

Annual Report and Financial Statements

CAVES OF BARBADOS LTD

Year Ended 31 March 2018
(Expressed in Barbados Dollars)

APPENDIX A

Annual report from Chairman of the Board of Directors

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INTRODUCTION

Historical Background

Harrison's Cave, Barbados' most popular land-based visitor attraction, is a natural karst limestone formation featuring a series of subterranean passages, with a gallery of stalactites, stalagmites, lakes, streams and waterfalls. Harrison's Cave is the only commercialized subterranean cave in Barbados, and has the distinction of being one of three (3) drive-in caves in the world.

On 19 March 1999, Caves of Barbados Ltd. (CBL) a private limited liability company, was incorporated under the (Barbados) Companies Act, Cap 308, and assumed ownership and operating responsibility for Harrison's Cave. Following the enactment of the Caves Act 2000-12 which provided for the company's control and management of caves in Barbados, CBL took over full management responsibility in September, 2000.

VISION STATEMENT

To be the premier eco-experience in the world.

MISSION STATEMENT

We will promote and sustainably develop the National Cave of Barbados within a high-quality service culture for the benefit of our patrons, employees and other stakeholders, while contributing to the economic and social well-being of the people of Barbados.

OBJECTIVES

- a) To manage the operation of the Cave so as to attain a reasonable return on investment.
- b) To provide a high-quality visitor experience through innovative approaches to the cave experience as well as through educational and interpretative offerings.
- c) To integrate the operation of the Cave into the surrounding communities by dealing quickly, effectively and fairly with community concerns and by ensuring that local residents are given the opportunity to benefit financially from the operation of the Cave.
- d) To develop and maintain a system to monitor and manage visitor flows and the uses of the Cave and surrounding gullies.

STRATEGIC INTENT AND BUSINESS MODEL

The CBL's main strategic intent is to be fully established as the number one attraction in Barbados. This strategic intent is linked to the Business model which highlights how the institution makes money.

Business Model:

The CBL will generate its core revenues from the sale of its subterranean cave tours (both day and night) and from the proceeds of restaurant and in-house specialty arts and craft stores. This business model will be operationalized through providing excellent cave and tram management/maintenance services, and a consistent level of excellent service delivery to all customers. Special attention will be paid to analyzing the value chain and creating efficiencies in all areas of operation. I.e. reviewing sources of supply and reducing the costs of selling the products and services (this includes timelines of preparation and delivery).

ORGANIZATIONAL GOALS 2017/18

- The development of a marketing strategy aimed at building brand awareness of the product amongst key target groups that will lead to increased traffic to the attraction and overall attainment of revenue targets.
- Creation of new revenue streams by focusing more on the venue as a multi-purpose facility.
- Improving the visitor experience by implementing food and beverage options on property for visitors' convenience and enjoyment.
- Focus on improving the efficiencies of the operation through a carefully managed preventative maintenance program.
- Implementation of the elevator replacement project, aimed at replacing old units that have been causing operational issues and impacting customer service.
- To maintain and improve relationships with key stakeholder groups.
- Focus on training and development of our staff.

BOARD OF DIRECTORS

The Members of the Board of Directors up to 22 May 2018 were as follows:

- | | | |
|--------------------------|---|-----------------|
| • Mr. Steve Alleyne | - | Chairman |
| • Dr. Donley Carrington | - | Deputy Chairman |
| • Ms. Sophia Catwell | - | Board Member |
| • Mr. Olvin Forde | - | Board Member |
| • Mr. Villeneuve Greaves | - | Board Member |
| • Mr. Wren Miller | - | Board Member |

- Mr. Villeneuve Greaves - Board Member
- Mr. Wren Miller - Board Member
- Ms. Grace Ramsay - Board Member
- Mrs. Kristin Turton - Board Member
- Mrs. Sondra Willett-Elcock - Board Member
- Chief Town Planner or nominee
- Permanent Secretary, Ministry of Tourism and International Transport or nominee
- Director, Natural Heritage Department, or nominee

Mrs. Ann Williams performed the duties of Recording Secretary during this period.

The cabinet of Barbados approved the following persons to sit on the Board of Directors with effect from 27 August 2018 for a period of two years:

- Mr. Ralph Thorne, Q.C., M.P - Chairman
- Mr. Dave Layne - Deputy Chairman
- Mr. Steven Williams - Board Member
- Ms. Racquel Ramsay - Board Member
- Ms. Carla Parris - Board Member
- Ms. Stephanie Von Oppen - Board Member
- Ms. Lana Alleyne - Board Member
- Mr. Gabriel Gooding-Edghill - Board Member
- Mr. Patrick Estwick - Board Member
- Mr. Dasrat Sugrim - Board Member
- Mr. Stanton Millington - Board Member
- Ms. Gail King - Board Member
- Director, Natural Heritage Department, or nominee

SUB-COMMITTEES OF THE BOARD

There were five (5) Sub-committees of the Board.

- 1) The Pension Committee - Chair, Mrs. Kristin Turton
- 2) The Human Resources Committee - Chair, Ms. Sondra Willet-Elcock
- 3) The Technical Committee - Chair, Ms. Sophia Catwell
- 4) The Marketing Committee - Chair, Ms. Sophia Catwell
- 5) The Finance and Tenders Committee - Chair, Mr. Donley Carrington

The Chairman of the Board acted as an ex-officio member of all of the committees.

MEETINGS OF THE BOARD OF DIRECTORS

Fourteen (14) Board of Directors’ Meetings were held for the financial year April 2017 to March 2018. Of these two (2) were Special Meetings.

| Board Members | <i>Meetings Attended</i> |
|---------------------------------------------------------------|---------------------------------|
| Mr. Steve Alleyne (Chairman) | <i>11</i> |
| Mr. Donley Carrington (Dep. Chair) | <i>12</i> |
| Ms. Sophia Catwell | <i>11</i> |
| Mr. Olvin Forde | <i>14</i> |
| Mr. Villeneuve Greaves | <i>13</i> |
| Mr. Wren Miller | <i>13</i> |
| Ms. Grace Ramsay | <i>14</i> |
| Mrs. Kristin Turton | <i>12</i> |
| Ms. Sondra Willett-Elcock | <i>8</i> |
| Chief Town Planner or representative | <i>7</i> |
| Director Natural Heritage Department or representative | <i>14</i> |
| Permanent Secretary Min. of Tourism or representative | <i>13</i> |

Mr. George Browne replaced Mr. Mark Cummins as representative from the office of Chief Town Planner from 6th March 2018 as Mr. Cummins had moved on as Acting Permanent Secretary in the Ministry of Culture, Sports and Youth.

Mrs. Julia Atkins-Best replaced Mrs. Nicole Taylor from May 2017 as representative from the Ministry of Tourism and International Transport as Ms. Taylor was transferred to another department.

The Board of Directors was re-appointed on 13th July 2017 for a two-year term.

VISITOR ARRIVALS

Visitor numbers for the reporting period 2017/18 totalled 125,336 when compared to financial 2016/17 of 117,080, an increase of 8,250 or 7%. The number of visitors for the just concluded financial year fell behind the budgeted amount of 126,238 by 902 persons or 1%.

