



Needham's Point
Holdings Ltd.

Annual Report

2020



Needham's Point Holdings Ltd.



Needham's Point
Holdings Ltd.

Annual Report 2020

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Board of Directors

The Board of Directors at the end of 31st March, 2020 was as follows:



Mr. Junior Walrond
Chairman



Mr. Alfredo Weatherhead
Deputy Chairman



Mr. Wayne Alleyne



Mr. Adrian Gomes



Mr. Ian Knight



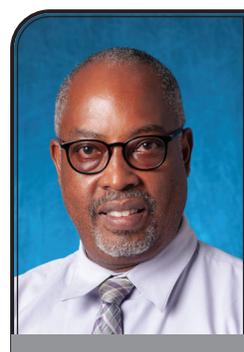
Mr. Mark Boxill



Mr. Luther Jones



Mrs. Donna Cadogan



Mr. Peter Blackman

Chief Executive Officer/Secretary

Ms. Debra Hughes

Auditors

PricewaterhouseCoopers

Bankers

CIBC FirstCaribbean International Bank

Chairman's Report



Performance of the Hotel

This year the hotel reported overall revenues of \$59.8M, which was a \$5.4M or 8.3% reduction on last year. The decline

was concentrated in the last quarter of the year, due to the impact of COVID-19. If the hotel was not impacted by COVID-19, revenues were projected to surpass 2019. The average occupancy for the year was 79.9%, a drop of 3.4% and the average room rate declined by 6.4%.

The net earnings of the hotel (Owner's Return) were \$12M, down \$4.46M on the previous year, a direct consequence of the reduced revenues. Finance costs were down due to the paying down of loan balances and depreciation decreased by \$2M based on the revaluation of the property in 2019. The comprehensive income for the year was \$402,721, which was \$2.56M less than last year.

By the end of the year, the devastating impact of COVID-19 started to negatively impact the Hotel's earnings and operations. Due to the sharp uptick in cancellations and downturn of business by the middle of March, 2020, the Hotel was forced to reduce staff levels in line with the declining occupancy. In addition, all of the Hotel's food and beverage outlets, with the exception of the coffee shop and room service were closed.

The recovery of the hotel from the losses imposed by COVID-19 was the major focus of attention for the hotel operator. New

operating models and procedures were being developed for opening in a post-COVID environment. Reorganisation of all business channels were being considered to achieve the greatest efficiencies while the market recovers and business volumes increase. For 2021, it is expected that total business volume could be 50% of the previous year.

The fall-off in business had a significant impact on NPHL. It placed the company in a precarious position, with the maturing of the \$80M bond in January 2021. To address this issue, the company escalated previously commenced negotiations for the refinancing and extension of the bonds, other debt and to secure short-term funding to cover working capital requirements.

As we look forward to an uncertain future, Covid-19 has affected almost every sector across the globe and as we saw during March, 2020 the hospitality industry was among the hardest hit. However, we know that this industry is resilient and will eventually rebound.

The company welcomed Ms. Debra Hughes as the new Chief Executive Officer during the third quarter of the year. The corporate office was relocated to #4 Stafford House, Garrison, St. Michael.

The Board held eleven (11) Board of Directors' meetings during the year.

A handwritten signature in black ink, appearing to read 'Junior Walrond'. Below the signature is a dotted line.

Junior Walrond
Chairman

Needham's Point Holdings Limited

Financial Statements

March 31, 2020

(expressed in Barbados dollars)



Independent auditor's report

To the Shareholders of Needham's Point Holdings Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Needham's Point Holdings Limited** (the "Company") as at March 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (the IFRS for SMEs).

What we have audited

The Company's financial statements comprise:

- the balance sheet as at March 31, 2020;
- the statement of changes in equity for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Company's shareholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in blue ink that reads 'R. Waterhouse Cooper SRL'. The signature is written over a faint, light-colored outline of a building or architectural structure.

