BIDC

### ANNUAL REPORT 2014 2015

CORPORATION

BARBADOS INVESTMENT AND DEVELOPMENT

. 0

00

0

UNLEASHING IDEAS

# CONTENTS

MISSION & VISION	4
LETTER OF TRANSMITTAL	5
GOVERNANCE	6
BOARD OF DIRECTORS	7
EXECUTIVE MANAGEMENT 2014-2015	8
OUR ORGANISATION	9
<ul> <li>Organisational Capability</li> <li>Training and Development</li> <li>Employment Rights Bill</li> <li>Revision of the Corporation's Terms</li> </ul>	9 9 10
<ul> <li>Activities of the corporation's fermional and Conditions of Service</li> <li>Employee Safety and Health</li> <li>Employee Relations and Welfare</li> </ul>	10 10 11
OPERATING ENVIRONMENT	12
<ul> <li>Economic Conditions</li> <li>Regional/International Situation and Trends</li> <li>Global Economic Outlook</li> </ul>	12 16 18
CHAIRMAN'S REPORT	20
<ul><li>The Year in Review</li><li>Future Prospects and Direction</li></ul>	20 21

OUR ACHIEVEMENTS AND OUTCOMES	22
<ul> <li>Corporate Strategy</li> <li>Corporate Goals</li> <li>Measuring Our Success</li> <li>Sustaining and Creating Jobs</li> </ul>	22 22 23 24
PROGRAMMES AND SERVICES TO SUPPORT	
SECTOR DEVELOPMENT	26
<ul><li>Research, Development and Design</li><li>Corporate Communications</li></ul>	26 27
Property Management	28
Entrepreneurial Development     Evenett Development and Promotion	29 32
<ul> <li>Export Development and Promotion</li> <li>Unleashing Ideas for Export</li> </ul>	32 35
<ul> <li>Inspiring Enterprises to Compete and Win</li> </ul>	40
Technical Assistance	40
Strategic Partnerships	41
NON-CONSOLIDATED FINANCIAL STATEMENTS	43
• Auditors' Report to the Board of Directors	46
<ul> <li>Non-Consolidated Statement of Financial Position</li> </ul>	47
<ul> <li>Non-Consolidated Statement of Comprehensive Loss</li> </ul>	48
<ul> <li>Non-Consolidated Statement of Changes in Equity</li> </ul>	49
Non-Consolidated Statement of Cash Flows	50
<ul> <li>Notes to Non-Consolidated Financial Statements</li> </ul>	51

### MISSION

To provide effective solutions that will enhance the capacity of businesses to create and respond to market opportunities.

### VISION

To be the leading catalyst for developing innovative, productive and internationally competitive businesses.

## LETTER OF TRANSMITTAL

Barbados Investment and Development Corporation P.O. Box 1250 "Pelican House" Princess Alice Highway BRIDGETOWN BB11000

31st March, 2016

The Honourable Donville Inniss Minister of Industry, International Business, Commerce and Small Business Development Ministry of Industry, International Business, Commerce and Small Business Development Reef Road Fontabelle ST. MICHAEL

Dear Minister:

In pursuance of Section 18(1) of the Barbados Investment and Development Corporation Act, 1992, I have the honour to submit the Report and Statement of Accounts for the period 1st April, 2014 to 31st March, 2015.

Yours faithfully,

Mr. Benson Straker (Chairman)

### GOVERNANCE

The Barbados Investment and Development Corporation (BIDC) is governed by a Board of Directors. Decisions relating to the operations of the BIDC are made by or under the authority of the Board, in accordance with the Barbados Investment and Development Corporation Act 1992.

The Minister, after consultation with the Chairman of the Board, may give directions of a general nature in respect of policy to be followed by the Board in the performance of its functions under the Act and the Board shall comply with the directions.

During the period 2014/15 the Board of Directors were:

- Mr. Benson Straker, Chairman
- Mr. Junior Allsopp, Deputy Chairman
- Mr. Erskine Thompson
- Mr. Paul E. Gibson
- Ms. Gail Niles
- Mr. Adrian Padmore
- Mrs. Veronica Griffith, Representative of the Barbados Workers' Union
- **Mrs. Karlene Nicholls**, Representative of the Barbados Manufacturers' Association
- The Permanent Secretary, Ministry of Industry, International Business, Commerce and Small Business Development

Meetings of the Board are held as required at such times as may be expedient for the transaction of business. Sub-Committees of the Board are convened to deal with specific matters. Sub-Committees during the period under review were:

**The Establishments Committee**, responsible for making recommendations to the Board on policy matters pertaining to the Corporation's human resources.

**The Tenders & Estates Committee**, responsible for making recommendations to the Board on matters pertaining to BIDC's properties, which also include tenders and the award of contracts for capital work projects.

**The Finance and Special Technical Assistance Committee**, responsible for making recommendations to the Board on all matters of a financial nature, including applications under the Special Technical Assistance Programme.

**The Innovation and Industrial Development Committee**, responsible for making recommendations to the Board on matters relating to the Corporate Strategic Plan, special projects like alternative energy solutions and applications for fiscal incentives under the Fiscal Incentives Act.

**Exports and Entrepreneurial Committee**, responsible for making recommendations to the Board on matters relating to export development and promotion and the development of the entrepreneurial sector.

## **BOARD OF DIRECTORS**



BIDC Board of Directors (Standing from left) Mr. Paul Gibson, Mr. Erskine Thompson, Chairman Mr. Benson Straker, Mr. Adrian Padmore, Permanant Secretary Mr. Philmore Best, Mr. Junior Allsopp. (Seated from left) Mrs. Karlene Nicholls, Legal Officer/Secretary to the Board Mrs. Monica Mason-Crichlow, Ms. Gail Niles.

### **SEXECUTIVE MANAGEMENT 2014-2015**

The Office of the Chief Executive Officer reports to the Board of Directors, and has responsibility for the overall leadership of the organization. The CEO is supported by an executive management team. Members of the executive management in 2014/15 were:

**Dr. Leroy McClean, B.Sc., Ph.D** Chief Executive Officer (Contract ended August 31, 2014)

Mrs. Sonja S. Trotman, B.Sc., A.C.I.S., LL.M Director, Export Development & Promotion Division Chief Executive Officer (Effective January 19, 2015)

**Mr. Michael Bynoe, Dip. Management, M.Sc.** Director, Entrepreneurial Development Division (Retired October 31, 2014)

**Mrs. Marina Taitt, Dip. Management, M.Sc.** Director, Entrepreneurial Development Division (Effective March 1, 2015)

**Ms. Karen Forde, B.Sc., M.B.A., FCCA** Director, Investments & Properties Division (Contract ended July 14, 2014)

**Mr. Dwaine Stuart, B.Sc., FCCA** Director, Finance (Effective September 8, 2014)

Mrs. Fern Lewis B.Sc. M.Sc. Director Ag., Export Development & Promotion Division (Effective September 22, 2014) **Mrs. Andrea Burgess, B.Sc., CGMA, CPA** Chief Accountant, Administration (Effective January 5, 2015)

Mr. Michael L. Piggott, B.A., ANSCAD, Alns. Pkg Manager, Design Services

Mr. Paul Waithe, B.Sc., M.Sc. Manager, Export Development & Promotion Division

Mr. David H. Parris, B.Sc., M.Sc. Manager, Human Resources Department

**Mr. Neville Rice, B.Sc., M.Sc.** Manager, Properties & Estates Division

**Ms. Jane Brome B.Sc. M.B.A** Manager Ag., Research & Information Services (Effective September 22, 2014)

Mrs. Monica Mason-Crichlow, LL.B, LEC Legal Officer/Secretary to the Board

### **OUR ORGANISATION**

#### **ORGANISATIONAL CAPABILITY**

The BIDC continues to place great emphasis on developing and maintaining a cadre of highly trained staff who possess the knowledge, competencies and attitudes necessary to support the achievement of its corporate objectives. During the year the Corporation embarked on a number of initiatives to build workforce capability. This approach acknowledges the internationally recognized position that successful organisations have the right human resources to enable optimum performance. Particular emphasis was therefore placed on training and the identification and selection of the best talent.

At the end of the period under review, the BIDC had 95 employees. Two officers joined the staff complement during this financial year, two persons left at the end of their employment contract, one of which was the Chief Executive Officer, and three persons retired. Two persons were promoted during the year. The BIDC lost two (2) colleagues in 2014. Mr. Trevor Ifill passed away on June 22, 2014 and Ms. Judith Belle on September 29, 2014.

#### **TRAINING & DEVELOPMENT**

As the Corporation pursues a continuous improvement strategy where learning and knowledge transfer are embedded in the culture and excellence becomes the benchmark for performance, management continues to place great emphasis on developing the competencies and skills of staff. Despite severe financial constraints, training was provided to all categories of staff. Training programmes attended included:

- Financial Analysis and Planning
- Microsoft Certified Solutions Expert (MCSE): Server Infrastructure Programme

- Write on Target Understanding Contractual Issues
- Six-month online training in Exchange 2013 (Microsoft courses 70-341 and 70-342).
- Ebola Virus
- IDB Online tutored courses on Fundamentals of Preferential Rules of Origin and Customs Strategic Planning
- Leadership 21 Training for supervisors and managers
- HRMAB's Breakfast Panel Discussion The ERA What were you thinking?
- The Caribbean Marketing Conference 2K14 And Beyond: The Social Media Revolution
- Barbados Employers' Confederation "Sexual Harassment: A Modern Workplace Dilemma"
- Training Administration Division Coaching and Counselling for Leadership Development workshop
- Caribbean Training Workshop on Implementing ISO 50001 Energy management systems
- Security Officer Training
- Creative Marketing Strategies for a Tough Economy
- BIMAP course Financial Modelling and Forecasting
- Business writing workshop

In addition to the above, the BIDC sponsored two (2) students from China who attended the Barbados Community College for a summer English training exercise. One of the students conducted an orientation session for staff about Chinese practices and culture and taught a few simple Chinese words and expressions.

An official of the Barbados Human Resource Development Strategy Unit made a presentation to CEO and Manager of Human Resources to explain the objective of the programme and available funding opportunities. This strategy is being supported through grants from the EU and technical assistance and loans from the Caribbean Development



The Chinese students hosted for English training

Bank (CDB) and Inter-American Development Bank (IDB). Plans are in train to capitalise on this opportunity.

Discussions were initiated with the Competency Based Training Fund during the period under review. The objective is to attract funding for the Corporation's staff development as well as client training. The programme is managed through an arm of the TVET Council and offers funding for training to a maximum of US\$400,000.00 over a three year period.

As a component of its succession planning programme, a number of staff members were placed in acting appointments at all levels across the Corporation. The dual objective was to enable select employees to benefit from the experience of functioning in a higher position while simultaneously allowing management to assess the performance of these officers and provide required mentoring or specified training to enhance their competencies. The Corporation this year continued to support the Barbados Community College's Division of Computer Studies work attachment programme, by hosting two students. The students reported to the IT department over a three month period beginning January 19, 2015 and presented their projects to their class at the BCC as part of their final grade. This attachment is in partial fulfillment of the requirements of the award of the Associate Degree in Applied Sciences (Computer Studies major).

Another internship was offered to a student from Martinique in April 2014. The objectives of the internship were to improve the student's written and oral English as well as to assist in becoming familiar with a working environment. She was attached to the Administration Department Head Office and to the Resource Centre at the Small Business Centre.

#### **EMPLOYMENT RIGHTS BILL**

The Corporation, through its HR Department, continued reviewing and updating its policies and procedures to enable compliance with the Employment Rights Act (ERA). Senior staff members were enrolled in training organized by the Barbados Employers' Confederation and other seminars, to ensure they become familiar with the provisions and application of the Act.

### REVISION OF THE CORPORATION'S TERMS AND CONDITIONS OF SERVICE

The Corporation is reviewing and updating its 1995 Terms and Conditions of Service. Over time, other human resource related policies would have been implemented and the intention is to have all incorporated into the Terms and Conditions of Service. This is a joint effort between management, staff and the Trade Union.

#### **EMPLOYEE SAFETY AND HEALTH**

The BIDC has been proactive in complying with the Safety and Health at Work Act (SHaW) which came into effect January 2013. As such a Safety and Health Policy was prepared by the HR Department and approved by the Board of Directors. The Policy was discussed with staff and all staff members received and signed a copy of the document.

In March 2015 the chairmanship of the Safety and Health Committee was passed from the Management Representative, Mr. David Parris, Manager, Human Resources to the Staff representative, Mr. Ryan Nurse, Senior Business Development Officer (Ag) as the Chairman. The Safety and Health Committee is charged with assisting the Corporation in ensuring the safety and welfare of all staff, clients and visitors. Accordingly, mandatory training in First Aid and CPR was arranged for the Committee and conducted by the Heart and Stroke Foundation. First Aid Training was also conducted for front line staff and other interested members of staff.

Other Safety and Health Training included Emergency Management; First Aid; Fire Safety; Conducting Risk Assessment and Accident Investigation & Reporting. Training was also arranged for Security, Ancillary Staff and Receptionist as well as the Safety and Health Committee in the operation of the Flood/Fire Alarm at both locations.

A formal request was made to the Ministry of Labour to have an ergonomic assessment conducted of the offices of the BIDC at Pelican House, and the Small Business Centre on Fontabelle. This is in keeping with the regulations as set out in the SHaW Act legislation. Staff members completed questionnaires which will be used by the Ministry to conduct the assessments.

#### **EMPLOYEE RELATIONS AND WELFARE**

In support of improved staff relations and the quality of work life, several social activities were organized, including Celebrations for Mother's Day and Father's Day, participation in the Breast Cancer Walk/run and the May Day Parade, and an Old Year's Day Lime. Staff were encouraged to continue to utilize the onsite gym facilities as part of the health and wellness drive.

As far as the employee recognition efforts go, long-serving members of staff as well as outstanding employees were honored during the annual

Christmas Party and Awards Ceremony. Nine awardees were honoured, having provided service between 10 – 35 years.