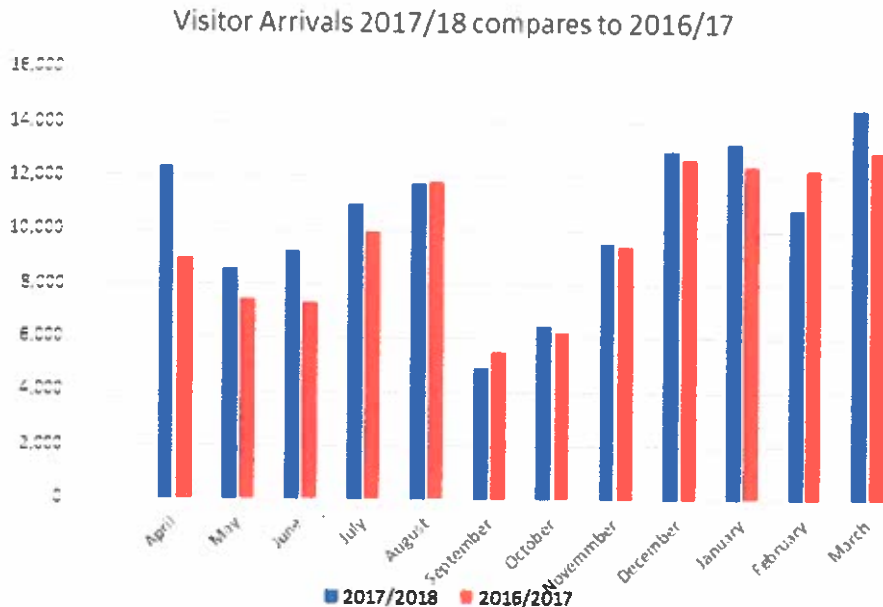
TABLE—VISITOR ARRIVALS – APRIL 2017- MARCH 2018

| | 2017/2018 | 2016/17 |
|------------------|----------------|----------------|
| <i>April</i> | 12,356 | 8,950 |
| <i>May</i> | 8,557 | 7,454 |
| <i>June</i> | 9,246 | 7,342 |
| <i>July</i> | 10,977 | 9,960 |
| <i>August</i> | 11,759 | 11,841 |
| <i>September</i> | 4,902 | 5,509 |
| <i>October</i> | 6,448 | 6,248 |
| <i>November</i> | 9,553 | 9,420 |
| <i>December</i> | 12,960 | 12,649 |
| <i>January</i> | 13,251 | 12,425 |
| <i>February</i> | 10,785 | 12,312 |
| <i>March</i> | 14,542 | 12,970 |
| TOTAL | 125,336 | 117,080 |

When compared to the previous year, performance exceeded the corresponding period in all months except August, September and February. The very active Hurricane season, and the subsequent cancellation of cruise calls during the month due to Hurricane Irma would have contributed significantly to the decline in September.

Barbados however fared better than many of our Caribbean neighbours and would have benefitted from some ships being repositioned in the months following.

The below bar chart highlights this comparison.



OPERATING ACTIVITIES

Restaurant and Bar

Since the redevelopment of Harrison’s Cave, the restaurant space has not been continuously tenanted or operated. In September 2017 we were able to sign a five-year agreement with Infusion catering to operate the restaurant and bar on property. The onsite operator will also provide catering services for all events held on property. The Cave Bar was officially opened to the public in November 2017 while the Cave Bistro welcomed its first guests on 3rd January 2018.

Upgrade of Elevators

During 2017 agreement was reached for the award of the contract to replace the elevators on the site. The elevators form part of the attraction, providing patrons with a unique panoramic glass elevator ride from the cliff top to the valley floor. Unfortunately, over the last few years, the customer experience has been jeopardised by constant malfunctioning of the units. The decision to replace these units therefore will enhance the reliability of this integral part of the product. The units were ordered and work began on site during the last quarter of this financial year. The third elevator will be replaced in the upcoming following financial year.

Hurricane Season

September was a particularly challenging month in 2017 for the entire region due to the busy hurricane season and even though Barbados was not directly impacted by the hurricane activity, the destination still felt some impacts of the busy hurricane season.

Due to the passing of Tropical Storm Maria, which quickly upgraded to cat 5 hurricane after passing the island, the Cave was forced to close early on September 18th and remained closed for the majority of the day on 19th September. In addition, the destination saw the cancellation of the Carnival vessel Fascination as a direct result of the hurricane for the balance of the year. The last call for the vessel took place on September 20th. This fall out has filtered down to attractions such as ours who rely heavily on the weekly cruise ship business.

Based on pre-booked tours from tour operators, walk-in tours and our direct contract for the eco-adventure tour, we anticipate a loss of at least 250 passengers on a weekly basis.

Exercise Trade Winds 2017

Harrison's Cave actively participated in the staging of Exercise Tradewinds 2017. An exercise was conducted on site on 9th June 2017. It was one of the exercises conducted for Exercise Tradewinds 2017 in Barbados. The Barbados Defense Force (BDF) in collaboration with the United States Southern Command conducted this joint training from 5th to 12th June in Barbados with the aim of assisting the participating nations to respond better to natural disasters as well as providing humanitarian assistances. Harrison's Cave was able to achieve its objectives of testing its mobilization and responses, emergency procedures, the incident command system and resources relative to a seismic activity at Harrison's Cave. Prior to 9th June 2017, CBL received assistance for training in the incident command system, light urban search and rescue, ropes, knots and emergency rescue and packaging. CBL also trained staff in the use of equipment, drills, fire prevention and evacuation and first aid. At the end of the exercise, the main areas identified as requiring improvement are the emergency plan, the incident command system, radio communications, coordination of rescue efforts with the agencies, equipment and supplies for rescue and specialized training for cave rescues.

Tourism Development Act License

Caves of Barbados was granted the license under the Tourism Development Act for the first time. This means therefore that we qualify for exemption on the payment of duties associated with terms outlined in Schedule II of the Act. This should result in some cost saving on items imported for use in the operation.

Tram Audit

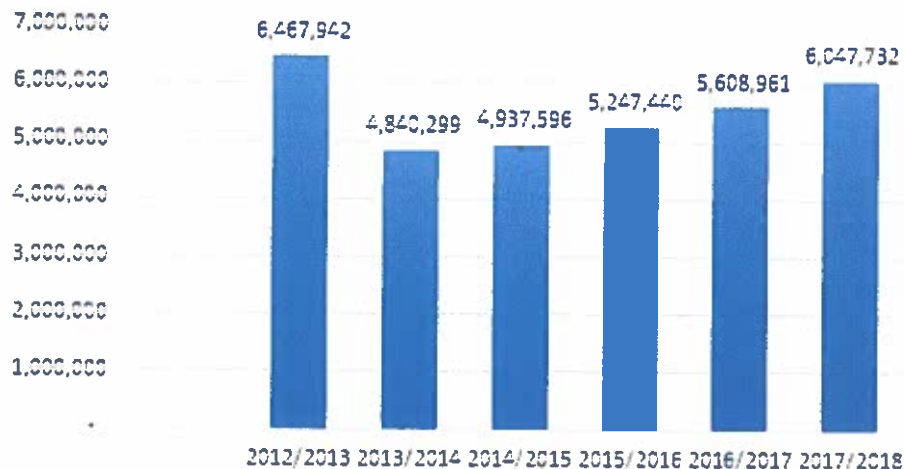
In October 2017, the Board of Directors received the results of the Tram Audit undertaken by Power Care Inc. The report indicated that under the current preventative maintenance program it is expected that the current fleet of trams which have now been in operation for ten (10) years is anticipated to last another 3-5 years largely due to the movement of the industry from DC drive units to today's use of AC units. The Board must therefore now move to initiate the process for investigation into the next generation tram for the sustainability of the tours in the current format.