Bridgetown, Barbados
July 31, 2020

Needham's Point Holdings Limited

Balance Sheet

As of March 31, 2020

(expressed in Barbados dollars)

	2020	2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 4)	9,307,500	11,522,600
Trade and other receivables (note 5)	4,995,015	6,361,567
Due from related parties (note 14)	99,395	191,264
Taxation recoverable	111,341	111,341
Inventories (note 6)	1,199,407	1,022,851
Current portion of deferred transaction costs (note 9)	174,588	198,419
	<u>15,887,246</u>	<u>19,408,042</u>
Non-current assets		
Property, plant and equipment (note 7)	200,037,148	200,000,000
Long-term portion of deferred transaction costs (note 9)	110,285	284,873
	<u>216,034,679</u>	<u>219,692,915</u>
Liabilities and Equity		
Current liabilities		
Trade and other payables (note 8)	9,260,617	8,130,809
Accrued interest (note 9)	1,308,286	1,327,373
Due to related parties (note 14)	291,365	935,669
Borrowings (note 9)	82,693,134	5,490,650
	<u>93,553,402</u>	<u>15,884,501</u>
Non-current liabilities		
Borrowings (note 9)	21,132,896	102,862,754
	<u>114,686,298</u>	<u>118,747,255</u>
Equity		
Share capital (note 10)	98,682,283	98,682,283
Revaluation surplus (note 7)	19,054,271	19,054,271
Accumulated deficit	(16,388,173)	(16,790,894)
	<u>101,348,381</u>	<u>100,945,660</u>
Total liabilities and equity	<u>216,034,679</u>	<u>219,692,915</u>

Approved by the Board of Directors on July 29, 2020



Director



Director

Needham's Point Holdings Limited

Statement of Changes in Equity

For year ended March 31, 2020

(expressed in Barbados dollars)

	Share capital \$	Revaluation surplus \$	Accumulated deficit \$	Total \$
Balance - March 31, 2018	98,682,283	69,824,597	(24,922,545)	143,584,335
Total comprehensive income for the year	—	—	3,362,107	3,362,107
Write off of intragovernmental debt (note 16)	—	—	4,769,544	4,769,544
Revaluation adjustment (note 7)	—	(50,770,326)	—	(50,770,326)
Balance - March 31, 2019	98,682,283	19,054,271	(16,790,894)	100,945,660
Total comprehensive income for the year	—	—	402,721	402,721
Balance - March 31, 2020	98,682,283	19,054,271	(16,388,173)	101,348,381

Needham's Point Holdings Limited

Statement of Comprehensive Income

For year ended March 31, 2020

(expressed in Barbados dollars)

	2020 \$	2019 \$
Income		
Sales and room revenue	59,806,922	65,249,277
Cost of sales (note 13)	<u>(6,044,323)</u>	<u>(6,163,279)</u>
Gross profit	53,762,599	59,085,998
Direct expenses (note 13)	<u>(17,187,090)</u>	<u>(17,327,069)</u>
Departmental profit	36,575,509	41,758,929
Other income	<u>111,625</u>	–
	<u>36,687,134</u>	<u>41,758,929</u>
Expenses		
Marketing and administrative expenses (note 13)	<u>25,821,508</u>	<u>25,662,807</u>
Income before finance and fixed charges	<u>10,856,626</u>	<u>16,096,122</u>
Finance and fixed charges		
Interest and bank charges (note 9)	7,044,166	7,354,702
Depreciation (note 7)	3,427,201	5,423,346
Foreign exchange gain	<u>(8,462)</u>	<u>(44,033)</u>
	<u>402,721</u>	<u>12,734,015</u>
Total comprehensive income for the year	<u>402,721</u>	<u>3,362,107</u>

Needham's Point Holdings Limited

Statement of Cash Flows

For year ended March 31, 2020

(expressed in Barbados dollars)