BIDC employees put health and wellness first

The contributory Medical and Life Insurance plan forms a critical component of the Corporation's commitment to enhancing the conditions of service for its employees. The plan was reviewed and found to be favourable by both the employees and the Plan Provider, and was renewed in August 2014. Additional employees joined the Plan during this financial year. The Corporation continues to pay for 50% of the monthly payments and the employee the other 50%.

The BIDC continues to ensure its Private Pension Plan is in compliance with the Occupational Pension Benefits Act of the laws of Barbados and to ensure that it is registered accordingly.

### OPERATING ENVIRONMENT

#### **ECONOMIC CONDITIONS**

#### **Barbados' International Ranking**

The international ratings of a country are of great economic importance as they constitute the main drivers for attracting foreign investments and can influence the dynamics of interest rates. Barbados' sovereign creditworthiness has suffered markedly on the back of rapidly deteriorating fiscal indicators and external imbalances. Moody's downgraded the country's credit rating by three notches to "B3", maintaining a "negative" outlook. This followed similar action taken by Standard & Poor (S&P) last November, which reaffirmed the country's "BB-" rating and "negative" outlook, with the expectation that the fiscal deficit will narrow amid ongoing consolidation. It is in fact predicted that government will be hard pressed to meet its deficit reduction target of 6-7% for 2015.

In addition to the hits to its sovereign ratings, Barbados slipped eight points on the Global Competitiveness Index placing at 55 out of 144 countries in the 2014/2015 Indices. The report, released in September 2014, however, still put Barbados ahead of several of its regional counterparts coming in at number four in Latin America and the Caribbean, behind, Chile, Panama and Costa Rica, which took the top three competitiveness positions respectively. Barbados' highest scores were registered in Health and Primary Education, Infrastructure, Institutions, Labour Market Efficiency, Financial Market Development, Technological Readiness and Innovation. Its weakest score was reflected in its macroeconomic rankings where the country placed 132nd.

The country has however been making some strides toward innovation, moving up the Global Innovation Index from number 47 in 2013 to place number 41 on the Global Innovation Index 2014. Its highest scores

were noted in Business Sophistication, Knowledge & Technological Outputs and Institutions. This placed the island at number 1 in Latin America and the Caribbean. Chile was the second most innovative country in the region, coming in at number 46. The Innovation Input Sub-Index gauges elements of the national economy which embody innovative activities grouped in five pillars: Institutions; Human capital and research; Infrastructure; Market sophistication, and Business sophistication. The Innovation Output Sub-Index captures actual evidence of innovation results, divided in two pillars: knowledge and technology outputs and creative outputs.

#### **GDP** Performance

After four years of real GDP growth averaging 0.3%, the economic outlook for Barbados remains challenging, with the economy growing by just 0.3% in 2014. High levels of unemployment continue to weigh on household consumption, which has been exacerbated by government's retrenchment programme. Notwithstanding efforts to stimulate key sectors, fiscal consolidation will inevitably drag on output, while the country's large import requirements will limit gains from net exports.

Barbados' external accounts have steadily deteriorated in recent years. Official estimates show that the budgetary shortfall surged to 12.4% of GDP in the 2013/14 fiscal year (April-March) from 4.4% in 2011/12, while the government debt-to-GDP ratio has roughly doubled since 2005 to 98% in June. This, coupled with gross financing needs in excess of 30% of GDP through 2015, which has in part been financed by the Central Bank, continues to underscore Barbados' persisting fiscal weakness.

The government has introduced a number of measures to reduce the deficit, including an asset tax on banks and 3,000 public-sector layoffs.

The Central Bank of Barbados in its economic performance review, announced that the fiscal measures taken to date have achieved the most important objective- that of reducing the demand for foreign exchange in line with supply. As a result, the normal daily pattern of changes in foreign reserves has now been restored. At the end of December 2014, the stock of foreign reserves was \$1,052 million, equivalent to 14.5 weeks of import cover.

The measures have also reduced the deficit by 0.9% of GDP and according to the Central Bank, are forecast to yield an additional 1%. A recovery of revenue is expected to yield an additional 2%. Between April and December 2014, the estimated deficit of \$537 million, represented a \$149 million improvement on the previous fiscal year. The revised fiscal target deficit of 7.2% of GDP for Fiscal Year 2014/15 was predicted to be attainable.

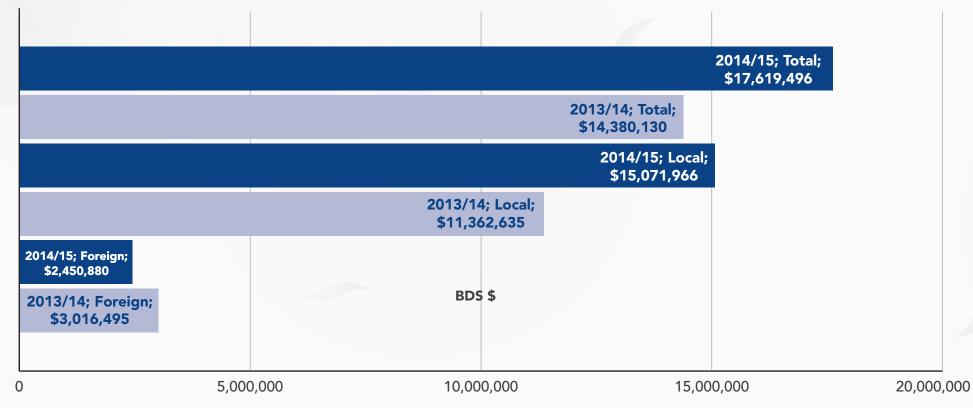
An estimated \$181 million (2.1% of GDP) in savings has been realised from the consolidation efforts to date. Receipts from the Consolidation Tax, the Municipal Solid Waste Tax and the Asset Tax were equivalent to \$20 million, \$39 million and \$14 million, respectively. Notable declines were registered in expenditure on wages and salaries (\$53 million) and grants to public institutions (\$55 million).

For the first three quarters of the fiscal year, total revenue was higher by approximately \$95 million, with increases in corporate taxes (\$15 million), VAT (\$6 million), excises (\$7 million) and import duties (\$7 million).

Global FDI fell by 16% per cent to \$1.23 trillion in 2014. According to UNCTAD the drop can be explained by the fragility of the global economy, policy uncertainty for investors and elevated geopolitical risks. New investments were also offset by some large divestments. The report revealed that China was the largest recipient of FDI in 2014, followed by Hong Kong (China) and the United States of America. Developing economies as a group attracted \$681 billion worth of FDI and remain the leading region by share of global investment inflows. Among the top 10 FDI recipients in the world, half are developing economies: Brazil, China, Hong Kong (China), India and Singapore. According to the BIDC's quarterly Employment & Investment Survey, during the period April 2014-March 2015, foreign investment in the manufacturing and related services sectors totaled BDS\$2.5 million, with local investment tallying BDS\$15 million. Total investment for this period was registered at BDS\$17.6 million. This was BDS\$3.2 million or 23% more than the previous period, April 2013 to March 2014, where investment totaled BDS\$14.4 million.

The food, beverages & tobacco sub-sector recorded the largest share of investment with BDS\$13.4 million. This accounted for 76.2% of the total investment for the period. Approximately BDS\$967,596 was invested in the services sector. October to December 2014 was the most active period for investment, with a total of BDS\$9 million recorded for the quarter.

#### DISTRIBUTION OF INVESTMENT - 2013/14 & 2014/15



Source: Barbados Investment and Development Corporation

#### COMPARATIVE SECTORAL DISTRIBUTION OF INVESTMENT (BDS\$) FOR FISCAL YEARS 2013/14 AND 2014/15

SUBSECTOR	2013/14 <sup>R</sup>	2014/15	Net Change	% Change
Food, Beverages & Tobacco	7,036,522	13,430,468	6,393,946	90.9
Textiles, Apparel & Leather	266,611	154,815	-111,796	-41.9
Wood, Wooden Products & Fittings	70,000	0	-70,000	-100.0
Paper Products & Printing	302,514	234,666	-67,848	-22.4
Chemicals & Chemical Products	1,082,740	583,509	-499,230	-46.1
Plastic Products	0	463,705	463,705	
Non Metallic Mineral Products	3,033,012	1,313,334	-1,719,678	-56.7
Fabricated Metal Products	992,373	361,323	-631,050	-63.6
Precision Instruments	6,000	0	-6,000	-100.0
Electronic Components	0	60,750	60,750	
Handicraft	48,000	33,380	-14,620	-30.5
Other Manufacturing	14,000	15,950	1,950	13.9
Sub-Total	12,851,772	16,651,900	3,800,128	29.6
Information Services	474,062	106,280	-367,782	-77.6
Other Services	1,054,296	861,316	-192,980	-18.3
Sub-Total	1,528,358	967,596	-560,762	-36.7
Total	14,380,130	17,619,496	3,239,366	22.5

<sup>R</sup> - Revised

Source: Barbados Investment and Development Corporation

The Central Bank reported a pickup in foreign capital inflows, with private foreign direct investment, net of outflows, estimated at \$399 million, compared with \$173 million last year.

Real output at 78.2 on the Index of Industrial Production, is estimated to be about the same level as last year's. Unemployment averaged

12.3% in 2014. The rate of price inflation was registered at 1.7 % in the 12 months ending in July. The inflation outlook in Barbados remains dependent on international energy and food prices.

The tourism sector which alone accounts for close to 12% of GDP and as much as 40% if the indirect spillover into construction, real estate

and retail are included, has begun to turn around. Tourism value-added is estimated to have increased by 1%, reversing the downward trend witnessed over the last three years. Long-stay arrivals rose by 1%, and visitors stayed slightly longer than in 2013. Increased airlift out of the UK contributed to growth in arrivals of 10%, but arrivals were down from the US and Canada, by 3% and 4% respectively.

Economic activity in Barbados is predicted to gain momentum in 2015. The economy is forecasted to grow by 2% in 2015 and by 2.3% in 2016. This growth is premised on increases in productivity, enhancement of the quality and appeal of Barbados' products and services, and reforms aimed at improving Government's facilitation of business. It is expected that the country's growth strategy will continue to be private sector led, focused mainly on the foreign exchange earning sectors, and anchored on the peg to the US dollar. Authorities at the Central Bank have restated their commitment to maintaining the Barbadian dollar's peg to the US dollar at a fixed rate of BDS\$2: US\$1.

#### **REGIONAL/INTERNATIONAL SITUATION AND TRENDS**

#### How Barbados compares

While Barbados' economic performance has been less than desired, economic growth in the Caribbean was somewhat better. Preliminary estimates indicate that the regional recovery continued in 2014, with 16 of the Caribbean Development Bank's (CDB) 19 Borrowing Member Countries (BMCs) expanding during the year, driven mainly by tourism and construction services. The fastest growth rates were estimated for the more tourism-dependent economies; while some large commodity exporters were also able to grow quite rapidly, this was primarily services-led.

St. Kitts and Nevis and the Turks and Caicos Islands (TCI) each experienced accelerated growth of around 4%, based on the strengthening recovery in tourism and continued investment inflows for mainly tourism and real estate-related construction. Meanwhile, despite declines in mining and quarrying output in Belize, Guyana and Suriname, all three recorded growth rates in excess of 3%, led by construction and other services.

Also primarily a commodity exporter, Haiti's growth performance fell slightly below this level, mainly due to a large drought-related contraction in agricultural output, but was similarly boosted by ongoing post-earthquake reconstruction and, to a lesser extent, tourism.

Moderate gains (between 1 and 3%) in services-dependent Anguilla, Antigua and Barbuda, The Bahamas, Cayman Islands, Grenada and Montserrat were likewise linked to the general improvement in tourism and, for all except Grenada, construction. Relatively modest increases of just under 1% were estimated for Dominica and Jamaica, but these nevertheless represented improvements when compared with 2013. In these two economies, which are somewhat more diversified than other regional tourism destinations, with relatively large commodity export sectors (21 and 22%, respectively, of GDP), expansions in tourism and construction outweighed declines in manufacturing and slowdowns in mining and quarrying, as well as a slight contraction in agriculture for Dominica.

However, there were a few exceptions to the ongoing strengthening of the recovery in the region. Most notably, Trinidad and Tobago, which accounts for nearly a third of the region's total GDP and therefore weighs heavily on overall regional growth, slowed considerably to record modest growth in 2014. Operational challenges and the significant drop in oil prices during the year suppressed petroleum output, driving a decline in the mining and quarrying sector.

In a few other BMCs, continued underperformance in key sectors contributed to flat or declining economic activity. Barbados and the British Virgin Islands (BVI) stagnated for the seventh consecutive year in 2014. Preliminary estimates of a slight contraction in economic activity in BVI were based on indications of a significant decline in construction, as well as moderate downturns in other major sectors including international business, which outweighed relatively strong growth in tourism. Meanwhile, sizeable economic contractions in St. Lucia and St. Vincent and the Grenadines in 2014, partly reflected the impact of the so-called Christmas Eve Trough just before the start of the year, which exacerbated pre-existing, chronic weaknesses in critical sectors. In St. Lucia, the impact of the storm on agriculture, together with a continuation of declines in construction, distribution and manufacturing observed in most years since 2009, offset relatively strong growth in tourism.

On the other hand, manufacturing provided the main positive impetus in St. Vincent and the Grenadines, as agriculture contracted sharply due to the storm and drought impacts.

Overall, the Bank's preliminary estimate of growth in real Gross Domestic Product (GDP) for the Region in 2014 was 1.3%.

Global economic output expanded by an estimated 3.3% in 2014, the same as in 2013, according to the January 2015 update to the International Monetary Fund (IMF) World Economic Outlook. Growth continued to be driven by emerging and developing economies, especially China and India, but there were some improvements among advanced economies as well.

Growth in the United States (US) increased from 2.2% in 2013 to 2.4% and, as an upshot, unemployment fell, while inflation remained low. The combined Euro area experienced a return to positive growth (0.8%), although within this Germany grew by 1.5%, while Italy continued to contract, by 0.4%. Domestic demand continued to increase in advanced economies, where unemployment rates fell – even in the Euro Area, although this was still higher than other advanced economies, reflecting uncertainty about the future of the single currency and fear of deflation. Inflationary pressures remained low globally, driven by falls in commodity prices, especially the 40% fall in the price of crude oil during the year. Monetary policy in advanced economies therefore remained largely accommodative. The US Federal Reserve ended its quantitative easing programme in October, but interest rates were kept low there and elsewhere, including in the United Kingdom.

