactions are significantly affected by the relationship between the Port and the Crown, the economic substance rather than the legal form of the lease has been recognised by the Company in its accounting treatment of the capital lease, and the actual cost of, or values assigned to the leased assets and the actual related long-term obligations under the lease have been reflected in its financial statements with the excess of the cost of or values assigned to leased assets over the loan obligations being shown as a capital contribution by the Government of Barbados.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

20 Revenue - other

	2015	2014
	\$	\$
Bulk handling terminal	712,564	1,023,109
Sugar levy	62,374	207,225
Auction sales	66,689	381,557
Garbage disposal	903,850	891,058
Security services	4,915,792	5,578,513
Taxi and tour buses registration	169,188	198,242
Photo identification	28,714	30,875
	<u>6,859,171</u>	<u>8,310,579</u>

21 Expenses by nature

	2015	2014
	\$	\$
Staff costs (note 22)	35,416,142	46,250,113
Repairs and maintenance	6,057,860	9,672,817
Utilities	2,816,282	3,680,283
Advertising and promotions	456,421	446,040
Depreciation	6,569,158	8,268,704
Amortisation of deferred grant	(281,732)	(352,164)
Insurance	893,040	1,279,732
Professional fees	404,301	472,575
Other	6,879,684	4,484,825
	<u>59,211,156</u>	<u>74,202,925</u>

Included within other expenses above is Tranche 1 of a training grant in the amount of \$501,800 from Competency-Based Training Fund to offset training expenses incurred under pre-identified training programmes.

22 Staff costs

	2015	2014
	\$	\$
Payroll costs and benefits	32,377,660	42,025,254
Pension expenses		
- defined benefit	2,256,571	3,195,431
- defined contribution	140,340	154,144
Post-retirement medical benefits	641,571	875,284
	<u>35,416,142</u>	<u>46,250,113</u>

Barbados Port Inc.

Notes to Financial Statements

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23 Taxation

	2015 \$	2014 \$
Deferred tax credit (note 13)	9,014,321	-

The tax on the Company's net income for the period differs from the theoretical amount that would arise using the basic tax rate as follows:

	2015 \$	2014 \$
Net income for the year/period	4,642,971	5,352,072
Taxation calculated at 25% (2014 - 25%)	1,160,743	1,338,018
Expenses not deductible for tax purposes	931,248	657,415
Income not subject to tax	(79,087)	(102,410)
Market development and other allowances	(278,517)	(223,775)
Qualifying capital expenditure	(3,932,020)	(1,968,675)
Movement in deferred tax asset not recognised	(6,917,053)	459,023
Associated company's results reported net of tax	(95,263)	(159,596)
Under provision of deferred tax	195,628	-
	<u>(9,014,321)</u>	<u>-</u>

24 Tax losses

Tax losses of the Company which are available for set off against future taxable income for corporation tax purposes are as follows:

Year of income	Losses b/fwd \$	Utilised \$	Losses c/fwd \$	Expiry date
2007	11,690,396	(9,851,067)	1,839,329	2016
2008	1,855,292	-	1,855,292	2017
2011	1,439,455	-	1,439,455	2020
	<u>14,985,143</u>	<u>(9,851,067)</u>	<u>5,134,076</u>	

These losses are as computed by the Company in its corporation tax returns and have as yet neither been confirmed nor disputed by the Barbados Revenue Authority (formerly the Commissioner of Inland Revenue).

Barbados Port Inc.

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25 Qualifying capital expenditure

In accordance with the Barbados Port Inc. (Exemption from Taxation) Act, 2011-21 the Company is granted income tax concessions in respect of expenditure of a capital nature on the expansion or development of the Port. The approved capital expenditure available for deduction is as follows:

Year of income	B/fwd \$	Incurred \$	C/fwd \$	Expiry date
2011	258,792	–	258,792	2031
2012	12,686,611	–	12,686,611	2032
2014	7,874,699	–	7,874,699	2034
2015	–	15,728,078	15,728,078	2035
	<u>20,820,102</u>	<u>15,728,078</u>	<u>36,548,180</u>	

26 Financial risk management

a) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and structured environment in which all employees understand their roles and obligations.