	2020	2019
	\$	\$
Cash flows from operating activities		
Net income for the year	402,721	3,362,107
Adjustment for:		
Write off of intragovernmental interest accrued (note 9)	–	(1,698,103)
Depreciation	3,427,201	5,423,346
Finance costs	7,044,166	7,354,702
Amortisation of bond costs	198,419	198,419
	<hr/>	<hr/>
Operating profit before working capital changes	11,072,507	14,640,471
Decrease in trade and other receivables	1,366,552	401,418
Decrease/(increase) in due from related parties	91,869	(191,264)
(Increase)/decrease in inventories	(176,556)	156,609
Decrease/(increase) in trade and other payables	1,129,808	(226)
Decrease in due to related parties	(644,304)	(447,652)
	<hr/>	<hr/>
Cash generated from operations	12,839,876	14,559,356
Interest paid	(7,063,253)	(7,185,178)
	<hr/>	<hr/>
Net cash generated from operating activities	5,776,623	7,374,178
	<hr/>	<hr/>
Cash flows used in investing activities		
Purchase of property, plant and equipment	(3,464,349)	(2,458,099)
	<hr/>	<hr/>
Cash flows from financing activities		
Repayment of borrowings	(4,527,374)	(4,923,841)
Bond transaction costs deferred	–	(275,716)
	<hr/>	<hr/>
Net cash used in financing activities	(4,527,374)	(5,199,557)
	<hr/>	<hr/>
Decrease in cash and cash equivalents for the year	(2,215,100)	(283,478)
	<hr/>	<hr/>
Cash and cash equivalents - beginning of year	11,522,600	11,806,078
	<hr/>	<hr/>
Cash and cash equivalents - end of year	9,307,500	11,522,600
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Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

1 Incorporation, principal activity and management

The Company was incorporated under the Companies Act of Barbados on January 13, 1999 and commenced operations on November 27, 2000. The ultimate beneficial shareholder is the Government of Barbados. The principal activity of the company is the ownership and operation of the Hilton Barbados as a resort/corporate hotel aimed at the higher end of the executive and incentive market.

The registered office of the company is located at #4 Stafford House, The Garrison, St. Michael.

The Company and Hilton International have entered into a formal management agreement for management of the Hotel. The initial operating term of management is for 20 years. The annual management fee charged by Hilton International Co. is calculated at 3% of revenue plus 10% of the adjusted net operating profit.

2 Going concern

The Company is scheduled to repay its \$80 million convertible Fixed Rate Guaranteed Bonds arranged through Royal Fidelity Merchant Bank and Trust (Barbados) Limited in January 2021. As discussed in note 17 to the financial statements, a bondholders meeting has been scheduled for August 17, 2020 to restructure and refinance this debt.

The Company's ability to continue as a going concern will be dependent on the successful renegotiations and on the continued financial support of the Company's bankers.

3 Significant accounting policies

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs), and have been prepared under the historical cost convention except as modified for the revaluation of property, plant and equipment as disclosed in note 6.

The preparation of financial statements in conformity with IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates (note 2(o)).

b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term deposits with maturity periods from the date of acquisition of less than three months.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

c) 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.

Financial assets

The Company classifies its financial assets in the following categories: cash on hand and at bank, trade and other receivables and due from related parties. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial liabilities

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date, the following items were classified as financial liabilities: borrowings, trade accounts payable and due to related parties.

d) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

e) Related party balances and transactions

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

f) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on a first-in, first-out (FIFO) basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

g) Property, plant and equipment

Property, plant and equipment is stated at valuation. Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful lives. The Company depreciates its buildings at 2% per annum of the residual value between the valuation of the hotel property as whole and the estimated value of the land based on an annual assessment of the land value compared to the carrying value of the property. Land is not depreciated. Depreciation rates used are as follows:

Buildings	2%
Furniture, fittings, plant and equipment	10% - 33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %
Other operating assets	33 $\frac{1}{3}$ %

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against the surplus directly in equity; all other decreases are charged to the statement of income.

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

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

h) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of an impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Statement of Comprehensive Income.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

i) Payables and provisions

Payables are stated at cost. Provisions are recognised when the company has a present legal or constructive obligation as a result of past/current events to record such expense. This is based on estimates and assumptions about the Asset or Liability that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. The actual results may differ from the estimates. Revisions to accounting estimates are recognized when the Asset/Liability is actualised and the cost is adjusted in the following period.

j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income account over the period of the borrowings.

k) Revenue recognition

Hotel revenue is recognised on the delivery of services and is recorded net of Value Added Tax.

l) Foreign currency translation

i) *Functional and presentation currency*

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

ii) *Transactions and balances*

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

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

m) Taxation

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable income for the year, which differ from the income before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

The company follows the liability method of accounting for deferred tax.