#### **Opportunities**

In order to grow the economy the availability of foreign exchange must be increased. Barbados' economic growth must therefore be led by the sectors that earn and save foreign exchange, namely: Tourism; International Business and Financial Services; Agriculture and Agroprocessing, Manufacturing and Mining.

Despite its dismal economic report card, Barbados enjoys many competitive advantages in the global markets for its goods and services in which it specialises. The island is well established and widely known as an aspirational tropical tourism destination, with high quality accommodation and facilities and a variety of sports- golf, polo and yachting included, and cultural activities and related products biased towards the most remunerative market segments.

Barbados has become increasingly price competitive in the areas of tourism and international business when compared to its peers in the Caribbean. This is highlighted by a steady decline in Barbados' tourism and international business prices, relative to those of the competition, since the early 2000s. Going forward, this trend is expected to continue, in light of the recently announced investments and other tax incentives in the tourism sector and the further development of the already extensive network of bilateral Double Taxation Treaties (DTAs) and Tax Information Exchange Agreements (TIEAs).

Barbados continues to hold its own in the international business sector, on the basis of its reputation for sound regulation, good infrastructure and compliance with international standards. The three-pronged strategy to boost activity in international business and financial services also bodes well for the country's second largest industry. New products are under development, and new markets are being actively explored in the hopes of winning new investment.

With respect to tourism, airlift from the US and Canada increased by 9% and 20% respectively, during the 2014/15 winter season. Improved performance is therefore expected with the US economic recovery set to strengthen and \$355 million dollars in tourism projects recently completed or underway. These developments are expected to herald increase visitor arrivals.

When it comes to manufacturing, Barbados is finally seeing some turn around in its price competitiveness, with a reduction in the relative price of tradable goods as compared to those of its competitors in the region. And it is projected that this improvement should continue moving forward. Where agriculture is concerned, Barbados' position has remained relatively unchanged in the last 30 years. In the last decade relative prices have declined slightly but this is expected to stabilise over the next five years. Opportunities for growth across these two segments lie in the production of high-value goods such as Sea Island Cotton; leather; healthy specialty foods e.g. sauces and condiments, flours, teas; gourmet foods and botanicals.

A study of Barbados' International Competitiveness by the Central Bank of Barbados' Dr. Delisle Worrell and Shane Lowe, has concluded that Barbados is maintaining its market share relative to the Caribbean in its key foreign exchange earning sectors. The study also reports that overall, productivity has increased in line with unit labour costs. The authors have however noted that improved competitiveness of the island now hinges on increased productivity, improved product quality, product enrichment and the development of new products and services.

#### **Threats**

The Global Competitiveness Report 2014, has outlined several impediments to business in Barbados. The most problematic of these are: the lack of access to finance; inefficient government bureaucracy, poor work ethics, insufficient capacity to innovate. These findings were corroborated by Worrell and Lowe. In addition, prevailing economic conditions continue to impact local businesses and influence means of doing business. Uncertainty about the implications of new international guidance on the taxation of international companies has also put a temporary brake on the expansion of the island's international business sector. Whilst manufacturing has seen gains in terms of being more price competitive, there has been a major reduction in output across all segments.

#### **GLOBAL ECONOMIC OUTLOOK**

The World Bank cut its outlook for global growth saying a strengthening U.S. economy and plummeting oil prices won't be enough to offset

deepening trouble in the Eurozone and emerging markets. The Washington-based development institution expects the global economy to expand 3% in 2015, up from 2.6% in 2014, but still slower than its earlier 2015 forecast of 3.4%.

The bank's economists see oil prices, which have lost more than half their value in the last six months, providing uneven benefits to major oil importers. The tumble in oil has bolstered the U.S. recovery by giving consumers more money to spend, leading the bank to revise up its growth projection for the world's largest economy by 0.2 percentage point to 3.2%. But the price plunge is failing to spur stronger growth in importers such as Europe and Japan, while also exacerbating financial problems in major oil exporters.

Growth in emerging markets, the leading drivers of the global recovery after the 2008 crisis, is slowing more than expected. Many of those economies, already straining their capacity to grow without major economic overhauls, are being hit by a raft of economic and political headwinds. The bank cut its forecast for all developing economies by more than half a percentage point to 4.8%.

Borrowing costs are set to rise in emerging economies as the Federal Reserve moves toward its first rate increase since 2006, worrying investors about the ability of many emerging-market governments and companies to pay their debt obligations. Their currencies are weakening as investors focus on a healthier U.S. recovery amid slowing emergingmarket growth. And many governments have not been able to revive potential growth through economic restructuring.

The development institution cut its outlook for the world's secondlargest economy, China, to 7.1% for the year, down from its last forecast for growth of 7.5%. China is trying to manage a shift away from creditfueled, export-led growth to a greater reliance on domestic consumption. It is a delicate transition as Beijing tries to avoid a precipitous slowdown or an unexpected bursting of a credit bubble. China is widely expected to reduce its own growth rate target for the year to around 7%. Other emerging economies also are struggling. The bank slashed its forecast for Brazil's economic growth by nearly two percentage points to 1% amid falling commodity prices, weak demand from major trading partners and growing investor anxieties.

Besides the U.S., one of the few bright spots in the global outlook was a slight upgrade in the growth forecast for India to 6.4%. The central bank has helped stabilize the rupee and the government in New Delhi is moving ahead with economic overhauls, giving investors confidence about the country's future growth potential.

But the World Bank has said that the overall weakness in the global economy is likely to prompt the U.S. Federal Reserve to delay an expected rate increase. Markets currently expect the Federal Reserve to act in the middle of the year. Still, the bank warned that global growth prospects could dim further.

Trade growth could remain sluggish for longer than expected, especially if the Eurozone's troubles and Japan's stagnation turn into prolonged recessions. If the Federal rates faster than expected, higher borrowing costs could spark another bout of capital flows out of emerging markets and fuel new debt and currency problems. And a sharper slowdown in China could trigger a financial turmoil in the country, which would have "considerable implications for the global economy," the bank said.

Looking beyond 2014, the UNCTAD World Investment Report 2015 says that a sustained recovery in global foreign direct investment (FDI) is in sight with global FDI inflows projected to grow by 11% to \$1.4 trillion in 2015. The report also foresees further rises to \$1.5 trillion in 2016 and to \$1.7 trillion in 2017. Developed countries should see a large increase in flows in 2015 (up by more than 20%), reflecting stronger economic activity. FDI inflows to developing countries will continue to be high, rising by an average of 3 per cent over the next two years. However, FDI growth could be upended by a multitude of economic and political scenarios, including ongoing uncertainties in the Eurozone, potential spillovers from geopolitical tensions and persistent vulnerabilities in emerging economies. As Barbados transitions from an efficiency driven economy to an innovation driven economy, the need for investment, skills and knowledge transfer will increase significantly. To leverage our core competencies, more investment is needed to grow specialist niches such as ecotourism, sports and cultural tourism, as well as to accommodate the more discriminating middle income visitor whose value is measured by a distinctive Barbadian experience. Investment is also needed to market international business and financial services, and increased capacity in agro-processing and alternative energy. Efforts must be redoubled to remove barriers to Barbados' competitiveness, the most damaging of which are inefficiency of Government bureaucracy, insufficient financing for new ventures and poor work attitudes in the workforce.

### CHAIRMAN'S REPORT

#### THE YEAR IN REVIEW

Following an examination of our position and progress made over the last fiscal period, we determined that an enhanced perspective of the future needed to be crafted.

At the start of the year therefore, we sought to update the Corporate vision and mission statements. It was thought that the intent of our agency needed to be made clearer and that its focus needed to be sharpened and more strategic.

The BIDC's purpose is to build a sustainable set of internationally competitive businesses that contribute to our nation's prosperity. Throughout the year therefore much of the energies expended were dedicated to strengthening companies in our client portfolio, building a more diversified export market and product range and pushing entrepreneurial development. At the same time, efforts were made to reinforce the corporate management team, as a result of departure of the Chief Executive Officer and two Directors.

It is noteworthy that much of the conditions which characterized the operating environment in the previous year continued and so the challenge for the Corporation to do significantly more with significantly less, remained. With some \$11.26 million outstanding in rent receipts, the Barbados Investment and Development Corporation's (BIDC) finances are under severe strain. Rental payments are critical to the BIDC's work in facilitating and supporting high potential new business ventures and new sector development. The high level of indebtedness has therefore constrained the Corporation in what it can deliver. The time has therefore come to initiate urgent actions to recover the multimillion dollar debt.

The corporate performance review for the period April 2014 - March 2015 suggests that the BIDC's performance reflected the prevailing adverse economic environment in the national economy. There was a marginal improvement in the average rate of rent collections during the period under review, increasing by 0.5% as compared to the corresponding period in 2014. Over the period April 2014 to March 2015, miscellaneous income, i.e. income from sources other than rent, certification fees and grant funding was valued at BDS\$ 0.95 million.

There was a mixed performance for exports of Barbadian goods over the period April 2014 to March 2015 as compared to the corresponding period in 2013/14. Despite continued efforts in overseas markets under the Market Development Programme, there were declining returns in the US market which registered a decrease of 12.5% over the review period. However, exports to the Canadian market under the Market

Development Programme grew by 13.6%. Overall, exports under this programme fell by 10.8% over the twelve months under review.

Despite the Corporation's promotion of the use of indigenous materials, work is yet to be carried out on the development of prototypes of new and innovative products in this area.

The BIDC continued its efforts to reduce estate and property maintenance costs and eliminate wastage, where possible. By the end of March 2015, the Corporation had recorded a decline of approximately 35% in the outlay in these two areas compared to the corresponding period in 2013/14. Limited funding constrained the level of activity in this area. Activities were undertaken based on the urgency of requests received.

#### FUTURE PROSPECTS AND DIRECTION

The BIDC's role has historically been to contribute to the diversification of the economy through new investment, increased exports and employment creation within the manufacturing, services and small business sectors. This role remains relevant today. We recognize however that it can no longer be business as usual.

Our aim is to be characterized as an efficient, integrated, business facilitation and support organisation, catering to the diverse and evolving needs of customers. This will require some repositioning and changes in how we engage our clients. Whilst we anticipate that demand for our services and assistance will remain high, we recognize that our capital expenditure will have to be driven by both top-line and bottom-line considerations.

In addition to stricter receivables control, the BIDC will be embarking on a number of revenue earning initiatives one of which will be the disposal of non-performing assets.

We will adopt a property management policy based on priority sectors for service and fit-for-purpose in respect to our estates, while identifying possible cluster formations that will aid in our effective management and maintenance of those facilities. We will also carry out planned upgrades to our physical plant with a view to increasing efficiency and decreasing costs through the implementation of energy saving devices and methods.

We will build capacity in non-traditional areas in which we have a competitive edge to grow exports. In this regard we will seek to nudge more of our small operators, in crafts, fashion and textiles, for example, towards realizing their potential as global competitors.

There is a need for strengthened partnerships and increased collaboration between academia, Government and private enterprise to promote a better understanding of what we need to do to become more competitive, to drive innovation and to promote entrepreneurship. Education is essential to creating knowledge, driving innovation and promoting new product/service development essential for export growth. We must especially continue to focus on export potential sectors to improve competitiveness through enhanced production techniques and careful assessment of their ability to satisfy the demand for products and services. We will therefore aim to deliver programmes designed to educate the sectors served.

Amidst all this, the BIDC will seek to develop a set of highly trained employees that can uncover effective solutions for our clients and move us in the right direction.

Mr. Benson Straker, **Chairman** 

21

#### **CORPORATE STRATEGY**

The BIDC's vision for the industrial sector is one that is characterized by creativity and innovation. A sector that is enterprising and highly skilled, providing opportunities for wealth creation, job creation and economic growth.

One of the major outcomes which the Corporation hopes will be realized as a result of its efforts over the next three years will be the evolution of a new cadre of entrepreneurs who are ambitious, innovative and export-focused.

It is against this backdrop that the BIDC undertook strategic interventions and initiatives to build more resilient and sustainable productive sectors. Resources were employed strategically to provide solutions and viable options for local producers that will translate into:

- Competitive products that reflect our heritage and traditions.
- Products that will attract a larger share of domestic and international consumers.
- Innovative technology, collaborative research and development that will yield new products, new services, new sectors.
- Highly skilled and creative work forces.
- High value-added businesses with strong brands.

#### **CORPORATE GOALS**

#### GOALS & OBJECTIVES 2014-2015

#### GOAL #1 Establish a New Operating Model.

- Meet and exceed client expectations by improving the BIDC's client advisory services satisfaction level from 59 to 64 out of a total of 100 points for the period ending March 2015.
- Achieve performance scores of excellent, very good or good for 75% of the businesses completing the BIDC's service or programme assessment form over the period April 2014 to March 2015.
- Meet and exceed customer expectations by improving the professional and technical staff engagement from 18 to at least 30 out of a total of 100 points by March 2015.

#### GOAL #2 Reduce the BIDC's dependence on government subvention

- Expand revenue earning base to at least \$1.21M by March 2015.
- Increase the annual average rate of collection of rent accounts receivables by at least 5% by March 2015.

#### GOAL #3 Build a thriving and sustainable export sector

- Promote Barbados as a reliable supplier of goods and services with measurable improvement in the export of sales of 3% under the Market Development Programme by March 2015.
- Increase the number of new producers and service providers assisted with internationalization by 15 by March 2015.

### GOAL #4 Identify and Deliver Tangible Opportunities to Local Businesses to Achieve Sustained Growth

- Increase the number of businesses receiving entrepreneurial development services from the BIDC from 100 to 300 by March 2015.
- Facilitate the development and launch of five (5) new and innovative indigenous products between April 2014 and March 2015.
- Establish at least three (3) clusters to improve the industrial performance of the indigenous manufacturing sector by March 2015.