Finance

During the year, the Cave's revenue, exclusive of the Government Grant, increased by \$272,350 or 5% when compared to actual performance in 2016/17. This increase was due primarily to a positive performance in the collection of entrance fees resulting from an overall increase in visitor traffic.

A comparison of revenue performance over the past 5 years is highlighted in the chart below. Revenue has been showing an increase in the last five years. The financial year end was changed from 31st December to 31st March, which resulted in a 15-month period January 2012 to 31st March 2013. With the changeover in accounting periods in 2012/13, this period presents an anomaly in the comparison.

Revenue 2012 to 2018



The Caribbean Development Bank loan balance was reduced from \$29,621,542 in 2016/2017 to \$24,744,995 in 2017/2018. The amount of interest paid on the loan amounted to \$1,144,046 in 2017/2018. During the income year 2017/2018 there was a decrease in the Government Grant of \$643,098, from \$9,456,800 in 2016/2017 to \$8,813,701.

MARKETING

Website Redevelopment

The company's new website was launched on 15th May 2017. The redesigned, responsive site has created a new marketing platform for the company and now allows us to communicate with our publics across various media in particular mobile devices where persons are spending most of their online time. The redesign was the first phase of the redevelopment process, and efforts will now shift to integrating the site to our reservations software which will allow persons to book and purchase tickets online for the attraction.

Social Media and Digital Marketing

Harrison's Cave has been absent in the digital space over the last few years but 2017 saw the re-emergence of the brand on social media platforms such as Facebook, Instagram and YouTube. Our Facebook following has increased to 8,145 while Instagram has gained 1,517 followers since its establishment.

Media Relations

During the year we began an effort to reach out to our media partners more than previous years, hence creating an avenue for greater media coverage of activities held at Harrison's Cave. Media personnel were hosted for one of our eco-adventure tours in an effort to create greater awareness of this activity.

Trade shows

Harrison's Cave was represented at World Travel Market and Florida Caribbean Cruise Association Conferences. Coming out of discussions with the Cruise lines, there is great interest and potential for more direct business with the Cruise Lines which is being actively pursued. The attraction was also able to benefit from increased exposure to the tour operators and travel agents and we are seeking to establish a presence on online sales channels through partners like Viator.

New Business

Our presence at the two trade shows this year have already begun to bear fruit for the organization. Holland America has confirmed sale of the Eco-Adventure Tours beginning in January 2018. The new bid submission has been submitted. Carnival has also expressed interest in doing more direct tours with us, which we are actively pursuing.

ENVIRONMENTAL MANAGEMENT PLAN

Environmental monitoring continued to be a part of the routine activities within the cave environment with data being collected from monitoring stations located at three different points within the Cave. Operations were impacted on six (6) days due to unfavourable conditions in the Cave as a result of storm run-off, which resulted in heavily turbid pool waters and noxious odours.

Daily inspections were made throughout the year by the Cave Maintenance Technicians. Additionally, water samples were collected once a month and taken to the Government Analytical Services for the testing of Total coliform (TC), *Escherichia coli* (*E. coli*), Orthophosphorous (OP) and Nitrate (N). When the water quality was impacted significantly by surface water which resulted in heavily discoloured pools and streams with an accompanying noxious odour, tours were suspended. Generally, the Eco-adventure tour was affected mainly by storm water and any discolouration of the water resulted in the cancellation of the tours. Under extreme water quality conditions, the eco-adventure and the signature tour were suspended on 28th June, 18th August, 18th September, 14th October and 30th November.

In 2017-2018 a decision was taken to replace the environmental monitoring equipment as replacing the parts was not viable anymore and companies were invited to submit proposals for the replacement of the system. By February 2018, three proposals for the replacement of the environmental monitoring equipment were received and reviewed and a recommendation was made. In March 2018, the partnership between Sutron Corporation Inc. and the Caribbean Institute of Metrology and Hydrology (CIMH) for the supply, training and servicing of new environmental monitoring stations was approved by the Board of Directors. The equipment was purchased, and the expected arrival date was given as June 2018.

The main air quality concern for the period was related to the occasional “heat” in the cave and REA Environmental International commenced an air and water quality assessment in January 2018. The study was completed in February 2018 and the report was expected in April 2018.

The cave roof and walls were inspected daily for any changes to the structure. Additionally, during periods of heavy rains and increased seepage, efforts were made to look for fractures that were weakening. On 11th October 2017 it was reported that loose material had fallen from the ceiling at Cascade Pool. After an internal assessment and one by a team of Geologists from the Natural Resources Department/Division of Energy and Telecommunication, it was stated that there were no signs of immediate large-scale displacement in the area. Geologists also recommended to immediately establish a helmet policy. There were some logistics that had to be performed and the re-introduction of the safety helmets started on 15th March 2018.

An Inter-Ministerial Task Force, was established by Cabinet to oversee the geo-physical imaging of Harrison’s Cave. The Task Force is currently in the process of negotiating the proposal submitted by shortlisted consultant for the conducting of a Geo-Technical Study.

HUMAN RESOURCES

Retirements

Ms. Colleen Murray- Johnson, Tour Guide retired from the organization on 28th September 2017 after 33 years of service.

New Hires

Mr. Kevin Thomas officially commenced his role as Operations Manager on 8th May 2017. Mr. Thomas replaced Mr. Scoffield Clarke who retired from the position in February 2015. The Technical Officer, Environment had responsibility for the oversight of the department while it remained vacant.

Mr. Kevin Thomas joined the organization as Operations Manager on 8th May 2017.

Recruitment of Adventure Tour Interpreters

Mr. Gabriel Welch and Mr. Carl Cumberbatch joined the organization as Adventure Tour Interpreters effective 1st February 2018.

Resignations

Mr. Donovan Lovell who assumed the position as Cave Ranger effective 1st March 2017 resigned on 16th October 2017.

STAFF TRAINING

Training for Volunteers for Specialized Emergency Response Team

In preparation for Tradewinds Exercise 2017 which was held on Friday 9th June 2017, a number of emergency response training exercises were held between May and June 2017 for staff who were selected to be part of the emergency response team. This training included Cave Familiarization Drills, use of Emergency Equipment training, Light Search and Rescue, Fire Wardens and evacuation training. These sessions were conducted by the Barbados Defense Force and the Barbados Fire Service, while others were done in-house coordinated by Ms. Glendine Sealey. Following the exercise, members of the Fire Service were invited back to further educate staff on Fire Safety.

First Aid Training

Refreshers First Aid Training was held over a three-day period for staff from May 23rd – 25th, 2017. This was facilitated by the Heart & Stroke Foundation of Barbados.

Safety and Health Committee Activity for Mental Health Day

On Wednesday 11th October 2017 an educational Lecture was held for staff as part of the activities for Mental Health Day. This lecture was conducted by the Community Outreach Committee of the Psychiatric Hospital/ Community Health Care Nurse for St. Thomas. **The Theme was “Mental health in the workplace”** and the objective of this activity was to raise awareness of mental health issues and to mobilize efforts for better mental health within the workplace.

PENSION PLAN

Significant progress has been made towards the establishment of the Caves of Barbados Pension plan. All of the relevant documentation was completed for the company to complete the registration of the plan with the Financial Services Commission. The company now awaits confirmation of this process by the regulatory body. The Board of Directors also voted to select Sagicor Financial to provide record keeping/ administrative services for the plan. The pension plan will be funded by payments by the Company, taking into account the recommendations of independent qualified actuaries.