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

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

n) Employee benefits

Post-employment benefits

The Company has a defined contributory retirement plan where employees' participation is voluntary. A maximum of 6% is permitted but only 2.5% contribution is matched by the Company. Enrolment can start after the probationary period. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the company to its employees include salaries and wages, social security contributions, short-term compensated absences, 10% of rooms and food and beverage sales, incentive plans and allowances, meals and uniforms for all team members in the guest service department.

Health benefits (Life, Medical, Dental and Vision) are likewise available to all team members with a 50/50 split between team members and the Company. Coverage is available for families at the team member's expense. For management team members, the Company covers 100% of the cost.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

o) Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results.

Valuation of land and buildings

The Company uses professional valuers to determine the fair value of its land and buildings. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

Depreciation of buildings

The Company depreciates its buildings at 2% per annum of the residual value between the valuation of the property as a whole and the estimated value of the land based on annual assessments of the land value made by management.

4 Cash and cash equivalents

	2020	2019
	\$	\$
CIBC First Caribbean International Bank		
- operating account BBD	6,242,291	5,551,589
- property, plant and equipment account	1,480,805	2,386,397
- operating account USD	1,474,827	3,481,336
Cashiers and other cash	109,577	103,278
	<u>9,307,500</u>	<u>11,522,600</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

5 Trade and other receivables

	2020	2019
	\$	\$
(i) Trade receivables:		
Guest ledger	474,895	1,794,202
City ledger	<u>3,483,280</u>	<u>2,353,417</u>
	3,958,175	4,147,619
(ii) Other receivables:		
Other miscellaneous receivables	117,738	1,600,149
VAT receivables	49,354	–
Prepayments	<u>1,019,014</u>	<u>653,689</u>
	5,144,281	6,401,457
Less: Provision for doubtful accounts	<u>(149,266)</u>	<u>(39,890)</u>
	<u>4,995,015</u>	<u>6,361,567</u>

In determining the recoverability of trade receivables, management considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the existing provision.

Movements on the provision for impairment of trade receivables are as follows:

	2020	2019
	\$	\$
At April 1, 2019	39,890	59,465
Provision recognised during the year	198,321	–
Bad debts written off	(88,855)	–
Release of provision	–	(19,575)
	<u>149,266</u>	<u>39,890</u>
At March 31, 2020		

The creation and release of provision for impaired receivables have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. There are no financial assets other than those listed above that were individually impaired.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

6 Inventories

	2020 \$	2019 \$
Food	175,339	51,383
Beverage	321,627	341,363
Other operating inventories	702,441	630,105
	<u>1,199,407</u>	<u>1,022,851</u>

7 Property, plant and equipment

	Land and buildings \$	Furniture, fittings, plant and equipment \$	Computer equipment \$	Total \$
Year ended March 31, 2019				
Opening net book amount	246,851,289	6,505,266	379,018	253,735,573
Additions	1,809,015	373,430	275,654	2,458,099
Revaluation adjustment	(49,392,839)	(1,301,648)	(75,839)	(50,770,326)
Depreciation charge	(4,284,705)	(981,014)	(157,627)	(5,423,346)
Closing net book amount	<u>194,982,760</u>	<u>4,596,034</u>	<u>421,206</u>	<u>200,000,000</u>
At March 31, 2019				
Cost or valuation	194,982,760	4,596,034	421,206	200,000,000
Accumulated depreciation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>194,982,760</u>	<u>4,596,034</u>	<u>421,206</u>	<u>200,000,000</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

7 Property, plant and equipment ...continued

	Land and buildings \$	Furniture, fittings, plant and equipment \$	Computer equipment \$	Total \$
Year ended March 31, 2020				
Opening net book amount	194,982,760	4,596,034	421,206	200,000,000
Additions	1,580,396	1,625,795	258,158	3,464,349
Depreciation charge	(2,167,263)	(1,064,670)	(195,268)	(3,427,201)
Closing net book amount	194,395,893	5,157,159	484,096	200,037,148
At March 31, 2020				
Cost or valuation	196,563,156	6,221,829	679,364	203,464,349
Accumulated depreciation	(2,167,263)	(1,064,670)	(195,268)	(3,427,201)
	194,395,893	5,157,159	484,096	200,037,148

During the year ended March 31, 2016, the Company's property, plant and equipment were revalued by independent professional valuers but the valuation was not accepted by the directors and no adjustment was made to the carrying values of property, plant and equipment for the year ended March 31, 2016 or the two subsequent years 2017 and 2018. During the year ended March 31, 2019, the Company's property, plant and equipment was again revalued by an independent professional valuer who determined that the fair value of the property, plant and equipment is not less than \$200,000,000. The directors agreed with this valuation and recorded the appropriate changes in the carrying values of the company's property, plant and equipment and revaluation surplus at March 31, 2019.