#### **GOAL #5 Lower Operating Costs in Industrial Estates**

Improve operational efficiencies across the industrial estates by reducing the annual cost of estate lighting by 40% and the cost of estate maintenance by 10% by March 2015.

#### **CRITICAL SUCCESS FACTORS**

Availability of adequate funding for programmes/projects.

Timely approval of contracts and recommendations.

Performance of contractors in accordance with the terms of contracts.

Full collaboration of companies with BIDC in Developmental Programmes.

Adequate manpower resources to execute programmes/projects in a timely manner.

Effective cross linkages and collaboration of all agencies identified as strategic partners in the delivery of programmes of assistance.

Timeliness of Board approvals.

Minimization of unplanned activities/programmes.

#### **MEASURING OUR SUCCESS**

The review for the period April 2014 to March 2015 suggests that the BIDC's performance fell short of projected outcomes in all but one segment during the fiscal period. Board-approved Key Performance Indicators (KPIs) which measure the Corporation's key areas of operation, have been used to assess the BIDC's performance for the year. Two of these indicators measure the Corporation's performance in creating and growing businesses, expanding exports and developing new products and services whilst one focuses on the Corporations' efforts to reduce its costs and two on efforts to reduce its dependence on government's subvention.

#### **KEY PERFORMANCE INDICATORS FOR 2014-2015**

KET PERFORMANCE INDICATORS FOR 2014-2015				
KEY P 2014-2	ERFORMANCE INDICATORS 2015	ACTUAL PERFORMANCE AS AT MARCH 2015		
1.	Performance scores of excellent, very good or good achieved for 75% of the businesses completing the BIDC's service or programme assessment form over the period April 2014 to March 2015.	N.A.*		
2.	Annual average rate of collection of rent accounts receivables increased by at least 3% by March 31, 2015.	0.5%		
3.	Corporation's share of income from sources other than rent, certification fees and grant funding increased by at least \$1.21M by March 31, 2015.	\$0.95M**		
4.	Export sales of 3% under the BIDC's Market Development Programmes achieved by March 31, 2015.	-10.8***		
5.	Prototypes of 5 new and innovative indigenous products developed and showcased by the BIDC between April 2014 and March 2015.	0		
6.	Annual estate and property maintenance costs reduced by 5% by March 31, 2015.	35%		

\* This initiative was not completed, so the indicator is not available.

\*\* Includes other receivables, sale of craft supplies and income from Small Business Centre.

\*\*\* Statistics for the Market Development Programme are available for Canada and the United States of America only. Statistics for the United Kingdom are unavailable due to challenges arising from the implementation of the Barbados Revenue Authority. A review of the BIDC's KPIs for 2014-2015, revealed modest success in achieving the targets set. The sole target achieved and surpassed was that of reducing annual estate and maintenance costs, where the resultant savings were seven times that projected. The Corporation's bid to increase revenues from other sources was commendable with revenues coming in at 78% of the targeted Bds\$1.2 Million.

#### SUSTAINING AND CREATING JOBS

The BIDC, as part of its assessment, also keeps track of employment trends within the sectors served. At March 2015, there was a slight decline in employment within the companies surveyed through the quarterly Survey of Employment & Investment, when compared to March 2014. Total employment at March 2015 was 10, 289 a decline of 1.2% against employment registered in the corresponding period in 2014. Employment in the Manufacturing Sector decreased 5% to 7, 261 at March 2014 when compared to 7,643 recorded at March 2014. Jobs within the Manufacturing-related segment of the Services Sector surveyed totaled 3,028 at March 2015, up from the 2,988 jobs recorded for the corresponding 2014 period.

Total jobs created through the formation of new businesses or the expansion of existing ones during the period April 2014 to March 2015 was 792 or 10.3% less than in the previous period April 2013 to March 2014 when 853 jobs were created. The Food, Beverages & Tobacco sub-sector recorded the highest number of jobs created in the Manufacturing Sector, contributing 148 or 18.7% of total jobs created. In the Services Sector, the Information Services sub-sector recorded 35.1% or 278 of jobs created in this period. The period October to December 2014 was the most productive, creating a total of 391 jobs.

#### EMPLOYMENT IN SUB-SECTORS SURVEYED BY BIDC AT MARCH 2014 AND MARCH 2015

SUBSECTOR	March 2014 <sup>R</sup>	March 2015	Net Change	% Change
Food, Beverages & Tobacco	3423	3261	-162	-4.7
Textiles, Apparel & Leather	440	422	-18	-4.1
Wood, Wooden Products & Fittings	265	233	-32	-12.1
Paper Products & Printing	660	670	10	1.5
Chemicals & Chemical Products	359	357	-2	-0.6
Plastic Products	170	175	5	2.9
Non Metallic Mineral Products	885	802	-83	-9.4
Fabricated Metal Products	754	697	-57	-7.6
Precision Instruments	256	252	-4	-1.6
Electronic Components	180	178	-2	-1.1
Handicraft	117	111	-6	-5.1
Other Manufacturing	134	103	-31	-23.1
Sub-Total	7,643	7,261	-382	-5.0
Information Services	723	894	171	23.7
Other Services	2,320	2,290	-131	-5.8
Sub-Total	2,988	3,028	40	1.3
Total Employed	10,631	10,289	-342	-3.2

#### <sup>R</sup> - Revised

Source: Barbados Investment and Development Corporation

## PROGRAMMES AND SERVICES TO SUPPORT SECTOR DEVELOPMENT

#### **RESEARCH, DEVELOPMENT AND DESIGN**

The role of the BIDC is principally to make a major contribution to the diversification and growth of the economy through new investment, increased exports and employment creation by fostering the development of competitive manufacturing, related services and small business enterprises. Finding and applying solutions that will aid in the further development of the industrial sector is also part of the BIDC's corporate goals.

Towards this objective, the organization seeks to engage in specific research activities that could stimulate new innovative products and processes, new sector development, and new market penetration. The BIDC also provides design advisory services that would assist clients in upgrading and improving existing product features and in fine-tuning new product development. These activities are facilitated through the Corporation's Research and Design Services Units.



Robert's Manufacturing's David Foster at the Doing Business with China seminar

In support of new market exploration, indepth research was done for the countries of China, Brazil and Guyana. A seminar on Doing Business with China was hosted and well attended in May 2014.

Efforts were also made to deliver business intelligence to empower and better enable companies to capitalize on emerging opportunities. To this end, sector profiles were written on activities and trends in the craft, apparel, food, beverages, paper print and publishing sub sectors of manufacturing. In addition several internal and external requests for information were facilitated and research papers were prepared including reports on Promoting Innovation Competiveness and following participation in the VII



Andy Armstrong of Armstrong Agencies shares his China experience

Americas Competitiveness Forum; How 3D Printing is Changing the Shape of Business and A Strategy for the Barbadian Apparel Sector.

During the year, applications for an extension of Fiscal Incentive benefits were assessed for three companies by the Research Unit.

The Design Services Unit continued to provide direct design assistance to the BIDC's client base.

Some seventy clients were assisted in the areas of corporate identity, labelling and packaging, branding, signage, product design and development through approximately forty (40) consultations.

Increasing access to social media has brought about significant changes in the way that entrepreneurs and small business persons approach the advertising of their products and services and the dissemination of information. As a result there have been significantly less requests for assistance with display advertising in the local newspapers as clients lean more toward uploading their information directly to Facebook, Instagram and other media.

However, requests increased for web design and web content which is distinctive and custom designed. The provision of high quality digitally printed labels locally and the availability of special substrates have significantly improved the quality of juices and condiments packaging available to consumers. Awareness of food labeling standards and use of uniform product codes are much more apparent than in years past. There were numerous client requests for design assistance with new food products in the areas of fresh fruit juices and blends, sauces and condiments. Fabricated metal products, plastics, furniture both wooden and other materials continued to be the areas least requested for design assistance. There was some growth in assistance for fashion accessories including ladies handbags, jewellery, garments and apparel. New interest was seen in the use of local blackbelly sheep leather to produce handbags and fashion accessories.

New product development continues to be a challenge. While the corporation intended to facilitate the development and launch of five (5) new and innovative indigenous products between April 2014 and March 2015, this objective did not materialise, The Corporation however continues to work with producers in the areas of condiments, gifts & accessories, furniture, soft furnishings and confectionery. Conceptualization of new product line proposed for leather craft is in progress.

The Design Unit continued to assist other Ministries and agencies of Government with specific design requests for major conferences, and activities especially in the design of identity and branding, a major one being the 36th Meeting of the Conference of Heads of Government of the Caribbean Community. The advisory service of the Design Advisers was often sought in the development of design briefs and other criteria when agencies acquired external design assistance. During the year under review the Barbados Association of Retired Persons (BARP) requested assistance with a lecture series for its members on New Business Development, Branding and Corporate Identity and labelling and Packaging.

The Barbados Manufacturers' Association Annual exhibition BMEX and AGROFEST the exhibition of the Barbados Agricultural Society were supported by the Design Unit particularly in the New Product Showcase in the case of BMEX. In each exhibition a number of BIDC's clients were supported in participation and booth design was a major component of that assistance in addition to promotional materials, signage and labelling where necessary.

All in-house advertising, signage and promotional media as well as the trade shows, trade missions and exhibitions coordinated by the BIDC were supported.

#### **CORPORATE COMMUNICATIONS**

Throughout the year, efforts were also made to enhance communications with all stakeholders through targeted promotions and knowledge sharing. A major redesign of the corporate websites www.bidc.org and www.networkbarbados.com was undertaken to enhance the delivery of information services and improve its corporate image. The redevelopment of the BIDC's websites was considered critical to its bid to become a more customer centric organization. In addition to enhancing the execution and impact of its programmes, the BIDC can use this medium to present viable solutions and opportunities to its clients.

Branding on the Transport Board buses continued, encouraging persons to bring their ideas and come to BIDC for assistance.

BIDC's promotional work extended to the placement of nine (9) newspaper ads and two (2) eblasts. There were nine (9) media releases issued, and media invitation to four (4) events hosted to expose not only the work of BIDC but also the companies and individuals involved.

#### **PROPERTY MANAGEMENT**

During the period under review, the BIDC consolidated 95% of its office operations into its main office at Pelican House. The Incubator remains at the Small Business Center on Fontabelle, as a new model is being formulated for this facility. The consolidation effort was all a part of those aimed at reducing cost across the industrial estates and increasing operational efficiencies. The Corporation's goal this year was to reduce the annual cost of estate lighting by 40% and the cost of estate maintenance by 10% by March 2015. As part of this initiative, failed lighting systems continue to be replaced with LED and compact fluorescent solutions as a matter of course. A reduction of approximately 35% reduction in the cost of estate lighting has been realised to date.

The 2015 Capital Works programme included renovations and upgrades to buildings at three estate locations namely Newton #12, Wildey #13 & 14, and Harbour 6. The work at Bldg. #12 Newton included an electrical upgrade to replace the transformer to maintain a safe and reliable electrical supply to the tenant. The project was completed on budget at a cost of \$278,151. A contract for the replacement of the roofing membrane at Bldg. #6 Harbour was awarded for the sum of \$103,994, but later terminated for non-performance. Funds were approved to facilitate the expansion and plant configuration at Bldg. #14, Wildey. The sum of \$137,000 was allocated from the Capital Works account, while the Special Technical Assistance account covered the remaining project cost of \$133,000. The Corporation awarded contracts for Renovation Works at Bldg. #13 Wildey for the amount of \$259,534 VAT Inclusive (internal renovations), \$100,659 VAT Inclusive (roof replacement).

The Corporation at March 2015 had 101,217 sq. ft. of space which is unlettable and is in need of renovations.

There are five buildings which are in need of major capital works. Bldg. #4 Grantley Adams is currently still occupied but this building requires major renovations as confirmed by an engineer's report. Bldg. #10 Grazettes which was partially demolished as a result of a fire still has two units which require renovations to bring them to a tenantable state. The two ground floor units (8,000 sq. ft.) are still structurally sound but the renovations and the restorations of the upper units can generate revenue for the Corporation. Bldg. #3 Newton has been in a state of disrepair since 1992 and the building has continued to deteriorate. Demolition of the structure is recommended, however, as an alternative, the sale of this property should be considered. Bldg. #3 Pine has remained in a state of disrepair after a fire damaged 7,060 sq. ft. of ground and first floor space. Bldg. #11 Wildey has also been condemned by an engineer's report; the suspended floor is in need of repairs. Expression of interests has been received and the Corporation is inviting the submission of proposals for the purchase of the building. The Corporation's inability to renovate these buildings reduces the Corporations potential to earn an additional \$1,214,604 in revenue per annum.

There has been little progress with respect to the corporate goal of establishing at least three (3) clusters to improve the industrial performance of the indigenous manufacturing sector by March 2015. The BIDC has advanced discussions with the Caribbean Development Bank regarding the establishment of a shared use facility for the condiments sector. It is expected that this will be a HACCP certified plant which could aid in the production of high quality products for export in markets with extremely high quality standards such as the EU.

As March 2015, the Corporation had 1.6 million sq. ft. of space of which 83% was tenanted. The total vacant space available for rental is 145,322 sq. ft. Seventy five percent (75%) of the vacant space is mainly concentrated at the Harbour and Pelican Industrial estates. The space at Harbour and Pelican has been designed to accommodate office spaces and craft. Full rental of this space can generate an additional three million (\$3 million) in revenue for the Corporation.

A Risk Management Survey was undertaken of the property portfolio. The recommendations which arose from the survey are being incorporated into the property management programme which focused on a new procurement methodology. There was a noticeable slowdown in maintenance requests after clients were informed that the Corporation would not respond to complaints from clients who were in arrears, unless the nature of the repairs could compromise the structure of the facility and/or impact negatively on other tenants.

Discussions are on-going about the rental of roof space for the installation of solar photo voltaic panels by Independent Power producers. This is envisaged to be a new source of revenue generation for the Corporation in 2015/16. Several companies have expressed interest in investing into the solar project. The benefits of the project are expected to be twofold by way of revenue generation and roof sheeting replacement.