At present, the pension plan obligations are funded by the pension plan bank account. The amount in the pension plan bank account at 31st March 2018 was \$3,922,908.09. During the year 2017/18 an amount of \$96,000.00 was injected into the pension plan bank account. The pension plan bank account is currently reported in financial statement together with any surplus or deficit in accordance with the actuarial valuation as provided by Eckler.

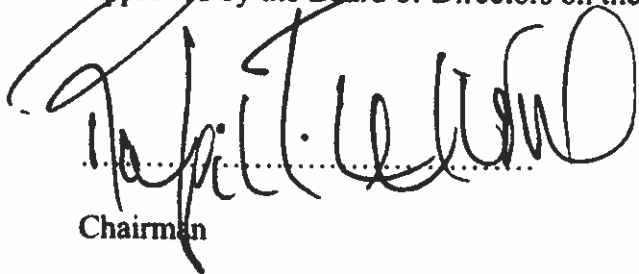
During the year, the company also invested a portion of funds on the pension account in Government short term Treasury Bills earning an interest rate of 3.45%.

REDEVELOPMENT PROJECT

Land Acquisition

A transfer was made to the Accountant General in favour of the Ministry of Housing for compensation to one land owner, Ms. Eloise Smith. We continue to work closely with the Ministry of Housing to come to completion on the compensation to the remaining land owners.

Approved by the Board of Directors on the 28th day of June 2019 and signed on its behalf by:



Chairman

APPENDIX B

**Year Ended 31 March 2018
Audited Financial Statements**

CAVES OF BARBADOS LTD

Year Ended 31 March 2018
(Expressed in Barbados Dollars)

CAVES OF BARBADOS LTD

Year ended 31 March 2018

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Independent auditors' report

To the Shareholder of Caves of Barbados Ltd

Opinion

We have audited the financial statements of Caves of Barbados Ltd (the Company), which comprise the statement of financial position as at 31 March 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for qualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Note 23 to the financial statements discloses that instructions were issued by the Ministry of Finance, Economic Affairs and Investments to State Owned Enterprises to write off all intragovernmental debt owing prior to 1 September 2018. Affected material amounts recorded by the Company as at 31 March 2018 are represented by outstanding VAT refunds of \$1,254,455 from the Barbados Revenue Authority. These amounts not subsequently received to date have not been written off. This is not in accordance with IAS 39.58 which would require that this be treated as an adjusting event as at 31 March 2018.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 March 2018. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS, 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.

Independent auditors' report (continued)

To the Shareholder of Caves of Barbados Ltd

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 shareholder, 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 shareholder those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body, for our audit work, for this report, or for the opinion we have formed.

Deloitte & Touche

28 June 2019

CAVES OF BARBADOS LTD

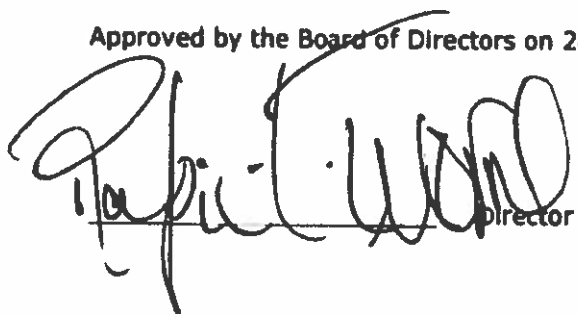
Statement of Financial Position


At 31 March 2018

(expressed in Barbados dollars)

| | Notes | 2018 | 2017 |
|----------------------------------------------------|-------|----------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash at bank | 4 | \$ 8,444,039 | \$ 6,758,068 |
| Accounts receivable and prepayments | 5 | 2,102,077 | 1,712,915 |
| Inventories | 6 | 82,383 | 108,109 |
| Corporation tax recoverable | | <u>11,927</u> | <u>11,927</u> |
| | | 10,640,426 | 8,591,019 |
| Non-current assets | | | |
| Net defined benefit asset | 16 | 548,378 | 516,392 |
| Property, plant and equipment | 8 | <u>57,587,664</u> | <u>58,726,478</u> |
| Total assets | | \$ <u>68,776,468</u> | \$ <u>67,833,889</u> |
| Liabilities and equity | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | 10 | \$ 492,680 | \$ 1,009,745 |
| Corporation Tax Payable | 7 | 310,610 | - |
| Current portion of loans payable | 15 | 4,893,009 | 4,893,009 |
| Amount due to related party | 7 | <u>199,745</u> | <u>199,745</u> |
| | | <u>5,896,045</u> | <u>6,102,499</u> |
| Non-current liabilities | | | |
| Loans payable | 15 | 24,744,995 | 29,621,542 |
| Net defined benefit liability | 16 | <u>-</u> | <u>-</u> |
| | | <u>24,744,995</u> | <u>29,621,542</u> |
| | | <u>30,641,040</u> | <u>35,724,041</u> |
| Equity | | | |
| Share capital – 7,600,000 common shares | 11 | 7,600,000 | 7,600,000 |
| Subscription shares to be issued | 12 | 27,709,993 | 27,709,993 |
| Capital contribution by the Government of Barbados | 13 | 4,317,224 | 4,317,224 |
| Accumulated deficit | | <u>(1,491,788)</u> | <u>(7,517,369)</u> |
| | | <u>38,135,429</u> | <u>32,109,848</u> |
| Total liabilities and equity | | \$ <u>68,776,468</u> | \$ <u>67,833,889</u> |

Approved by the Board of Directors on 28 June 2019 and signed on its behalf by:


Director


Director

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Statement of Comprehensive Income For the Year Ended 31 March 2018

(expressed in Barbados dollars)

| | Notes | 2018 | 2017 |
|----------------------------------------------------------------------------|-------|---------------------|---------------------|
| Revenue | | | |
| Entrance fees | | \$ 5,571,378 | \$ 5,342,027 |
| Shop and bar sales | | <u>369,099</u> | <u>341,138</u> |
| | | 5,940,477 | 5,683,165 |
| Cost of sales | | <u>(218,340)</u> | <u>(320,897)</u> |
| Gross profit | | 5,722,137 | 5,362,268 |
| Government grants | 22 | 8,813,702 | 9,456,800 |
| Other income | | <u>107,255</u> | <u>92,217</u> |
| | | <u>14,643,094</u> | <u>14,911,285</u> |
| Expenses | | | |
| Salaries, wages and benefits | | 2,865,209 | 2,757,180 |
| Other general and administrative expenses | 17 | 2,201,607 | 2,246,848 |
| Depreciation and amortization | 8 | 1,891,461 | 2,436,238 |
| Employee benefits expense | | 88,879 | 17,852 |
| Interest and bank charges | | <u>1,245,708</u> | <u>1,466,572</u> |
| | | <u>8,292,864</u> | <u>8,924,690</u> |
| Income for the year before taxation | | <u>6,350,230</u> | <u>5,986,595</u> |
| Taxation | | <u>310,610</u> | - |
| Income for the year | | <u>6,039,620</u> | <u>5,986,595</u> |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Remeasurement of defined benefit obligation | 16 | <u>(14,039)</u> | <u>(633,529)</u> |
| Other comprehensive income for the year | | <u>-</u> | <u>(633,529)</u> |
| Total comprehensive income for the year | | <u>\$ 6,025,581</u> | <u>\$ 5,353,066</u> |

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Statement of Changes in Equity For the Year Ended 31 March 2018