8 Trade and other payables

	2020 \$	2019 \$
Trade payables	3,177,563	2,378,195
Accrued expenses	3,493,007	3,859,680
Advance deposits	1,907,922	1,892,934
Other payables	682,125	—
	9,260,617	8,130,809

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

9 Borrowings

i) Short term borrowing/related party transactions

	2020	2019
	\$	\$
a) CIBC First Caribbean International Bank	1,961,235	3,922,460
b) National Insurance Board	238,887	573,333
c) Royal Fidelity	80,000,000	–
d) First Citizens Bank Barbados Limited	493,012	994,857
	<u>82,693,134</u>	<u>5,490,650</u>

ii) Long term borrowing

	2020	2019
	\$	\$
a) CIBC First Caribbean International Bank	12,263,980	16,218,020
b) National Insurance Board	238,887	812,221
c) Royal Fidelity	80,000,000	80,000,000
d) First Citizens Bank Barbados Limited	11,323,163	11,323,163
	<u>103,826,030</u>	<u>108,353,404</u>
Less: current portion (i)	<u>(82,693,134)</u>	<u>(5,490,650)</u>
	<u>21,132,896</u>	<u>102,862,754</u>

- a) The loan balance of \$12,263,980 in 2020 (2019 - \$16,218,020) represent all of the drawdown on the syndicated \$61,000,000 (US\$30,500,000) senior loan from CIBC First Caribbean International Bank for the construction of the new Hilton Barbados. The loan bears interest at 3 month LIBOR plus 2.25% per annum payable quarterly. At March 31, 2020, this equated to 4.15060% (2019 - 4.8646%). It is secured by a charge over the 65,031 square metres of land at Needham's Point along with the pledge of 32,417,648 common shares of the Head Office held by Needham's Point Development Inc. At year end, accrued interest of \$65,546 (2019 - \$99,428) was recorded.

The loan is secured by:

- The insurance policy for property at Needham's Point for the sum of \$208,368,500.
- Certificate of charge for the sum of BS\$1,000,000 and US\$15,500,000.

- b) The loan balance of \$238,887 (2019 - \$812,221) represents the facility with the National Insurance Board. The loan bears interest at the rate of 6.5% per annum on the principal and is repayable in one hundred and eighty equal and consecutive monthly instalments commencing from the disbursement of the loan.

The loan is secured by certain parcels of land at Needham's Point.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

9 Borrowings ...continued

ii) Long term borrowing ...continued

- c) On January 7, 2011 the Company entered into an arrangement with Royal Fidelity Merchant Bank & Trust (Barbados) Limited ("The Trustee") to raise the aggregate sum of Bds\$80,000,000 by the issue and sale of Barbados currency Convertible Fixed Rate Guaranteed Bonds of one series 2011-2021 ("The Bonds"). In consideration of the agreement to procure subscribers for the Bonds and to act as agent of the company in relation to the issue of the Bonds, the company has agreed to pay the Trustee a commission of 1% of the aggregate principal amount of the Bonds plus VAT.

The Bonds are initially issued in registered transferable denominated amounts of Bds\$250,000 with all subsequent issues to a Bondholder in denominations of Bds\$50,000. The Bonds accrue interest at 6.75% paid semi-annually on July 7 and January 7 and mature 10 years from the date of issue at their nominal value of Bds\$80,000,000 or converted into shares at the option of the Bondholder. These options expired on September 1, 2017.

The loan is secured by an unconditional and irrevocable guarantee by the Government of Barbados.