The demand for factory space continued to be steady throughout the year. There was a noted increase in short term rental of space and the meeting room spaces are in great demand.

#### ENTREPRENEURIAL DEVELOPMENT

#### **Getting it Right from the Start**

The Entrepreneurial Development Division was actively engaged in rendering assistance to the local micro small and medium sized enterprise sector during the period under review. Through the division's outreach programme and advisory services, accomplishments included eight start-ups and 26 expansions which provided employment for fifty persons. Some 49 new clients were facilitated for the review period and 229 existing businesses facilitated during the period April 2014 to March 2015. This is in line with the BIDC's aim to increase the number of businesses receiving entrepreneurial development services from the BIDC from 100 to 300 by March 2015.

The eight start-ups were registered in Health and Wellness, Food Processing, Crafts and Cosmetology sectors. Full-time employment was provided for six males and nine females with part-time employment generated for two males and two females. Investments totaled \$185,124.

The expansions were in Health and Wellness, Food Processing, Fashion, Crafts, Fashion and Educational services. The impact of these expansions was an increase in employment, sales, investments and new products. They also generated full-time employment for one male and nineteen females, as well as part-time employment for six males and five females. Investments totaled \$173,336. Therefore, investments for the financial year totaled \$358,459 with 43% in the Services sectors and the remainder in the Manufacturing sectors.

Ninety-one entrepreneurs were trained during the year in Business Plan Writing, Good Manufacturing Practices, Costing, Marketing, Record Keeping and Tax Preparation.

The BIDC also facilitated the participation of clients in: BMEX 2014; Crop Over Craftworks 2014 where just over 40 artisan businesses participated; Barbados Horticultural Society Flower and Garden Show 2015 saw the support of 4 artisan businesses; and in Agro fest 2015 we facilitated the participation of 5 artisans of the Weaving of Indigenous Fibres workshop. The Mid-Morning Mix TV programme was used to expose several clients to television marketing opportunities.

#### Moving from Idea to Enterprise

As part of the Corporation's drive to help create and grow young businesses, the business Incubator Programme provides them with the necessary support and financial and technical services. The programme was revamped during the period under review with Incubatees from the previous cohort graduating out of the system.

In the revised Incubation Programme proposed, both Residential and Virtual Incubatees will be paired with Business Development Officers from their respective sectors; attendance at training sessions will be mandatory; mentors will be assigned to Incubatees; and a vibrant Coaching Programme will be initiated.

The facility will accommodate a maximum of 16 Incubatees who will have access to a suite of services offered by the resource Centre and the use of the Training, Conference and Meeting Rooms. The Corporation continued to provide assistance to Innovators in an effort to bring their ideas to commercialization. The Innovation programme was also upgraded to include:

- a) Identification of Potential 'Successful' ideas
- b) Business Development
- c) Physical Accommodation
- d) Product Development
- e) Intellectual Property (IP) Protection
- f) Commercialization Process
- g) Innovation Support within the Community
- h) Development of Innovation e-Information

#### Integrating Art, Craft, Design and Technology

Craft development activities throughout the year extended to training workshops, product development, seminars and promotional activities and delivery of technical assistance. Workshops targeted persons wishing to learn new skills and/or augment existing skills as a means of either encouraging the start-up of small businesses or where practicable the strengthening and/or diversifying of existing businesses.

The Leather Studio project, which was launched in November 2012, continued in October 2014 with seven (7) participants inclusive of two (2) students from the Irving Wilson School. The project continued to realize its primary objective, which aimed to engender a cadre of highly skilled artisans in the production of quality leather craft products.

This phase of the project was delivered by artisan/instructor Ms. Marva Maynard who was one of the artisans trained in the Colombia/ Barbados Strengthening the Creative Sector initiative.

A workshop on Weaving of Indigenous Fibres continued to build the skills and business knowledge of artisans who subsequently showcased their products at the 2015 Barbados Horticultural Society Flower and Garden Show, Agro fest 2015 and Crop Over Craft Works at the Barbados Museum and Historical Society in June 2014.

The Natural Fibres Project co-funded by the BIDC and managed by the Barbados Institute of Environmental Professionals began in January 2014. It spanned a period of fourteen months and included the collaboration of such entities as the Soil Conservation Unit (SCU), the Barbados Crafts Council (BCC), the BIDC, the Barbados Agricultural Development and Marketing Corporation (BADMC), and other stakeholders along the value chain of natural fibres usage or propagation.



Some of the natural fibre products made on sale

The project treats to the growing concern of depletion of biodiversity through conservation practices and sustainable use of natural fibre resources for further entrepreneurial development within the craft sector. It is anticipated that an expanded craft sector will increase the demand for fibres. This demand will require a more structured and sustainable approach to both harvesting and to strategic planting in pure stands under proper agricultural management.

Artisans participated in developmental workshops informing about the sources and harvesting of indigenous fibres existing on the island. Images of products made were photographed for the purpose of developing a catalog and direct marketing to retail outlets and hotels.



Leather artisans being trained and guided through techniques



The team being observed by instructors at SENA

Of the ten (10) artisans trained at SENA Colombia in June/July 2013 in Jewellery and Leather Crafts techniques, four (4) were further trained in advanced techniques in jewellery in Popayan, Colombia and advance leather crafts techniques in Bucaramanga, Colombia in July/August 2014.

In September 2014 this training initiative was extended to include training of artisans of the Fashion sector. Three (3) artisans accompanied

by a Business Development Officer were exposed to the knowledge and techniques in garment manufacturing at SENA Institute Bogota for one week.



Orientation to garment manufacturing tools equipment and drafting at SENA

BIDC in collaboration with the NCF and the Barbados Museum and Historical Society, staged the first Crop Over Craftworks event in June of 2014. The event created the opportunity for artisans to market their products to locals and visitors during heritage month, at the start of the Crop Over season. Forty artisans of varying disciplines participated in this one-day event. The event is designed to fill the void in the sector market created by the end of the Museum Fine Crafts show and the BIDC's Last Lap event. Crop Over Craft Works is pitched to become the event where quality craft products can be found.

The main aim of the Entrepreneurship Through Education (ETE) programme is to develop an Entrepreneurial Culture in Barbados. During the period under review, the Frederick Smith Secondary School, received some additional technical assistance to complete the set-up



**Filigree earrings** 

Artisan Michele Greaves retailing pottery

of their business centre. This assistance ensured that the students were able to completely establish the facility and then be in a position to offer a range of products to the general school population.

The ETE also included Consultations with the St. George Secondary School, which was about to launch a ground-breaking project generating solar energy and rearing a wide range of animals and food crops.

In addition to working with these two schools, the BIDC participated in the Career Showcase of the St. Lucy Secondary School, where Officers were able to interact with many of the students while encouraging them to consider entrepreneurship as a viable career option.

At the Irving Wilson School, 11 students were skilled in jewellery making, cold batik and leather crafts. The success of this program was realized as students had the opportunity to show and sell their products at the Barbados Horticultural Society Annual Flower and Garden Show and at the schools Graduation event in 2014.

#### **EXPORT DEVELOPMENT AND PROMOTION**

The BIDC continued the efforts of the previous year aimed at bolstering flagging markets and identifying new opportunities for trade. With very scarce financial resources available for large scale promotions,

the Corporation concentrated its efforts on building capacity of major exporters, creating specific action plans for market entry and carving out new market spaces. This focused approach has become somewhat imperative given the new era of global trade with increasing regionalization, strong value and supply chains, non-tariff barriers and the use of information technology, and moreso digitization to drive trade. E-commerce has also enabled more collaboration across borders and made it easier for SMEs to access global markets. For Barbados this is an essential consideration in our export strategy however for e-commerce to work effectively it will require cost effective logistics and highly efficient customs processes.

#### In Pursuit Of Markets That Matter

As the BIDC reviewed the progress made in 2013/2014 and set its sight on the ever challenging goal of building a thriving and sustainable export sector, the full scope of what was before us in this new year was foremost on our mind. With limited finance, ever changing market conditions, and limited time to react to market needs we needed to be more agile, more decisive and more active. With a global marketspace in which to compete we needed to be choosy, where we would pitch our efforts and apply our resources. The tried and true markets of the USA and CARICOM were still on the map for us but our sense of urgency pushed us towards more challenging and definitely less familiar markets in Latin America and China.

Thus in 2014-2015 our major markets continued to be CARICOM (51%), the USA (16%), Canada (4%) and EU (9%). These established markets together account for over 80% of Barbados' export trade. Not content to have such a high concentration of our country's export trade in these stalwart but increasingly volatile markets, the BIDC has focused its attention on other markets with potential for Barbadian companies. This radius of export potential extends beyond the traditional markets noted above to include Latin America - on the radar for a few years but with limited returns despite trade agreements with Colombia and Costa Rica; China and Africa.

Barbados' exports for 2014/2015 showed a notable uptick of 3% over the previous year. From the tally of \$536.3 million in 2013/2014 shipment of goods crested the \$550 mark with CARICOM taking half of those exports whilst the USA followed with 17% and the EU 9.82%.

of its aim to achieve an improvement in the export of sales of 3% under the Market Development Programme by March 2015. On a positive note, new distribution networks for Scotland and greater UK area were explored. A New foreign owned trading company has

DOMESTIC EXPORTS TO MAJOR MARKETS BY VALUE AND PERCENTAGE SHARE Fiscal Year 2014/15 Compared With 2013/14

MARKETS	2013-2014 BDS \$	%SHARE	2014-2015 BDS \$	%SHARE
CARICOM	277,658,090	51.78	277,377,600	50.39
USA	97,551,083	18.19	95,174,355	17.29
Canada	19,783,989	3.69	19,660,240	3.57
EU	48,821,858	9.10	54,058,648	9.82
Dominican Republic	6,454,765	1.20	3,824,196	0.69
Other	85,999,603	16.04	100,332,078	18.23
TOTAL	536,269,388	100.00	550,427,117	100.00

Source: Barbados Statistical Service

The EU market showed encouraging growth moving from \$48.8 million to \$54.1 million.

It was also a year of mixed fortunes for exports of Barbadian goods. Despite continued efforts in overseas markets under the Market Development Programme, there were declining returns in the US market which registered a decrease of 12.5% over the review period. However, exports to the Canadian market under the Market Development Programme grew by 13.6%. Challenges arising as a result of the establishment of the Barbados Revenue Authority continue to hinder the availability of statistics on exports to the United Kingdom under the UK Market Development Programme. Statistics available for the US and Canada however indicate that exports under this programme fell by 10.8% over the twelve months under review. In the absence of the total statistics, the Corporation thus fell short

been established with BIDC assistance and will facilitate distribution of selected specialty condiments and sauces in niche markets. Very positive feedback has been received thus far on samples shipped to distributors. A distribution network is also being explored for Scotland for condiments and sauces, Gluten free flours, kola tonic, rum, and beer.

For the year under review 2014/2015 Barbados' exports to CARICOM were almost on par with 2013-2014 totaling \$277.4 million, just short of last year's total of \$277.6 by 0.10%. Chemicals remained one of the top exports to the region with shipments at \$57.6 million though Food and Live Animals remained at the top of the stack with \$58.3 million. Notable mention must be made of crude materials which expanded by some 32.8%.

MARKETS	2013-2014 BDS \$	2014-2015 BDS \$	<b>% CHANGE</b> 25.04	
Antigua	14,600,136	18,255,674		
Belize	3,186,057	2,615,772	-17.90	
Dominica	5,586,971	6,175,959	10.54	
Grenada	16,956,444	17,426,959	2.77	
Guyana	47,673,266	47,516,316	-0.33	
Jamaica	32,368,552	30,512,834	-5.73	
Montserrat	265,905	479,496	80.33	
St. Kitts/Nevis	10,375,860	9,671,525	-6.79	
St. Lucia	29,088,104	28,993,598	-0.32	
St. Vincent	19,507,641	18,778,159	-3.74	
Suriname	8,951,270	5,030,611	-43.80	
Trinidad & Tobago	89,097,884	91,920,697	3.17	
TOTAL	277,658,090	277,377,600	-0.10	

Source: Barbados Statistical Service

SECTION	2013-2014 BDS \$	2014-2015 BDS \$	% CHANGE
Food And Live Animals	59,858,088	58,345,987	-2.53
Beverages And Tobacco	8,989,715	8,833,928	-1.73
Crude Materials Inedible Except Fuels	2,860,342	3,799,252	32.83
Minerals, Fuels, Lubricants & Rel. Mat.	40,481	19,789	-51.12
Animals & Vegetable Oils & Fats	5,047,297	4,325,918	-14.29
Chemicals	56,364,080	57,611,000	2.21
Manufactured Gds. Classified by Material	68,559,413	64,254,938	-6.28
Machinery & Transport Equipment	5,191,705	5,863,807	12.95
Miscellaneous Manufactured Articles	24,797,789	26,410,858	6.50
Miscellaneous Transactions & Commodities	1,748,428	1,793,650	2.59
TOTAL	233,457,338	231,259,127	-0.94

Source: Barbados Statistical Service

#### **UNLEASHING IDEAS FOR EXPORT**

#### Through Trade Counseling

Through its team of Business Development Officers, Certification Officers, Design Advisors, and Research Officers the BIDC has been working with clients to provide adequate trade counseling on matters involving export documentation, quality standards in the EU markets, business opportunities in CARICOM, China, USA, Africa and Latin America, supply chains and potential distributors in Costa Rica, Canada and new trade promotion linkages in Scotland and the wider UK.

#### **Through Capacity Building**

In business, as in life, no one solution fits all and so the BIDC has been working one on one with Barbadian exporters to craft market entry strategies which play to their individual strengths. With some 102 exporting companies accessing the BIDC's Certification service during the year, the task of building capacity and finding just the right solution for these exporters has been a major undertaking. Visits to companies within the Garment sector for example revealed several challenges including high utility bills, rental arrears to the BIDC, lack of access to capital with low interest rates, lack of modern equipment, the need for product development and increased competition. Whilst visits to companies in the furniture sector revealed the need for assistance in accessing markets, rental arrears and the creation of a cluster initiative for the sector.