(expressed in Barbados dollars)

| | Share capital | Subscription for shares to be issued | Capital contributed by the Government of Barbados | Accumulated deficit | Total |
|-----------------------------------------|---------------------|--------------------------------------|---------------------------------------------------|-----------------------|----------------------|
| Balances – 31 March 2016 | \$ 7,600,000 | \$ 27,709,993 | \$ 4,317,224 | \$ (12,870,435) | \$ 26,756,782 |
| Total comprehensive income for the year | — | — | — | <u>5,353,066</u> | <u>5,353,066</u> |
| Balances – 31 March 2017 | 7,600,000 | 27,709,993 | 4,317,224 | (7,517,369) | 32,109,848 |
| Total comprehensive income for the year | — | — | — | <u>6,025,581</u> | <u>6,025,581</u> |
| Balances – 31 March 2018 | <u>\$ 7,600,000</u> | <u>\$ 27,709,993</u> | <u>\$ 4,317,224</u> | <u>\$ (1,491,788)</u> | <u>\$ 38,135,429</u> |

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Statement of Cash Flows

For the Year Ended 31 March 2018

(expressed in Barbados dollars)

| | Notes | 2018 | 2017 |
|--------------------------------------------------------------|-------|---------------------|---------------------|
| Operating activities | | | |
| Income before taxation | | \$ 6,350,230 | \$ 5,986,595 |
| Adjustments for: | | | |
| Interest expense | | 1,245,708 | 1,466,572 |
| Depreciation | 8 | 1,891,461 | 2,436,238 |
| Gain on sale of property and equipment | | - | - |
| Defined benefit plan interest and service costs | | <u>(46,025)</u> | <u>(352,016)</u> |
| Operating income before working capital changes | | 9,441,374 | 9,537,389 |
| Increase in accounts receivables and prepayments | | (389,164) | (13,350) |
| Decrease in inventories | | 25,726 | 196,598 |
| Decrease (increase) in due from related party | | - | - |
| (Decrease) increase in accounts payable and accrued expenses | | <u>(517,064)</u> | <u>549,506</u> |
| Cash generated from operations | | 8,560,872 | 10,270,143 |
| Interest paid | | <u>(966,806)</u> | <u>(1,204,133)</u> |
| Net cash from operating activities | | <u>7,594,066</u> | <u>9,066,010</u> |
| Investing activities | | | |
| Transfers to property, plant and equipment | | 686,190 | - |
| Purchase of property, plant and equipment | 8 | <u>(1,438,837)</u> | <u>(732,282)</u> |
| Net cash used in investing activities | | <u>(752,647)</u> | <u>(732,282)</u> |
| Financing activities | | | |
| Decrease in due to related party | | - | (1,492) |
| Loan repayments (net) | | <u>(5,155,448)</u> | <u>(4,897,189)</u> |
| Net cash used in financing activities | | <u>(5,155,448)</u> | <u>(4,898,681)</u> |
| Increase in cash at bank | | 1,685,971 | 3,435,047 |
| Cash at bank – beginning of year | | <u>6,758,068</u> | <u>3,323,021</u> |
| Cash at bank – end of year | | \$ <u>8,444,039</u> | \$ <u>6,758,068</u> |
| Cash at bank comprise: | | | |
| Cash at bank | | \$ <u>8,444,039</u> | \$ <u>6,758,068</u> |

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

1. Incorporation, ownership and principal activities

Caves of Barbados Ltd ("the Company") is incorporated in Barbados under the Companies Act and is authorized to issue an unlimited number of common shares without par value. The sole shareholder is the Government of Barbados.

The Company's mandate under the Caves Act 2000-12 is to manage and develop Harrison's Cave ("the Cave") and any other caves in Barbados. As described in Note 19, the Company is redeveloping Harrison's Cave.

2. Adoption of new and revised International Financial Reporting Standards

The following new and revised standards have been adopted in the current period. The adoption of these new/revised standards and interpretations did not have any effect on the financial performance or position of the Company.

- IAS 19 *Employee Benefits* - Amendments
- Annual Improvements 2010-2012 Cycle
- Annual Improvements 2011-2013 Cycle

Standards issued but not yet effective

- IFRS 16 - Leases (annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 (Sept 2014) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Postponed)
- IFRIC 23 - Uncertainty over Income Tax Treatments (annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 9 (Oct 2017) - Prepayment Features with Negative Compensation (annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 (Oct 2017) - Long-term Interests in Associates and Joint Ventures (annual periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle (Dec 2017) - Annual Improvements to IFRSs: 2015-17 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments (annual periods beginning on or after 1 January 2019)
- Amendments to IAS 10 (February 2018) - Plan Amendment, Curtailment or Settlement (annual periods beginning on or after 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards - Amendments to References to the Conceptual Framework in IFRS Standards (annual periods beginning on or after 1 January 2019)
- IFRS 17 - Insurance Contracts (annual periods beginning on or after 1 January 2021)

Management anticipates that all of the above Standards and Interpretations will be adopted in the Company's financial statements when applicable and have not yet ascertained what impact its adoption will have on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

Statement of compliance

The financial statements are not prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) due the failure to recognize a material impairment on the vat receivable. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of measurement

These financial statements are expressed in Barbados dollars.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Going concern

These financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations, to generate funds therefrom and on financing from its sole shareholder or third parties sufficient to meet future obligations. The Government of Barbados is committed to providing continual support to the Company as required in the foreseeable future.

Financial instruments

Financial assets

Financial assets are recognized in the financial statements when the Company becomes a party to the contractual provisions of the instruments. Accounts receivable and due from related party are classified as "loans and receivables" and are measured at amortized cost using the effective interest rate (EIR) method, less any provision for impairment.

Impairment

The carrying amount of financial assets are reduced by the impairment loss directly for all financial assets with the exception of accounts receivable and prepayments, where the carrying amount is reduced through an allowance account. When the receivable balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in the statement of comprehensive income.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Financial liability and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

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

Other financial liabilities

Other financial liabilities comprise bank overdraft, accounts payable, due to shareholder and amounts due to related party and are stated at cost.

Inventories

Inventories are stated at the lower of cost or net realizable value and the method used for valuing inventories is first-in, first-out. In estimating net realizable value, allowance is made for slow moving and obsolete items.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses except for certain items transferred on 1 April 1982 from the former Caves Authority and Parks and Beaches Commission which are stated at valuation. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method at rates considered adequate to write-off the cost of depreciable fixed assets, less salvage value and accumulated impairment losses, over their useful economic lives. The annual rates of depreciation used are:

| | | |
|-----------------------|---|-------------------------|
| Computer equipment | - | 33% |
| Computer software | - | 25% |
| Fixtures and fittings | - | 20% |
| Motor vehicles | - | 20% |
| Trams | - | 11% |
| Plant and machinery | - | 25% |
| Buildings | - | 2% |
| Specialized equipment | - | 6.67%, 5%, 3.33% and 4% |

If any indicators of impairment exist, the Company determines the recoverable amount for the identified assets, and if the recoverable amount is less than the carrying value, an impairment loss is recognized in the statement of comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, 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 capitalization. All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

Revenue recognition

Revenue is recognized when the service is provided or the product is sold and is shown net of discounts and value added taxes. Funds received before the service is provided are recorded as advance deposits. Interest income is recorded on an accrual basis.

Taxation

Taxation charge in the statement of comprehensive income comprises current and deferred taxation. Current taxation is provided on the basis of the income before taxation for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for tax purposes. The Company's liability for current tax is calculated at tax rates that have been enacted at statement of financial position date.