	2020	2019
	\$	\$
Interest payable b/fwd	1,327,373	2,958,614
Interest expense	6,945,536	7,162,075
Interest paid	<u>(6,964,623)</u>	<u>(7,095,213)</u>
Interest payable c/fwd	1,308,286	3,025,476
Less: write off of intragovernmental accrued interest	<u>–</u>	<u>(1,698,103)</u>
	<u>1,308,286</u>	<u>1,327,373</u>

Transaction costs incurred on issuing the bond are amortized over the ten (10) year life of the bond.

	2020	2019
	\$	\$
Deferred transaction costs		
Bond issue fees incurred	1,708,565	1,708,565
Amortisation of deferred transaction costs	<u>(1,423,692)</u>	<u>(1,225,273)</u>
	284,873	483,292
Less current portion	<u>(174,588)</u>	<u>(198,419)</u>
	<u>110,285</u>	<u>284,873</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

9 Borrowings ...continued

ii) Long term borrowing ...continued

- d) The loan balance of \$11,323,163 represents a loan facility with First Citizens Bank (Barbados) Limited as at March 31, 2019, to cover the furniture, fixtures and equipment refurbishment for the hotel. The loan currently bears interest at 7.5% until receipt of the Government of Barbados guarantee, thereafter a rate of 6.5% will be charged. This rate is subject to three year resets with a floor of 6.5%.

Only interest is charged during the drawdown/refurbishment period of one year and four months, thereafter amortised over a nine year period, repayable in monthly blended payments of \$147,058.

The loan is secured by a guarantee from the Government of Barbados for \$12,000,000 and a lien over a debt service account, to be funded by a minimum of six months payments.

10 Share capital

The Company is authorized to issue an unlimited number of common shares without nominal or par value. At March 31, 2019 and March 31, 2018, 98,682,283 shares had been issued and outstanding.

11 Taxation

The tax on the company's net loss for the year differs from the theoretical amount that would arise using the statutory rate as follows:

	2020 \$	2019 \$
Net income for the year	<u>402,721</u>	<u>3,362,107</u>
Tax calculated at statutory rate of 5.5% (2019 - 5.5%)	22,150	184,916
Tax effect of the movement in the tax rate	-	5,196,423
Movement in deferred tax asset not recorded	18,045	(5,435,952)
Tourism Development Act expenditure incurred during the year	(86,922)	(99,496)
Market development allowance	(58,516)	(49,425)
Loan interest allowance	(126,163)	(140,447)
Expenses not deductible for tax	242,319	354,894
Tax allowances	<u>(10,913)</u>	<u>(10,913)</u>
Tax charge for the year	<u>-</u>	<u>-</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

11 Taxation ...continued

At year end the company has a deferred tax asset which has not been recognised due to the uncertainty of future taxable income against which the deferred tax asset can be utilised. The deferred tax asset consists of the following components:

	2020 \$	2019 \$
Delayed tax depreciation	(3,775,059)	(3,724,310)
Bad debt provision	54,002	54,002
Qualifying capital expenditure under the Tourism Development Act (note 11)	<u>20,903,973</u>	<u>20,525,126</u>
	<u>17,182,916</u>	<u>16,854,818</u>
Deferred tax asset at corporation tax rate of 5.5% (2019 - 5.5%)	<u>945,060</u>	<u>927,015</u>

The delayed tax depreciation has no expiry date. The expiry dates of the Tourism Development expenditure are disclosed in note 12.

12 Tourism Development Act relief

The company is an approved hotel under the Tourism Development Act and as such it is entitled to set-off the cost of certain qualifying capital expenditure incurred on buildings and amenities against taxable income for the next fifteen years from the date of such expenditure. The amount available for set-off is as follows:

Income year	Balance b/fwd \$	Incurred \$	Utilised \$	Expired \$	Balance c/fwd \$	Expiry date
2016	6,222,196	—	(1,201,549)	—	5,020,647	2030
2017	11,128,193	—	—	—	11,128,193	2031
2018	1,365,722	—	—	—	1,365,722	2032
2019	1,809,015	—	—	—	1,809,015	2033
2020	—	1,580,396	—	—	1,580,396	2034
	<u>20,525,126</u>	<u>1,580,396</u>	<u>(1,201,549)</u>	<u>—</u>	<u>20,903,973</u>	