Technical assistance was also provided to companies in the Creative Industries sector and special projects were undertaken to promote artists in publishing, music, fashion and film.

In 2013/2014 the BIDC, through its Special Technical Assistance Programme (STAP) provided \$1.8 million to assist some 25 exporters in capacity enhancement, marketing and product development however the number of exporting businesses assisted in 2014/2015 declined to 15 with assistance totaling \$503,153. A more aggressive push of the STAP is on the cards for the new year.

The BIDC endeavoured to increase the number of new producers and service providers assisted with internationalization by fifteen by March 2015. At the end of the period under review, 17 new service provider companies were assisted. One producer was certified for the export of four new LED products during the period. Some 10 services companies in music, animation, publishing, legal services outsourcing, construction services, fashion design, web marketing and professional services were awarded financial assistance to participate in international events and market their services overseas. The BIDC collaborated with the Barbados Film and Video Association (BFVA) for the hosting of the first Barbados Visual Media Festival in September 2014 and officers are working with producers in emerging areas to widen the scope of exports.

Technical Assistance was also provided to the fashion sector during the year which saw the establishment of the Barbados Fashion Council and the participation of seven fashion designers in overseas events.

In November 2014 the BIDC hosted the furniture display PORTICO at Building #8 Spring Garden Industrial Estate. Some 40 companies in furniture, crafts and household accessories participated in the event. The promotional and developmental initiative was undertaken in collaboration with the Barbados Manufacturers Association and the City of Bridgetown Credit Union. The provision of a temporary outlet for the sale of Barbadian furniture, furnishings and gift items was thought to be a very important undertaking by participants who have in the past lamented the absence of dedicated retail space for Barbadian goods.

#### **Through Certification of Exports**

For the year ended March 2015, the BIDC certified some 7,904 documents for 40 countries, in line with Barbados' eight trade agreements. The Certification Unit visited 82 companies as part of the recertification drive which began in June 2014. The BIDC continues to look at ways of improving its Certification Service.

Country	Apr 2014 to Mar 31 2015	Apr 2013 to Mar 31 2014	Change	% Change	Mar 2015	Mar 2014	Change	% Change
Guyana	45,450,612	40,724,980	4,725,632	11.6	2,653,205	2,564,642	88,563	3.5
Jamaica	28,258,859	28,943,591	-684,732	-2.4	2,824,327	1,926,062	898,265	46.6
Suriname	5,200,629	8,657,039	-3,456,409	-39.9	657,896	719,894	-61,998	-8.6
Trinidad and Tobago	81,508,278	96,652,128	-15,143,850	-15.7	5,543,067	9,575,552	-4,032,485	-42.1
Antigua and Barbuda	13,187,305	10,493,383	2,693,921	25.7	1,389,867	1,109,017	280,850	25.3
Anguilla	1,597,785	1,211,048	386,736	31.9	198,037	79,124	118,914	150.3
Belize	2,244,024	2,793,147	-549,123	-19.7	370,041	87,011	283,031	325.3
Dominica	5,238,129	4,981,561	256,568	5.2	488,467	238,805	249,662	104.5
Grenada	14,148,777	14,254,880	-106,103	-0.7	1,147,819	1,883,104	-735,284	-39.0
Saint Kitts and Nevis	8,147,855	8,590,312	-442,458	-5.2	723,756	1,081,899	-358,143	-33.1
Saint Lucia	24,059,161	25,566,941	-1,507,779	-5.9	2,621,594	2,421,936	199,658	8.2
Montserrat	470,001	251,905	218,096	86.6	1,358	925	433	46.8
Saint Vincent and The Grenadines	15,004,415	14,839,706	164,709	1.1	1,617,446	1,513,408	104,038	6.9
CARICOM	244,515,831	257,960,622	-13,444,791	-5.2	20,236,880	23,201,378	-2,964,498	-12.8
LDCs	84,097,452	82,982,884	1,114,568	1.3	8,558,385	8,415,228	143,157	1.7

**CERTIFIED EXPORT STATISTICS – 2013/14 AND 2014/15** 

Source: BIDC Certification Database

Scheme	Apr 2013 - Mar 2014	Apr 2014 - Mar 2015	% Change
C.B.I	\$59,554,548.54	\$58,751,644.13	-1.35
CARIBCAN	\$15,154,691.32	\$15,684,376.92	3.50
CARICOM	\$257,960,621.97	\$244,515,830.67	-5.21
CARICOM/COLOMBIA	\$97,224.93	\$181,526.76	86.71
CARICOM/DOMINICAN REPUBLIC	\$5,785,840.67	\$3,447,489.58	-40.42
CARICOM/VENEZUELA	\$217,714.56	\$343,124.02	57.60
CARICOM/COSTA RICA	\$28,922.23	\$40,069.42	38.54
GSP	\$6,396,454.42	\$5,695,672.27	-10.96
OTHER	\$2,481,262.55	\$2,481,784.35	0.02
TOTAL	\$347,677,281.19	\$331,141,518.12	-4.76

#### CERTIFIED EXPORTS BY AGREEMENT: 2013/14 AND 2014/15

#### Source: BIDC Certification Database

One of the BIDC's Certification Officers participated in a training attachment to ExporTT in August 2014 and this exposure offered some suggestions for improving the existing system, most notably the prospect for online certification was given greater attention. The BIDC has commenced the discussion on pursuing the use of technology to develop an electronic platform for export certification.

#### Through Trade Advocacy

There are myriad issues which impede trade of goods, many of these issues fall outside the mandate of the BIDC particularly as they relate to trade barriers in export markets. Some issues such as the reported difficulties at Customs and matters which impede business facilitation overall have been at the forefront of the BIDC's stakeholder engagement programme during the year. In March 2015 the Corporation facilitated a stakeholders consultation under the theme "Working Together Towards a More Sustainable Future for Manufacturing" with manufacturers, the Barbados Customs and Excise Department and the Barbados Port Inc. The objective of the session was to examine how trade facilitation could be improved by expediting the clearing processes, removing constraints in the import and export of goods whilst enhancing compliance and reducing the cost of doing business. The matter of business facilitation features highly on the BIDC's agenda since it has the capacity to impede Barbados' efforts to attract foreign investment and retain existing foreign businesses. Lack of efficient facilitation retards the competitiveness of local businesses at home and abroad.

#### **Through Business Matchmaking**

Through events like the Latin America and Caribbean (LAC) Outsourcing and Offshoring Summit the BIDC seeks to identify minable opportunities for Barbadian companies. With the assistance of the IDB and the BIDC, three (3) companies took up the challenge to visit Guatemala in search of opportunities for business and trade at the 3rd LAC conference in November 2014. At least five business opportunities were identified through this mission. Five film entrepreneurs were given the opportunity to participate in the 35th Durban International Film Festival (DIFF) in South Africa in July 2014. The mission to DIFF was specifically intended to develop relationships with distributors and institutions interested in Barbadian content, explore linkages with African film makers seeking partners in the Caribbean, understand the market potential for Caribbean material in the African marketplace and gain insight into the African film industry and the operations of the DIFF Film Mart. This initiative was coordinated by the BIDC with some funding assistance from Caribbean Export.

#### **Through Market Intelligence**

Market entry strategies are built on critical data and market information. One of the major accomplishments in securing this information for Barbadian companies was the establishment of a market representative for Panama. Through this arrangement the BIDC will obtain vital information on major sectors of rum, food and beverages, printing, renewable energy, construction services, pharmaceutical and garments, in addition to a database of market access contacts of distributors, buyers, investors and market opportunities.

The BIDC in collaboration with SELA, UNIDO and Ambassador Sandra Phillips of the Barbados Embassy in Caracas, hosted the sub-regional Conference on "The Apparel Industry and Economic Development in the Caribbean: Efficient Planning and Allocation of Resources" August 14-15, 2014. Mr. David Lee, Textile Chemist with UNIDO, visited a number of apparel producers and stakeholders in the garment subsector, inclusive of the training institutions.

#### **Through Export Promotion**

The BIDC's strategy for market penetration has shifted from intensive in market promotions to strategic linkages, shoring up distributions channels and ferreting out profitable niches for Barbadian companies to invest in. The BIDC is also looking to leverage Barbados' diplomatic network abroad to promote Barbadian commercial interests, improve and coordinate branding and marketing of Barbados and its products in external markets. In the UK market efforts continued to add new products to the existing supply of condiments, biscuits, beverages, syrups and to move these products into the mainstream. Consumers in both ethnic and mainstream markets in the UK have had the opportunity to taste the flavours of Barbados through product tasting and promotional events including the Food Store, World Food Hall, Vinoplis, Cottons, the Barbados Tourism Authority UL road show and the BCO Festival. The BIDC also worked with Barbados House in Scotland to promote Barbadian products at the Commonwealth Games over the period July-August, 2014. Assistance was also provided to the local music industry in support of the Caribbean Music Summit which was held in Barbados February 1-3, 2015.

The BIDC also worked with its industry partner the Barbados Manufacturers' Association (BMA) to host a product showcase for shop owners/vendors in the Cruise Terminal on July 31, 2014, when the Jewel of the Seas was in Port. This was with a view to increasing indirect exports of our local products vis-à-vis increased patronage by vendors at the Barbados Cruise Terminal of locally manufactured and crafted goods.

#### **Through Collaboration**

In December 2014 BIDC formalized its commitment and long standing relationship with the Barbados Institute of Management and Productivity (BIMAP) through the signing of a Memorandum of Understanding (MOU) between the two agencies. The MOU is aimed at supporting the research and development efforts of locals businesses through the offering of the requisite facilities, programmes and services. One of the first projects coming out of the renewed and strengthened alliance between the two agencies is the establishment of a training laboratory and center of excellence to drive the animation sector on the island. The facility, located at BIMAP's training facility in Building # 3 Harbour Industrial Complex, St. Michael, is outfitted with specialized equipment and software to support a multi-level certification programme for persons interested in pursuing a career in animation.



Dr. Sonia Greenidge-Franklyn, head of BIMAP, celebrates with BIDC Chairman Benson Straker and CEO Dr. Leroy McClean

#### **INSPIRING ENTERPRISES TO COMPETE AND WIN**

With the assistance of its strategic partners in country and at home, there has been increasing evidence that Barbadian companies are not only internationally savvy, but are finding niches and areas of enterprise where they can compete and win.

Over the period under review, several companies made the leap from home based to international competitor. O's, a cottage based enterprise making alternate gluten free flours and mixes took up the challenge to go bigger and farther and embarked on a programme to expand its capacity and position itself for the export market. In the area of film, a field of endeavour few have been brave enough to tackle with big projects, Step By Step Productions delivered two remarkable feature films, Chrissy and Vigilante to a very appreciative audience at home and in international markets. In several instances small businesses have moved from idea to successful enterprise by leveraging the opportunity presented and utilizing the assistance provided by the BIDC in the process. The research uncovered during the year has shown what could be even more gainful opportunities for our fashion and apparel producers, our budding animation sector, education services, food and beverages sectors.

In January 2015 the BIDC completed an Export Strategy and Competiveness plan which details the way forward for expanding exports and extending Barbados' global footprint over the period 2015-2017. Plans are advanced for the next Export Readiness Programme which is intended to outfit prospective and new exporters with the tools and information to pursue their fortunes in international markets. It is anticipated that the new programme will be facilitated in the year 2015/2016. Helping companies compete and win at home and abroad is at the centre of the BIDC's export thrust and the endeavours in the New Year will be aimed at delivering on this goal with even greater returns.

#### **TECHNICAL ASSISTANCE**

Financial support to local businesses continued during the fiscal year through the Corporation's Special Technical Assistance Programme (STAP). During the period April 2014 to March 2015, BDS\$ 1.02 million was disbursed from the STAP fund. This represented a 60.4% decline against disbursements in the corresponding period ending March 2014 which were measured at BDS\$2.6 million. The disbursements nevertheless proved critical in maintaining the viability and competitiveness of Barbadian companies. Thirty-four companies received assistance, the majority operating within the Food, Beverages and Tobacco, Paper Products and Printing, Information and Other Services sectors.

Requests for marketing was the single largest segment of demand, attracting 41% of funds disbursed this year. Support was also offered to fund professional services (24.3%), equipment, systems and process upgrades (19.5%), training to support productivity improvement (4.3%), the enhancement programmes for craft development as well as

programmes of the Barbados Manufacturers Association (BMA) (5.6%). Disbursements this year brought the total value of assistance provided by the fund since inception in 2001 to BDS\$41 million.

#### **STRATEGIC PARTNERSHIPS**

The BIDC continued to involve relevant umbrella organizations and industry partners in various promotional and developmental initiatives

either through joint staging of events or through consultations. Several collaborative efforts in key areas of export development, enterprise development, innovation, research and business intelligence and product development were undertaken.

Through the year, numerous initiatives were undertaken in the following areas:

AREA OF COOPERATION	STRATEGIC PARTNERS
Agro-processing	Barbados Agricultural Development and Marketing Corporation
Innovation through Science & Technology	University of the West Indies, National Council for Science and Technology
Manufacturing	Barbados Manufacturers Association, Barbados National Standards Institute
Renewable Energy	Producers, Barbados National Oil Company Limited, Barbados Renewable Energy Association
Access to funds for SMEs	Funding Agencies
Trade Development and Promotion	Caribbean Export and Development Agency
Business Support	Small Business Association, Barbados Manufacturers' Association, Barbados Chamber of Commerce, Barbados Entrepreneurship Foundation, Barbados Hotel & Tourism Association, Barbados Coalition of Services Industries, Barbados Institute of Management & Productivity
Government	Ministries of Foreign Affairs & Foreign Trade, Agriculture, Food & Fisheries



Non-Consolidated Financial Statements of BARBADOS INVESTMENT AND DEVELOPMENT CORPORATION

## FINANCIAL STATEMENTS March 31, 2015



Auditors' Report to the Board of Directors	46
Non-Consolidated Statement of Financial Position	47
Non-Consolidated Statement of Comprehensive Loss	48
Non-Consolidated Statement of Changes in Equity	49
Non-Consolidated Statement of Cash Flows	50
Notes to Non-Consolidated Financial Statements	52

## **Deloitte.**

Deloitte & Touche 3<sup>rd</sup> Floor The Goddard Building Haggatt Hall St. Michael, BB11059 Barbados, W.I.