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 tax is provided in full, using the balance sheet liability method in respect of significant temporary differences arising from the differences between the carrying amount of an asset and liability for financial reporting purposes and the amount used for income tax purposes. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Foreign currency

Transactions originating in foreign currencies are recorded in Barbados dollars at the exchange rates ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Gains and losses on exchange transactions are included in the statement of comprehensive income for the year.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Related parties

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 considered to be related if they are subject to common control or common significant influence. Related parties may be individuals, government departments or corporate entities.

Government grants

Government subventions are received by Caves of Barbados to provide immediate financial support for operating expenses. The government grants are recognized in the statement of comprehensive loss in the period in which they are received.

Defined benefit plan

As at 31 March 2018, there was no formal pension plan in existence at the Company. The Company will source a pension plan provider in the upcoming financial years.

The Company participates in a defined benefit pension plan. The pension plan is funded by payments from employees and the Company, taking into account the recommendations of independent qualified actuaries.

The pension accounting costs are accrued using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement, so as to spread the regular cost over the service lives of the employees, in accordance with the advice of independent qualified actuaries who carry out a full valuation of the plan every three years.

The pension asset comprises the fair value of the plan assets out of which obligations are to be settled less past service costs and actuarial gains and losses not yet recognized and less the present value of the defined benefit obligation. The present value of the defined benefit obligation is measured using discounted future cash flows based on the interest rates of Government Securities, which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are spread forward over the average remaining service lives of employees. The fair value of any defined benefit asset recognized is restricted to the sum of any past service costs and actuarial gains and losses not yet recognized and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions of the plan.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Impairment of non-financial assets

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

Critical accounting judgments, estimates and assumptions

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial statements. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Critical accounting judgments, estimates and assumptions (continued)

The estimates and the underlying assumptions are reviewed on an on-going 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 revisions and future periods if the revision affects both current and future periods.

Other than the establishment of routine provisions against accounts receivable, accounts payable and property, plant and equipment depreciation and impairment, no significant estimates or judgments have been required in applying policies which may have a material impact on the Company's reported assets, liabilities, revenues and expenses.

Key sources of estimation uncertainty

The following are the assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that have a significant risk of causing a material adjustment to the amount of the assets and liabilities within the next financial year.

Useful lives and impairment of property, plant and equipment

At the end of each annual reporting period, the Company reviews the estimated useful lives of the property, plant and equipment and also assesses them to see if any has been impaired. There have been no changes to the estimates of the useful lives of property, plant and equipment and no impairment has been noted or the current period.

Employee benefits

As disclosed in Note 16, the Company has a defined benefit obligation. The calculation of defined benefit expenses and obligations requires significant judgment as the recognition is dependent on discount rates, expected rates of returns on assets and various actuarial assumptions such as the healthcare cost trend rates, projected salary increases, retirement age and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For the pension and other post-employment plans, the discount rate is determined by reference to market yields on government securities. Since the discount rate is based on currently available yields and involves management's assessment of market liquidity, it is only a proxy of future yields. Management judgment is also required in estimating the expected rate of return on assets because of possible changes to the asset allocation and the inherent risks in predicting future investment returns.

The expected rate of return on assets is a weighted average of expected long-term asset return by asset class and is selected from a range of possible future asset returns. Actuarial assumption, set in accordance with current practices in the respective country of the plan, may differ from actuarial experience as country specific statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits, obligations and expenses that are recognised.

4. Cash at bank

| | 2018 | 2017 |
|----------------------------------------------------|---------------------|---------------------|
| Petty cash | \$ 10,905 | \$ 10,905 |
| Republic Bank (Barbados) Limited – Payroll account | 185,255 | 140,493 |
| Republic Bank (Barbados) Limited – Current account | <u>11,048,971</u> | <u>10,311,779</u> |
| | 11,245,131 | 10,463,177 |
| Funds designated for pension benefits | <u>(2,801,092)</u> | <u>(3,705,109)</u> |
| | <u>\$ 8,444,039</u> | <u>\$ 6,758,068</u> |

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2018

(expressed in Barbados dollars)

4. Cash at bank (continued)

Cash and cash equivalents includes a balance of \$6,806,820 (2017 - \$5,496,456) which earns interest at 0.00% to 0.15% per annum. The Directors have restricted the use of this balance to financing the redevelopment costs of Harrison's Cave (Note 19) and for funds to pay pension benefits. The funds designated for pension benefits amount to \$2,801,092 (2017 - \$3,705,109).

5. Accounts receivable and prepayments

| | 2018 | 2017 |
|---------------------------|---------------------|---------------------|
| Trade accounts receivable | \$ 745,307 | \$ 364,832 |
| Other receivables | 1,286,448 | 1,263,997 |
| Prepayments | <u>70,322</u> | <u>84,086</u> |
| | <u>\$ 2,102,077</u> | <u>\$ 1,712,915</u> |

Other receivables include an amount of \$1,254,455 (2017 - \$1,254,455) relating to VAT refunds. The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. The Company has assessed the collectability of its trade receivables and has concluded that no allowance for doubtful debts is necessary.

Of the trade receivables balance at the end of the year, \$745,307 (2017 - \$364,832) amounts of \$590,295 (2017 - \$272,859) and \$102,186 (2017 - \$66,843), are due from two of the Company's largest customers. There are no other customers who represent more than 25% of the total balance of trade receivables.

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the Company has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

Age of receivables that are past due but not impaired

| | 2018 | 2017 |
|--------------|-------------------|------------------|
| 30-60 days | \$ 182,874 | \$ 288 |
| 60-90 days | 380 | 920 |
| Over 90 days | <u>2,678</u> | <u>19,961</u> |
| Total | <u>\$ 185,932</u> | <u>\$ 21,169</u> |

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the amount owed from each customer is small.

The Company has NIL (2017 - NIL) impaired trade receivables.

6. Inventories

| | 2018 | 2017 |
|----------------|------------------|-------------------|
| Shop inventory | \$ <u>82,383</u> | \$ <u>108,109</u> |
| | <u>\$ 82,383</u> | <u>\$ 108,109</u> |

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

7. Amounts due from (to) related party

Due from related party

| | 2018 | 2017 |
|----------------------------|----------|----------|
| Barbados Tourism Authority | \$ _____ | \$ _____ |

Due to related parties

| | | |
|----------------------------------|-------------------|-------------------|
| National Conservation Commission | \$ 199,745 | \$ 199,745 |
| Barbados Tourism Authority | _____ | _____ |
| | <u>\$ 199,745</u> | <u>\$ 199,745</u> |

The Company received advances from the Government of Barbados to assist in the financing of the redevelopment of the Caves. All related party balances are unsecured, interest-free and bear no fixed terms of repayment.

During the year, the amount due to shareholder was included as part of the subvention for the year, which resulted in a decrease in this balance.