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

13 Expenses by nature

a) Cost of sales

	2020	2019
	\$	\$
Food	5,198,326	5,108,465
Beverage	570,423	779,135
Telecom and leisure	275,574	275,679
	<u>6,044,323</u>	<u>6,163,279</u>

b) Direct expenses

	2020	2019
	\$	\$
Salaries and other staff costs	11,720,006	11,237,216
Cleaning and laundry	1,865,278	2,224,469
Supplies including executive lounge	1,407,366	1,420,428
Other expenses	696,726	796,144
Music and entertainment	890,621	1,151,922
Commissions	607,093	496,890
	<u>17,187,090</u>	<u>17,327,069</u>

c) Marketing and administrative expenses

	2020	2019
	\$	\$
Wages and salaries	7,442,852	7,097,830
Utilities	4,194,978	3,686,125
Management fees (note 14)	3,129,345	3,839,338
Property and maintenance	1,866,420	2,017,100
Selling and marketing	1,160,402	1,207,332
Miscellaneous expenses	2,682,263	2,880,098
Insurance	1,755,830	1,633,723
Credit card expenses	1,468,342	1,411,212
Land tax	1,015,313	708,750
Professional fees	104,175	111,885
Bad debts written off	198,321	67,948
Security	361,182	552,482
IT costs	357,366	376,244
Travel	84,809	72,740
	<u>25,821,508</u>	<u>25,662,807</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

14 Related party transactions

i) Management fees

The management fee is paid to Hilton International and is charged at the following rates:

Basic fee - 3% of revenue

Incentive fee - 10% of adjusted net operating profit

The adjusted net operating profit is calculated as the net income for the year after deducting the basic management fee.

ii) Due from/(to) related parties

	2020	2019
	\$	\$
Due from related parties		
Needham's Point Development Inc.	<u>99,395</u>	191,264
Due to related parties		
Hilton International - Watford	106,110	9,580
Hilton International Miami	–	231,582
Hilton International (Barbados) Ltd.	<u>185,255</u>	694,507
	<u>291,365</u>	935,669

The amounts due from and due to related parties are interest-free, unsecured and have no fixed terms of repayment.

15 Contingent liability

Per the Amending Agreement dated November 10, 2003 between the company and Hilton International Co., the company received US\$5,000,000 noted as Key Money to be used US\$2,500,000 for the purchase of fixed assets and US\$2,500,000 for pre-opening expenses. In the event that the operation agreement between Hilton International and Needham's Point Holdings is terminated before 20 full calendar years through no fault of Hilton International, then Needham's Point Holdings shall repay to Hilton a proportion of the Key Money based on the unexpired portion of the 20 years.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2020

(expressed in Barbados dollars)

16 Write-off of intragovernmental debt

As at January 31, 2019, the Ministry of Finance, Economic Affairs and Investment instructed state owned enterprises and other public bodies to write off intragovernmental debt (including tax refunds and budgetary transfers which have not been made) incurred prior to September 1, 2018 effective December 31, 2018. The following balances were written off during the year:

	2019 \$
VAT receivable	1,543,306
Associated company balance	52,134
Short term loan	<u>(6,364,984)</u>
Net adjustment recorded through statement of changes in equity	<u>4,796,544</u>

17 Subsequent events

Subsequent to March 31, 2020, the COVID19 global pandemic has had a negative impact on the Barbados Hilton. The hotel moved from 90% occupancy in mid-March to single digits by month end. Since the mandatory shutdowns locally and internationally, the occupancies of the hotel have dropped to less than 3% in the first quarter of the new financial year. The projections for the remaining quarters of the new financial year are currently forecasting increases into the 10s, 20s and 30s by the end of the calendar year and the 50s for the subsequent 12 months. This however, is dependent on the rates of infections and recoveries in the source markets and the resumption and continuation of commercial flights into Barbados.

The directors have commenced discussions with the Company's bankers and bondholders to restructure and refinance the Company's financial obligations as follows:

- To restructure and refinance the \$80M Royal Fidelity bond. A bondholders meeting is scheduled for August 17, 2020.
- The deferral of loan payments until hotel operations return to above breakeven levels. The initial deferrals are to end September 30 after which extensions will be sought.
- The obtaining of short term financing during the period of recovery for an overdraft facility.

The directors are confident that the company will be successful with all of these initiatives.



Needham's Point Holdings Limited
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