Tel: +246 430 6400 Fax: +246 430 6451 www.deloitte.com

## NDEPENDENT AUDITORS' REPORT

#### To the Board of Directors Barbados Investment and Development Corporation

We have audited the accompanying non-consolidated financial statements of the Barbados Investment and Development Corporation, which comprise the non-consolidated statement of financial position as at March 31, 2015 and the non-consolidated statement of comprehensive loss, non-consolidated statement of changes in equity and non-consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' 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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated 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 non-consolidated 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 non-consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### To the Board of Directors Barbados Investment and Development Corporation

#### Basis for qualified opinion

We were appointed auditors of the company on May 14, 2015 and were not granted access by the predecessor auditors to their audit working papers and we were unable to satisfy ourselves by alternative means concerning the accuracy and completeness of the opening balances.

Further, as explained in Note 2(i), the company has not prepared consolidated financial statements on the basis that its subsidiaries, IslandCrafts (Barbados) Inc. and Newton Business Park Project Company Limited are deemed immaterial by management. However, the exemption criteria from producing consolidated financial statements under International Financial Reporting Standards for Small and Medium-sized Entities does not grant an exemption on this basis.

#### **Qualified opinion**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the non-consolidated financial statements present fairly, in all material respects, the financial position of Barbados Investment Development Corporation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities.

#### Other matter

The non-consolidated financial statements of Barbados Investment and Development Corporation for the year ended March 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on February 18, 2015.

Jelante Starte

February 10, 2016

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see <a href="http://www.deloitte.com/about">www.deloitte.com/about</a> for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

## Non-Consolidated Statement of Financial Position

As at March 31, 2015 (Expressed in Barbados dollars)

Assets	31/03/2015 \$	31/03/2014 \$
Current Assets Cash and cash equivalents (note 4) Accounts receivable (note 5) Staff loans (note 6) Prepaid expenses	6,615,006 5,021,333 78,431 97,920	6,582,649 7,643,754 129,853 119,173
	11,812,690	14,475,429
Non-current Assets Staff loans (note 6) Sinking fund investment (note 7) Due from subsidiary company (note 8)	153,170 19,254,174 -	253,820 16,130,665 12,177,800
Investment in subsidiary companies (note 9) Property and equipment (note 10)	2 86,743,105	2 90,268,600
	106,150,451	118,830,887
Total Assets	117,963,141	133,306,316
Liabilities and Equity Current Liabilities Accounts payable and accrued liabilities	13,936,540	12,605,470
Long Term Liabilities Long term debt (note 11)	38,952,315	38,998,614
Total Liabilities	52,888,855	51,604,084
<b>Equity</b> Capital contributed by Government of Barbados (note 13) Sinking Fund (note 7) Special technical assistance fund (note 12) Accumulated excess of revenue over expenditure	7,504,087 19,254,174 1,631,522 36,684,503	7,504,087 16,130,665 3,856,411 54,211,069
Total Shareholder's Equity	65,074,286	81,702,232
Total Liabilities and Shareholder's Equity	117,963,141	133,306,316
See accompanying notes to the financial statements.		
Approved on behalf of the Board:	rector	

#### Approved on behalf of the Board:

# Non-Consolidated Statement of Comprehensive Loss For the year ended March 31, 2015 (Expressed in Barbados dollars)

	2015 \$	2014 \$
Revenue Factory space rental	8,669,048	8,562,348
Other income (note 14)	1,422,806	296,667
	10,091,854	8,859,015
Revenue grants from Government of Barbados (note 15)	12,873,331	14,601,138
	22,965,185	23,460,153
Expenditure		
Bad debts (note 8)	13,357,308	1,319,444
Administration (note 16)	9,260,344	9,485,942
Industrial estates (note 17)	8,410,153	9,098,877
Interest expense	2,631,638	20,304
Industrial and training grants	1,724,025	4,650,209
Loss on asset impairment (note 18)	111,491	-
Loss on disposal of property and equipment	-	14,275
Depreciation (note 10)	4,098,172	4,007,722
Excess of (expenditure over revenue)	39,593,131	28,506,773
being comprehensive (loss) for the year	(16,627,946)	(5,046,620)

See accompanying notes to the financial statements.

# Non-Consolidated Statement of Changes in Equity For the year ended March 31, 2015 (Expressed in Barbados dollars)

	Capital Contribution by Government of Barbados \$	Special Technical Assistance (STA) Fund \$	Sinking Fund \$	Accumulated Excess of Revenue over Expenditure \$	Total \$
Balance at April 1, 2013 Excess of expenditure over revenue for the year Appropriation to sinking fund (note 7) Appropriation/Disbursement to STA Fund (Net) Interest earned on amounts invested (note 7)	7,504,087 - - - -	5,482,207 - (1,625,796) -	13,050,660 - 2,277,150 - 802,855	60,711,898 (5,046,620) (2,277,150) 1,625,796 (802,855)	86,748,852 (5,046,620) - -
Balance at March 31, 2014	7,504,087	3,856,411	16,130,665	54,211,069	81,702,232
Excess of expenditure over revenue for the year Appropriation to sinking fund (note 7) Appropriation/Disbursement to STA Fund (Net) Interest earned on amounts invested (note 7)		- - (2,224,889) -	2,277,150 - 846,359	(16,627,946) (2,277,150) 2,224,889 (846,359)	(16,627,976) - - -
Balance at March 31, 2015	7,504,087	1,631,522	19,254,174	36,684,503	65,074,286

See accompanying notes to the financial statements.

# Non-Consolidated Statement of Cash Flows For the year ended March 31, 2015 (Expressed in Barbados dollars)

Cash flows from operating activities	2015 \$	2014 \$
Comprehensive loss for the year	(16,627,946)	(5,046,620)
Adjustments for: Depreciation Loss on disposal of plant and equipment Loss on asset impairment Interest income Interest expense	4,098,172 - 111,491 (872,660) 2,631,638	4,007,722 14,275 (34,752) 20,304
Operating (loss) income before working capital changes	(10,659,305)	(1,039,071)
Decrease (increase) in accounts receivable Decrease in amounts due by subsidiary company Decrease (increase) in staff loans Decrease (increase) in prepaid expenses Increase in accounts payable and accrued liabilities	2,622,421 12,177,800 152,072 21,253 1,331,070	(1,914,357) - (37,831) (35,457) 3,588,188
Net cash generated from operations	5,645,311	561,472
Cash flows from investing activities		
Purchase of Sinking Fund Investments Additions to development projects Additions to property and equipment Interest received	(3,123,509) (612,548) (71,620) <u>872,660</u>	(2,277,150) (3,251,563) (314,087) 25,122
Net cash used in investing activities	(2,935,017)	(5,817,678)
Cash flows from financing activities		
Interest paid	(2,677,937)	(20,304)
Net cash from financing activities	(2,677,936)	(20,304)
Net increase (decrease) in cash and cash equivalents Cash and cash equivalents - beginning of year Cash and cash equivalents - end of year (note 4)	32,357 6,582,649 6,615,006	(5,276,510) 11,859,159 6,582,649

See accompanying notes to the financial statements.

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 1. Establishment, principal activity and principal place of business

The Corporation was established under the Barbados Investment and Development Corporation Act 1992-30 for the purpose of developing Barbados' industrial, off-shore financial, export and other related activities.

With effect from December 1, 1992, the assets and liabilities of the former Barbados Industrial Development Corporation (BIDC) and the former Barbados Export Promotion Corporation (BEPC) were transferred to the Barbados Investment and Development Corporation.

The Corporation's principal place of business is located at Princess Alice Highway, St. Michael, Barbados.

These financial statements were approved by the Board of Directors on January 20, 2016.

#### 2. Transition to the IFRS for SMEs

This complete set of financial statements for the year ended March 31, 2015 is the entity's first financial statements that conform to the IFRS for SMEs. The opening IFRS for SMEs statement of financial position was prepared at the transition date of April 1, 2013.

In preparing these non-consolidated financial statements in accordance with the IFRS for SMEs, all of the mandatory exceptions from full retrospective application of the IFRS for SMEs have been applied.

The following reconciliation shows the effect on the Corporation's equity of the transition from IFRS to IFRS for SMEs:

Reconciliation

	\$	\$
<b>Total Equity Under IFRS as at April 1, 2013</b> Adjustments* from previous GAAP (IFRS) to the IFRS for SMEs		21,482,136
<ul> <li>(a) Expensing of bond interest costs that were previously capitalised</li> <li>(b) Special Technical Assistance Fund that do not meet the IFRS for SMEs criteria of a liability</li> <li>(c) Government grants recognised as revenue which were previously deferred</li> </ul>	(16,886,848) 5,578,171 50,538,439	
Total Adjustments		39,229,762
Opening accumulated excess of reserve over expenditure under IFRS for SMEs as at April 1, 2013 Capital contribution Government of Barbados Sinking Fund Total equity under IFRS for SMEs as at April 1, 2013		60,711,898 7,504,027 13,050,660
		86,748,852
Excess of expenditure over revenue for the year		(5,046,620)
Total Equity Under IFRS for SMEs as at March 31, 2014		81,702,232

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 3. Significant accounting policies

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

#### a) Basis of preparation

The non-consolidated financial statements of Barbados Investment and Development Corporation, (the Corporation), have been prepared on the historical cost basis in keeping with local statutory requirements and in accordance with the requirements of International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board.

#### b) Foreign Currency Translation

#### Functional and presentation currency

These non-consolidated financial statements are prepared in Barbados dollars, which is the Corporation's functional currency. All financial information presented in Barbados dollars has been rounded to the nearest dollar.

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 income.

#### c) Use of estimates and assumptions

The preparation of non-consolidated financial statements in conformity with IFRS for SMEs requires management to make subjective estimates, assumptions and judgements that affect the reported amount of assets, liabilities, net income and related disclosures. Estimates made by management are based on historical experience and other assumptions that are believed to be reasonable.

Key sources of estimation uncertainty include: determination of fair value of financial instruments, the impairment of accounts receivables, property and equipment and development projects, pensions and other post-employment benefits, and litigation provisions. Accordingly, actual results may differ from these and other estimates thereby impacting our future Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### d) Cash and cash equivalents

Cash and cash equivalents are carried in the non-consolidated statement of financial position at cost. For the purposes of the cash flows statement, cash and cash equivalents comprise cash on hand and deposits held at call with other banks with original maturities of ninety days or less.

#### e) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Corporation's activities. Sales are presented, net of value-added tax, and discounts. The Corporation recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Corporation's activities are met as follows:

#### i. Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 3. Significant accounting policies (continued)

#### e) Revenue recognition (continued)

- i) Sale of goods (continued)
  - the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods
  - the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
  - the amount of revenue can be measured reliably;
  - it is probable that the economic benefits associated with the transaction will flow to the Corporation; and
  - the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### ii. Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Corporation and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

iii. Dividend income

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

iv. Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### f) Property and equipment and development projects

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Development projects are investment properties principally comprising office and factory buildings, held for rental yields and are not occupied by the Corporation. Development projects are stated at historical cost less accumulated depreciation and impairment losses. Such an investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Subsequent costs for property and equipment and development projects 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 Corporation 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.

Land is not depreciated. Depreciation on the remaining property and equipment and development projects is provided on the straight line method at rates which are calculated to write the assets off over their expected useful lives as follows:

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 3. Significant accounting policies (continued)

#### f) Property and equipment and development projects (continued)

2.5% per annum
10% per annum
33.3% per annum
100% per annum
10% per annum
20% per annum

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

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. (Note 2(i))

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

Costs incurred which are directly attributable to capital projects are categorised as construction in progress and capitalised. If it is determined that capitalised costs are no longer justifiable, the related costs are written off and charged to the statement of income.

Construction in progress is not depreciated until the asset has been completed and brought into operational activity. None of the property and equipment and development projects are currently pledged as security. Assets taken over from the former BIDC and the former BEPC are being depreciated over their remaining useful lives.

#### g) Government and capital grants

Government grants are generally not recognised until there is reasonable assurance that the Corporation will comply with the conditions attaching to them and that the grants will be received. Specifically, government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognised once all related performance conditions are met.

Government grants are received as follows:

- a) A grant that does not impose specified future performance conditions on the recipient is recognised in income when the grant proceeds are receivable
- b) A grant that imposes specified future performance conditions on the recipients is recognised in income only when the performance conditions are met.
- c) Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

An entity shall measure grants at the fair value of the asset received or receivable.

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 3. Significant accounting policies (continued)

#### h) Borrowing Costs

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

#### i) Investment in subsidiary company

The Corporation's investment in its subsidiaries Newton Business Park Project Ltd. and IslandCrafts (Barbados) Inc. is accounted for in the accompanying financial statements by the cost method. Following this method the investments are carried at the cost thereof, less a provision for impairment, and the net earnings of the subsidiary are reflected in the determination of the net earnings of the Corporation only to the extent of dividends received from the subsidiaries. The corporation opted not to consolidated its subsidiaries as it considers the impact of not consolidating them as immaterial.

#### j) Pension scheme

The Corporation operates a fully insured purchased annuity pension scheme for certain of its employees. The scheme takes the form of a defined contribution pension scheme. Pension costs are accounted for on the basis of contributions payable in the year.

#### k) Impairment

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

#### I) Accounts receivable

Trade receivables are carried at original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts at the year end. The provision for doubtful receivables is based on the specific identification of doubtful receivables. Additions to the provision are charged to current operations. As receivables become uncollectible they are written off against the provision.

#### m) Employee benefits

Employee entitlements to annual leave, gratuities and sick pay are recognised when they accrue to employees. A provision is made for the estimated liability for these entitlements as a result of services rendered by employees up to the reporting date. Other entitlements such as salaries and national insurance scheme contributions are recognised as a liability when earned by employees, net of payments made, and charged as an expense.