Barbados Port Inc.

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

26 Financial risk management ...continued

a) Financial risk factors ...continued

i) Market risk

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

1) Currency risk

The Company's exposure to currency risk arises from purchases that are denominated in a currency other than the functional currency of the Company mainly the US Dollar and from the US Dollar denominated long-term loan which it holds. This risk is however considered not to be significant as the US Dollar is fixed with the Barbados dollar.

2) Interest rate risk

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to cash flow interest rate risk in respect of its term deposits and long term loans.

Management reviews the rates on a regular basis along with the cost of putting alternative financing in place to determine the most cost effective source of borrowings. Management has entered into long term loans which bear interest at fixed rates and hence limit the Company's exposure to cash flow interest rate risk.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

Fixed rate instruments

	2015	2014
	\$	\$
Financial assets	7,434,542	17,240,201
Financial liabilities	97,618,905	97,036,886

3) Price risk

The Company is exposed to price risk arising from changes in the equity price of its holding in the Insurance Corporation of Barbados Limited. If the equity price of Insurance Corporation of Barbados Ltd. was to increase or decrease by 10% with all other variables held constant, the fair value reserve within equity would increase or decrease by \$46,346 (2014 - \$49,999).

Barbados Port Inc.
Notes to Financial Statements
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26 Financial risk management ...continued

a) Financial risk factors ...continued

ii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's credit risk arises principally from the Company's receivables from customers, loans and receivables and held-to-maturity investments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015		2014	
	\$	%	\$	%
Cash and cash equivalents	2,357,612	13.27	3,076,920	10.91
Accounts receivable	7,535,693	42.41	7,386,042	26.20
Other receivables	439,830	2.48	487,358	1.73
Loans and receivables	7,434,542	41.84	9,594,732	34.04
Held-to-maturity investments	—	—	7,645,469	27.12
	17,767,677	100.00	28,190,521	100.00

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's revenue is attributable to customers' credit sales and the demographics of the customers' geographical location, including default risk of the industry and the country in which customers operate. Credit is granted to authorised shipping agents only who are registered in a prescribed manner, and who are mandated to provide a bond through a financial institution as security to the Company. Additionally, shipping agents are normally required to pre-pay a deposit of ninety (90) percent of the anticipated revenue per ship visit. This has the effect of significantly reducing credit risk.

Management has instituted standard repayment periods for credit sales and monitors each receivable balance on a weekly basis with regard to credit sales granted and payments received.

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26 Financial risk management ...continued

a) Financial risk factors ...continued

iii) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet reasonable expectations of short-term obligations. Where necessary, management seeks to renegotiate repayment terms on long term loans.

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	2015	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
		\$	\$	\$	\$	\$	\$
Assets							
Cash		2,357,612	2,357,612	2,357,612	-	-	-
Accounts receivable		7,535,693	7,535,693	7,535,693	-	-	-
Other receivables		439,830	439,830	439,830	-	-	-
Financial investments		7,898,003	7,898,003	7,898,003	-	-	-
		18,231,138	18,231,138	18,231,138	-	-	-
Liabilities							
Long-term loans		97,618,905	172,635,321	46,710,619	23,967,964	68,540,887	33,415,851
Accounts payable		2,643,048	2,643,048	2,643,048	-	-	-
		100,261,953	175,278,369	49,353,667	23,967,964	68,540,887	33,415,851
Liquidity gap		(82,030,815)	(157,047,231)	(31,122,529)	(23,967,964)	(68,540,887)	(33,415,851)

Barbados Port Inc.