8. Property, plant and equipment

| 2018 | Cost | Accumulated depreciation | Net book value |
|------------------------------|------------------|--------------------------|----------------|
| Computer equipment | | | |
| Balances - 31 March 2017 | 346,213 | (318,191) | 28,022 |
| Additions | 18,968 | - | 18,968 |
| Depreciation | _____ | (15,597) | (15,597) |
| Balances - 31 March 2018 | <u>365,181</u> | <u>(333,788)</u> | <u>31,393</u> |
| Fixtures and fittings | | | |
| Balances - 31 March 2017 | 816,805 | (778,703) | 38,102 |
| Additions | 11,730 | - | 11,730 |
| Depreciation | _____ | (26,813) | (26,813) |
| Balances - 31 March 2018 | <u>828,535</u> | <u>(805,516)</u> | <u>23,019</u> |
| Motor Vehicles | | | |
| Balances - 31 March 2017 | 163,225 | (148,014) | 15,211 |
| Additions | 57,696 | - | 57,696 |
| Disposal | - | - | - |
| Depreciation | _____ | (26,751) | (26,751) |
| Balances - 31 March 2018 | <u>220,921</u> | <u>(174,765)</u> | <u>46,156</u> |
| Trams | | | |
| Balances - 31 March 2017 | 8,948,219 | (8,540,438) | 407,781 |
| Additions | - | - | - |
| Depreciation | _____ | (186,952) | (186,952) |
| Balances - 31 March 2018 | <u>8,948,219</u> | <u>(8,727,390)</u> | <u>220,829</u> |

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

| 2018 | Cost | Accumulated depreciation | Net book value |
|---------------------------------|-------------------|--------------------------|-------------------|
| Leasehold land | | | |
| Balances – 31 March 2017 | 6,094,268 | - | 6,094,268 |
| Additions | 686,191 | - | 686,191 |
| Depreciation | - | - | - |
| Balances – 31 March 2018 | <u>6,780,459</u> | - | <u>6,780,459</u> |
| Leasehold buildings | | | |
| Balances – 31 March 2017 | 50,384,112 | (7,140,885) | 43,243,227 |
| Additions | - | - | - |
| Depreciation | - | (1,007,682) | (1,007,682) |
| Balances – 31 March 2018 | <u>50,384,112</u> | <u>(8,148,567)</u> | <u>42,235,545</u> |
| Plant and machinery | | | |
| Balances – 31 March 2017 | 13,067,438 | (4,861,915) | 8,205,523 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Depreciation | - | (627,312) | (627,312) |
| Balances – 31 March 2018 | <u>13,067,438</u> | <u>(5,489,227)</u> | <u>7,578,211</u> |
| Software | | | |
| Balances – 31 March 2017 | 203,233 | (202,879) | 354 |
| Additions | - | - | - |
| Depreciation | - | (354) | (354) |
| Balances – 31 March 2018 | <u>203,233</u> | <u>(203,233)</u> | - |
| Capital work-in progress | | | |
| Balances – 31 March 2017 | 693,990 | - | 693,990 |
| Additions | 664,252 | - | 664,252 |
| Completed | (686,190) | - | (686,190) |
| Balances – 31 March 2018 | <u>672,052</u> | - | <u>672,052</u> |
| Summary | | | |
| Balances – 31 March 2017 | 80,717,503 | (21,991,025) | 58,726,478 |
| Additions | 1,438,837 | - | 1,438,837 |
| Completed | (686,190) | - | (686,190) |
| Depreciation | - | (1,891,461) | (1,891,461) |
| Balances – 31 March 2018 | <u>81,470,150</u> | <u>(23,882,486)</u> | <u>57,587,664</u> |

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

| 2017 | Cost | Accumulated depreciation | Net book value |
|------------------------------|-------------------|--------------------------|-------------------|
| Computer equipment | | | |
| Balances – 31 March 2016 | \$ 320,466 | (302,624) | 17,842 |
| Additions | 25,747 | - | 25,747 |
| Depreciation | - | (15,567) | (15,567) |
| Balances – 31 March 2017 | <u>346,213</u> | <u>(318,191)</u> | <u>28,022</u> |
| Fixtures and fittings | | | |
| Balances – 31 March 2016 | 804,260 | (737,713) | 66,547 |
| Additions | 12,545 | - | 12,545 |
| Depreciation | - | (40,990) | (40,990) |
| Balances – 31 March 2017 | <u>816,805</u> | <u>(778,703)</u> | <u>38,102</u> |
| Motor Vehicles | | | |
| Balances – 31 March 2016 | 163,225 | (129,760) | 33,465 |
| Additions | - | - | - |
| Disposal | - | - | - |
| Depreciation | - | (18,254) | (18,254) |
| Balances – 31 March 2017 | <u>163,225</u> | <u>(148,014)</u> | <u>15,211</u> |
| Trams | | | |
| Balances – 31 March 2016 | 8,948,219 | (7,819,312) | 1,128,907 |
| Additions | - | - | - |
| Depreciation | - | (721,126) | (721,126) |
| Balances – 31 March 2017 | <u>8,948,219</u> | <u>(8,540,438)</u> | <u>407,781</u> |
| Leasehold land | | | |
| Balances – 31 March 2016 | 6,094,268 | - | 6,094,268 |
| Additions | - | - | - |
| Depreciation | - | - | - |
| Balances – 31 March 2017 | <u>6,094,268</u> | <u>-</u> | <u>6,094,268</u> |
| Leasehold buildings | | | |
| Balances – 31 March 2016 | 50,384,112 | (6,133,203) | 44,250,909 |
| Additions | - | - | - |
| Depreciation | - | (1,007,682) | (1,007,682) |
| Balances – 31 March 2017 | <u>50,384,112</u> | <u>(7,140,885)</u> | <u>43,243,227</u> |

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

| 2017 | Cost | Accumulated depreciation | Net book value |
|---------------------------------|-------------------|--------------------------|-------------------|
| Plant and machinery | | | |
| Balances - 1 April 2016 | 13,067,438 | (4,234,602) | 8,832,836 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Depreciation | - | (627,313) | (627,313) |
| Balances - 31 March 2017 | <u>13,067,438</u> | <u>(4,861,915)</u> | <u>8,205,523</u> |
| Software | | | |
| Balances - 1 April 2016 | 203,233 | (197,573) | 5,660 |
| Additions | - | - | - |
| Depreciation | - | (5,306) | (5,306) |
| Balances - 31 March 2017 | <u>203,233</u> | <u>(202,879)</u> | <u>354</u> |
| Capital work-in progress | | | |
| Balances - 1 April 2016 | - | - | - |
| Additions Completed | 693,990 | - | 693,990 |
| Balances - 31 March 2017 | <u>693,990</u> | <u>-</u> | <u>693,990</u> |
| Summary | | | |
| Balances - 1 April 2016 | 79,985,221 | (19,554,787) | 60,430,434 |
| Additions | 732,282 | - | 732,282 |
| Disposal | - | - | - |
| Depreciation | - | (2,436,238) | (2,436,238) |
| Balances - 31 March 2017 | <u>80,717,503</u> | <u>(21,991,025)</u> | <u>58,726,478</u> |

9. Bank overdraft

The Company has a bank overdraft facility of \$NIL (2017 - \$NIL) which is secured by a Letter of Comfort from the Ministry of Finance and Economic Affairs guaranteeing repayment of the overdraft plus interest accrued thereon. The overdraft is subject to interest of 8.7% at 31 March 2017.

10. Accounts payable and accrued expenses

| | 2018 | 2017 |
|------------------|----------------|---------------------|
| Trade creditors | \$ 250,987 | \$ 133,389 |
| Project Payable | - | 686,190 |
| Accrued expenses | <u>241,693</u> | <u>190,166</u> |
| | <u>492,680</u> | <u>\$ 1,009,745</u> |

The average credit period on trade credit purchases is 30 days. The Company has financial risk management policies in place that all payables are paid within the pre-agreed credit terms.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

11. Share capital

Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

Issued and outstanding

| | 2018 | 2017 |
|------------------------------------------------|---------------------|---------------------|
| 7,600,000 common shares, issued and fully paid | \$ <u>7,600,000</u> | \$ <u>7,600,000</u> |

12. Subscription shares to be issued

This amount represents funds received from the sole shareholder for which no shares have yet been issued.