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 3. Significant accounting policies (continued)

#### n) 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.

#### o) Financial instruments

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

#### i. Financial assets

The Corporation's financial assets comprise loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, (including trade and other receivables, staff loans and prepaid expenses) are measured at amortised cost.

#### ii. Financial liabilities

The Corporation's financial liabilities are classified as other financial liabilities and are measured at amortised cost using the effective interest method. At the reporting date, the following items were included in other financial liabilities: accounts payable and accrued liabilities; and long term debt.

#### p) Related parties

A party is related to the Corporation, if:

- i. directly, or indirectly through one or more intermediaries, the party:
  - is controlled by, or is under common control with, the Corporation (this includes parents, subsidiaries and fellow subsidiaries);
  - has a direct or indirect interest in the Corporation that gives it significant influence; or
  - has joint control over the Corporation;
- ii. the party is an associate of the Corporation;
- iii. the party is a joint venture or a partnership in which the Corporation is a venturer or a partner;
- iv. the party is a member of the key management personnel of the Corporation or its parent;
- v. the party is a close member of the family of any individual referred to in (i) or (iv);
- vi. the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- vii. the party is a post-employment benefit plan for the benefit of employees of the Corporation, or entity that is a related party of the entity.

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 3. Significant accounting policies (continued) p) Related parties (continued)

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

The Corporation has a related party relationship with its directors, related companies, other Corporation companies and affiliated parties controlled by its directors, senior officers, executives and significant shareholders. "Key management personnel" represents certain senior officers of the Corporation.

#### q) Taxation

Under the Barbados Investment and Development Corporation Act, the Corporation is exempt from payment of all taxes on income.

#### 4. Cash and cash equivalents

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

	2015 \$	2014 \$
Cash and bank balances Term deposits	5,568,814 1,046,192	
	6,615,006	6,582,649

The following restrictions have been placed on certain bank and term deposit accounts:

- one current account and one term deposit together amounting to \$1,631,522 (2014: \$3,856,411) have been restricted to provide special technical assistance to the manufacturing sector.
- one of the current accounts amounting to \$1,494,359 (2014: \$1,667,437) has been restricted to capital projects.
- the car loan revolving account amounting to \$350,814 (2014: \$252,718) has been restricted to car loans.

The short term deposits earn interest at rates varying 2.5% - 4.75% (2014: 2.50% - 5.00%) per annum.

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 5. Accounts receivable

	2015 \$	2014 \$
Tenants rent receivable Other	4,882,241 5,255,512	10,573,132 7,404,819
	10,137,753	17,977,951
Less: Allowance for doubtful accounts	(5,116,420)	(10,334,197)
	5,021,333	7,643,754
. Staff Loans		
	2015 \$	2014 \$
Emergency Loans < 1 year	4,145	4,253
Emergency Loans > 1 year Vehicle Loans < 1 year	- 74,286	- 125,600
Vehicle Loans > 1 year	153,170	253,820
Total Staff Loans	231,601	383,673

A staff member who is experiencing severe financial difficulties may request an unsecured emergency loan. An emergency loan granted to a staff member shall not exceed \$2,000 or 50% of the officer's monthly salary or total wages whichever is lesser; and be repaid within a period of nine (9) months at an interest rate of 6% per annum on the reducing balance. Repayment is made via deductions from the staff member's salary or wages.

Subject to the availability of funds, travelling officers may be granted an interest free loan up to a maximum of \$50,000 for the purchase of a vehicle. Title to said vehicle is retained by the Corporation until the outstanding loan amount is repaid in full. Such loans are repayable within seven years for a new vehicle and five years for a second-hand or reconditioned vehicle, or such lesser period as may be approved. Repayment is made via deductions from the staff member's salary or wages.

#### 7. Sinking fund investment

In April 2009, the Corporation set up a sinking fund by monthly appropriations from its resources to provide for the repayment of the principal on the RBC Royal Bank (Barbados) Ltd (formerly RBTT) \$38 million loan (US\$19 million) in the year 2022. (See note 11).

The balance in the sinking fund account is made up as follows:

6.

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 7. Sinking fund investment (continued)

	2015 \$	2014 \$
Balance at beginning of year Appropriation to Sinking Fund Interest earned on amounts invested	16,130,665 2,277,150 846,359	13,050,660 2,277,150 802,855
Balance at end of year	19,254,174	16,130,665
Represented by:	2015 \$	2014 \$
<ul><li>(a) Investment in Term Deposits</li><li>(b) Central Bank Treasury Note</li></ul>	8,254,174 _11,000,000	5,130,665 11,000,000
	19,254,174	16,130,665

(a) The term deposits earned interest at various rates of 2.50% to 3.00% per annum during the year (2014: 2.00% to 4.00% per annum).

(b) The Treasury Note bears interest of six and three eight dollars per centum per annum and is paid in half yearly installments on February 28 and August 31 of each year. The Note is redeemable on August 31, 2019.

#### 8. Due from subsidiary company

	2015 \$	2014 \$
Receivable balances at year end Less: Allowance for doubtful amount	12,188,350 (12,188,350)	12,616,548 (438,748)
		12,177,800

The amount is due from Newton Business Park Project Company Limited. This amount was unsecured, had no stated terms of repayment and the entire amount was fully provided during the current financial year, accounting for \$12,188,350 of the total bad debt expenses of \$13,357,308 recorded for the year (2014: \$1,319,444).

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 9. Investment in subsidiary companies

	2015 \$	2014 \$
Newton Business Park Project Company Limited IslandCrafts (Barbados) Inc	1	1 1
IslandCrafts (Barbados) Inc	2	2
- 223,497 common shares (87.96% holding), at cost Provision for diminution in value of the investment	273,021 (273,020)	273,021 (273,020)
	1	1

IslandCrafts (Barbados) Inc was incorporated in Barbados on September 3,1998 and commenced operations on April 19, 1999. The Corporation's share of the net loss of the subsidiary company for the year ended March 31, 2015, based on unaudited financial statements, amounted to \$1,230,787 (2014: \$18,373) and the underlying net liabilities as at March 31, 2015 were (2014: \$1,064,371). At its Board meeting held on October 18, 2014 the decision was taken to commence the winding down of IslandCrafts' operations effective October 31, 2014. Business operations were discontinued on that date.

Newton Business Park Project Company Limited		
- 1,000 common shares (100% holding), at cost	1,000	1,000
Provision for diminution in value of the investment	(999)	(999)
	1	1

Newton Business Park Project Company Limited was incorporated in Barbados on June 12, 2001 as the Special Purpose Vehicle Company established under a Build Own Transfer (BOT) arrangement set up to carry out construction works at the Newton Business Park Project – Phase 1.

The Corporation's share of the net profit of the subsidiary company for the year ended March 31, 2015, based on unaudited financial statements was \$Nil (2014: profit of \$49,053) and the underlying net liabilities as at March 31, 2015 were \$Nil (2014: \$12,098,683).

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 10. Property and equipment

	Development projects \$	Buildings \$	Furniture, equipment and vehicles \$	Total \$
Cost				
Balance at April 1, 2014 Additions Asset impairment	166,218,311 612,548 (111,491)	2,687,081 16,191 -	3,151,148 55,429 -	172,056,540 684,168 (111,491)
Balance at March 31, 2015	166,719,368	2,703,272	3,206,577	172,629,217
Accumulated Depreciation				
Balance at April 1, 2014 Charge for the year	78,095,695 3,816,724	1,228,220 113,642	2,464,025 167,806	81,787,940 4,098,172
Balance at March 31, 2015	81,912,419	1,341,862	2,631,831	85,886,112
Net Book Value				
At March 31, 2014	88,122,616	1,458,861	687,123	90,268,600
At March 31, 2015	84,806,949	1,361,410	574,746	86,743,105
I. Long-term debt				
			2015 \$	2014 \$
RBTT \$38M Bond			38,952,315	38,998,614

#### **RBTT \$38M Bond**

11.

On March 29, 2007 the Corporation entered into a US\$19,000,000 non-callable fixed rate bond to assist with its capital works programme. This bond matures on March 29, 2022, and bears an interest rate of 6.85% per annum. Semi-annual payments of US\$660,345 are made in September and March and there is a moratorium on the principal until year 2022; a sinking fund has been set up from April 16, 2007 to facilitate full repayment in 2022. This bond is guaranteed by the Government of Barbados.

(Expressed in Barbados dollars)

#### 12. Special Technical Assistance Fund (STA)

	2015 \$	2014 \$
Balance at beginning of year STA Receipts STA Expenditure - Recurrent Activity STA Expenditure – Business Development Activity Interest Income Received	3,856,411 2,250,000 (3,255,039) (1,223,378) 3,528	5,482,207 2,250,000 (1,240,130) (2,645,296) 9,630
Balance at end of year	1,631,522	3,856,411
Represented by:		
Cash at bank (note 4)	1,631,522	3,856,411
13. Capital contributed by Government of Barbados		
	2015 \$	2014 \$
Balance at beginning and end of year	7,504,087	7,504,087

The balance represents capital appropriations from Government for the purchase of land vested in the Corporation by the Government.

#### 14. Other income

	2015 \$	2014 \$
Documentation fees	113,440	81,577
Interest	872,660	34,752
Sale of craft supplies	47,332	(37,763)
Rental income – training room	26,692	20,385
Proceeds from insurance claim	287,500	-
Miscellaneous	75,182	197,716
	1,422,806	296,667

(Expressed in Barbados dollars)

#### 15. Revenue grants

	2015 \$	2014 \$
Revenue grant received from Government during the year Amount received from Government for STA (note 14)	10,623,331 2,250,000	12,351,138 2,250,000
	12,873,331	14,601,138
16. Administration expenses		
	2015 \$	2014 \$
Staff Premises Office Operational	7,445,732 721,238 376,448 426,650	7,446,603 795,932 472,377 345,905
Promotional Miscellaneous	255,955 34,321	400,309 24,816
	9,260,344	9,485,942
17. Industrial estate expenses		
	2015 \$	2014 \$
Property management Contract building maintenance Staff	1,551,429 6,134,809 723,915	1,407,636 6,753,256 937,985
	8,410,153	9,098,877

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 18. Loss on Asset Impairment

The carrying values of the Corporation's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Thus, an impairment loss was recognized in respect of Building#13 Newton as follows:

	\$
Carrying value Recoverable amount	 
Impairment loss	111,491

#### 19. Pension scheme

The Corporation has established a non-contributory pension scheme for certain of its employees with Sagicor Life Inc. (formerly Life of Barbados Limited). It is a fully insured purchased annuity pension scheme. The annual premiums paid to the insurance company are charged to operations and amounted to \$1,171,969 (2014: \$653,149), net of anniversary credits.

The plan has been accounted for as a defined contribution plan because benefits due to employees would have been secured by the prior payment of premiums and the fact that the insurer has sole responsibility for paying the benefits.

#### 20. Approved capital expenditure

Capital works expenditure for the year ending March 31, 2016 has not been determined because of uncertainty surrounding the source of funding. At the reporting date, no contracts had been entered into in respect of this expenditure.

#### 21. Related party balances and transactions

Included in accounts receivable is an amount of \$85,233 (2014: \$455,132) due from IslandCrafts (Barbados) Inc. The amount due from this related party is unsecured and has no stated terms of repayment.

Rent of \$26,784 (2014: \$45,916) was charged to IslandCrafts (Barbados) Inc.

Key management personnel compensation paid during the year was as follows:

	2015 \$	2014 \$
Directors	36,400	39,200
Senior Management	924,719	847,250

For the year ended March 31, 2015 (Expressed in Barbados dollars)

#### 22. Contingent liabilities and commitments

- (a) A personal injury claim has been filed against the organization by a third party. The outcome of this claim is uncertain.
- (b) An endorsement of writ of summons was filed on June 25, 2009 by a third party. The BIDC is awaiting the plaintiff's statement of claim.

During 2004, the BIDC entered into an implementation agreement with Newton Business Park Project Company Limited and Hafeez Karamath Construction Limited (the contractor) to develop 6.5 acres of BIDC lands at Newton, Christ Church for the purposes of a business park. Under the terms of the Agreement, BIDC leased the land to Newton Business Park Project Company Limited for a term of 20 years. Newton Business Park Project Company Limited shall construct the business park and sub-lease it back to the BIDC for a term of 20 years less one day.

(c) The Board at its meeting of May 20, 2015 agreed to invoke its discretion under Section 8 (1) of the Statutory Boards (Pensions) Act, Cap. 384 by requiring officers in its service who would have attained the age of 60 years, on or before August 31, 2015, to retire as at September 30, 2015.

On July 20, 2015, Mr. Gregory Nicholls on behalf of seven (7) of the staff members recently retired from the BIDC, filed Applications for: (a) an Interim Injunction to restrain BIDC from effecting the retirement of the claimants and that they be allowed to continue in the employment of the service of the BIDC and (b) Judicial Review. The hearing of the application for the Interim Injunction was set for July 28, 2015.

On July 21, 2015, the BIDC filed an Application for a Declaration that BIDC has a discretion under Section 8 (1) of Cap. 384. A Certificate of Urgency was also filed by the BIDC on that date. The hearing for BIDC's application was also set for July 28, 2015.

The Court dealt with Case Management issues relating to the Applications of both parties on July 28, 2015. The Parties returned to Court on August 12, 2015, at which time the judge queried whether the parties (BIDC and the employees' attorney) could come to some agreement in order to avoid the hearing of the injunction and go directly to the judicial review application. In response, the BIDC presented a proposal to the employees' representative, to extend the retirement date until December 31, 2015 and continue salary payments to the workers until that date. The proposal was accepted and the injunction was therefore discontinued upon this agreement.

The Judicial Review Hearing commenced on December 16, 2015 and continued on December 17 and 18. It was adjourned and is scheduled to resume in 2016.

#### 23. Operating leases

	2015 \$	2014 \$
Less than one year Between one and five years More than five years	9,606,540 39,578,944 -	\$8,912,653 28,374,561 
	49,185,484	37,287,214

66	
Notes	





Barbados Investment and Development Corporation Website: www.bidc.org • Email: bidc@bidc.org