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(expressed in Barbados dollars)

26 Financial risk management ...continued

a) Financial risk factors ...continued

iii) Liquidity risk ...continued

	2014	Carrying amount	Contractual cash flows	0 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
		\$	\$	\$	\$	\$	\$
Assets							
Cash	3,076,920	3,076,920	3,076,920	-	-	-	-
Accounts receivable	7,386,042	7,386,042	7,386,042	-	-	-	-
Other receivables	487,358	487,358	487,358	-	-	-	-
Financial investments	17,240,201	10,653,648	10,653,648	-	-	-	-
	28,190,521	21,603,968	21,603,968	-	-	-	-
Liabilities							
Long-term loans	97,036,886	116,295,335	34,690,096	19,273,718	49,547,187	12,784,334	-
Accounts payable	1,291,434	1,291,434	1,291,434	-	-	-	-
	98,328,320	117,586,769	35,981,530	19,273,718	49,547,187	12,784,334	-
Liquidity gap	(70,137,799)	(95,982,801)	(14,377,562)	(19,273,718)	(49,547,187)	(12,784,334)	-

Barbados Port Inc.

Notes to Financial Statements

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26 Financial risk management ...continued

a) Financial risk factors ...continued

iv) Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

- Level 1 - unadjusted quoted prices in active markets for identical instruments.
- Level 2 - inputs other than quoted prices in Level 1 that are observable for the instrument, either directly or indirectly.
- Level 3 - inputs for the instrument that are not based on observable market data.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Company considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the Company does not consider the instrument to be traded in an active market.

The Company's equity securities in the Insurance Corporation of Barbados Limited have been designated a Level 1 financial asset.

b) Fair value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of available-for-sale financial instruments which are traded is based on quoted bid market prices at the date of the financial statements.

The Company's financial assets and liabilities as disclosed in the statement of financial position are considered by management to approximate their fair value except for loans and receivables and held-to-maturity financial investments and long-term loans, the fair values of which are disclosed in notes 9 and 14.

c) Capital risk management

The Company manages equity and long-term loans as capital. The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

There were no changes to the Company's approach to capital management during the year.

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27 Contingent liabilities

As of March 31, 2015 and 2014, there exist a number of legal claims against the Company, the outcome of which could not be determined with reasonable certainty. No provision for any liability that may result has been made in these financial statements. Settlement, if any, concerning these claims, will be recorded in the period in which they are realized.

The Company has bonds in favour of the Comptroller of Customs in the amount of \$28,000.

28 Related party transactions

1) The following transactions were carried out with the associated company during the year/period:

	2015 \$	2014 \$
i) Portion of passenger head tax paid	727,993	4,721,175
ii) Security service charge	110,592	136,800

2) Key management

	2015 \$	2014 \$
Directors' fees	87,000	111,900
Salaries and other employee benefits	1,938,339	2,429,850

There were no loans to key management at March 31, 2015 and 2014.

Transactions with entities which have common directors of the Company are as follows:

	2015 \$	2014 \$
Rental income	57,920	287,640
Miscellaneous services	193,785	384,276
Cargo handling	6,720,376	11,641,306
	<u>6,972,081</u>	<u>12,313,222</u>
Brokerage fee expenses	<u>241,995</u>	<u>12,336</u>

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Notes to Financial Statements

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29 Operating leases

The Company sublets parts of the property it leases from the Crown. The future minimum lease payments receivable under terms of the leases are as follows:

	2015	2014
	\$	\$
Less than one year	1,291,255	1,387,255
Between one and five years	641,465	732,769
More than 5 years	8,712,500	8,822,532

During the year \$1,398,113 (2014 - \$2,136,010) was recognised as rental income in the statement of comprehensive income.

During the year, the Company entered into a fifteen year operating lease with Svitzer Barbados for the provision of tug charter services. The future minimum lease payments payable under the terms of the leases are as follows:

	2015	2014
	\$	\$
No later than one year	2,694,858	—
Later than 1 year and no later than 5 years	10,757,343	—
Later than 5 years	26,889,676	—

30 Subsequent events

Subsequent to year end, on May 29, 2015, the Company received a loan of \$12 million from Barbados Tourism Investment Inc. The proceeds were used to finance the ongoing construction of Berth 5 (note 12).