13. Capital contributed by the Government of Barbados

This amount represents the value of \$4,317,224 placed on the net assets of the former Caves Authority and Parks and Beaches Commission, which were transferred to the National Conservation Commission on 1 April 1982 and subsequently to the Caves of Barbados Ltd on 1 April 1999.

14. Taxation and tax losses

| | 2018 | 2017 |
|----------------------------------------------|----------|----------|
| Taxation expense: | | |
| Provision for current year's corporation tax | \$ _____ | \$ _____ |

The tax on the Company's income before taxation differs from the theoretical amount that would arise using the basic corporation tax rates as follows:

| | 2018 | 2017 |
|--------------------------------------------------------|---------------------|---------------------|
| Income before taxation | \$ <u>6,350,230</u> | \$ <u>5,896,595</u> |
| Taxed at tax rate of 30% (2017 - 25%) | 1,905,069 | 1,496,649 |
| Tax effect on temporary differences | (381,408) | (1,044,357) |
| Tax effect of expenses not deductible for tax purposes | 567,438 | 609,060 |
| Tax effect of losses utilized | <u>(2,091,099)</u> | <u>(1,061,352)</u> |
| | _____ | _____ |

There are tax losses of \$2,141,819 (2017 - \$6,769,374) which have not yet been agreed with the Revenue Commissioner, but are not in dispute. The losses if not utilized, will expire as follows:

| Year | Amount | Expiry date |
|------|-----------|-------------|
| 2010 | 1,999,410 | 2019 |
| 2011 | 742,409 | 2020 |

The deferred tax asset in respect of the losses which amount to \$642,546 (2017 - \$1,692,344) at the current rate of tax has not been recognized in the financial statements due to the uncertainty that sufficient taxable profits will be available to allow the asset to be recovered.

15. Loans payable

| | 2018 | 2017 |
|-----------------------------------|-------------------|-------------------|
| Caribbean Development Bank | | |
| Current portion | \$ 4,893,009 | \$ 4,893,009 |
| Long-term portion | <u>24,744,995</u> | <u>29,621,542</u> |
| | <u>29,638,004</u> | <u>34,514,551</u> |

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

15. Loans payable (continued)

Effective 7 February 2007, the Company borrowed US\$16,866,000 (BBD \$33,732,000) from the Caribbean Development Bank under a guarantee of the Shareholder to assist with the redevelopment of the Cave. The loan bears interest at 6.25% per annum and is repayable in 56 equal quarterly instalments commencing 3 years from the date of the first disbursement on 2 June 2008. An additional loan for US\$12,850,000 (BBD \$25,700,000) was signed on 22 January 2010. A commitment charge of 1% per annum is payable on the amount of loan not drawn down.

During the year, interest of \$1,144,047 (2017 - \$1,405,455) was incurred.

Cash at bank includes a balance of \$6,806,820 (2016 - \$5,496,456) which has been designated to fund redevelopment expenditure.

16. Defined benefit plan

As at 31 March 2018, there was no formal pension plan in existence at Caves of Barbados Ltd. Caves of Barbados Ltd. will source a pension plan provider in the upcoming years.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2017 by Eckler Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

| Year/Period ending 31 March | 2018 | 2017 |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Discount rate | 7.75% per annum | 7.75% per annum |
| Future promotional salary increase | 2.50% per annum | 2.50% per annum |
| Future inflationary salary increases | 4.25% per annum | 4.25% per annum |
| Future increases in the NIS ceiling for earnings | 4.25% per annum | 4.25% per annum |
| Future increases in pensions | 3.75% per annum | 3.75% per annum |
| Mortality | UP94 at 2018 with Projection Scale AA | |
| Termination of active members | 1% at all ages under 40 and 0.5% at ages between 40 and 50 | |
| Early retirement for active employees | 5% of eligible employees each year between early retirement age and the year prior to retirement age with the remaining employees retiring at normal retirement age | |
| Early retirement for terminated employees | 100% at earliest age | |
| Future expenses | Nil | |

Amounts recognized in other comprehensive income in respect of these defined benefit plans are as follows:

| | 2018 | 2017 |
|--------------------------------|---------------|----------------|
| | \$ | \$ |
| Losses arising from experience | (199,393) | 382,408 |
| Expected return on plan assets | 238,914 | 251,121 |
| Actual return on plan assets | (25,482) | - |
| Total | <u>14,039</u> | <u>633,529</u> |

The re-measurement of the net defined benefit liability is included in other comprehensive income. The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

| | 2018 | 2017 |
|----------------------------------------------------|----------------|----------------|
| | \$ | \$ |
| Present value of funded defined benefit obligation | 2,571,046 | 2,555,188 |
| Fair value of plan assets | 3,119,424 | 3,071,580 |
| Net defined benefit liability | <u>548,378</u> | <u>516,392</u> |

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

16. Defined benefit plan (continued)

Changes in the present value of defined benefit obligation

| | 2018 | 2017 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| At the beginning of year | 2,555,187 | 2,611,058 |
| Current service cost | 86,975 | 100,847 |
| Interest cost | 201,914 | 182,220 |
| Actuarial (gains) losses | (199,393) | 382,408 |
| Benefit payments | <u>(73,638)</u> | <u>(721,346)</u> |
| | <u>2,571,045</u> | <u>2,555,187</u> |

Changes in the fair value of plan assets

| | 2018 | 2017 |
|----------------------------------------------------|------------------|------------------|
| | \$ | \$ |
| At the beginning of year | 3,071,580 | 3,408,963 |
| Employee contributions | 25,482 | - |
| Employer contributions | 96,000 | 383,963 |
| Benefit payments | <u>(73,638)</u> | <u>(721,346)</u> |
| Plan assets at fair value at the end of the period | <u>3,119,424</u> | <u>3,071,580</u> |

Net benefit expense recognized in comprehensive income

| | 2018 | 2017 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Current service cost | 86,975 | 100,847 |
| Interest costs | 201,914 | 182,220 |
| Expected return on plan assets | <u>(238,914)</u> | <u>(251,121)</u> |
| | <u>49,975</u> | <u>31,946</u> |

Statement of other comprehensive income

| | 2018 | 2017 |
|--------------------------------|-----------------|----------------|
| | \$ | \$ |
| Gain (loss) from experience | (199,393) | 382,408 |
| Expected return on plan assets | 238,914 | 251,121 |
| Actual return on plan assets | <u>(25,482)</u> | <u>-</u> |
| | <u>14,039</u> | <u>633,529</u> |

Impact of changes in significant actuarial assumption

| | 2018 | 2017 |
|--------------------------------------------|-----------|-----------|
| | \$ | \$ |
| Base IAS 19 Results | 2,571,046 | 2,555,188 |
| Reduce discount rate by 1% p.a | 2,958,773 | 2,995,789 |
| Increase discount rate by 1% p.a. | 2,253,365 | 2,228,881 |
| Reduce salary increase by 0.5% p.a | 2,362,032 | 2,343,781 |
| Increase salary increase by 0.5% p.a | 2,814,826 | 2,808,166 |
| Increase average life expectancy by 1 year | 2,613,091 | 2,831,730 |

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018 (expressed in Barbados dollars)

17. Other general and administrative expenses

| | 2018 | 2017 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| Ceremonial/special events | - | 10 |
| Seminars/conferences/training | 36,742 | 15,784 |
| Utilities | 278,423 | 243,114 |
| Insurance | 359,984 | 425,368 |
| Office expenses | 106,488 | 79,664 |
| Equipment rental | 27,922 | 4,051 |
| Repairs and maintenance | 320,363 | 423,266 |
| Security | 388,055 | 361,638 |
| Advertising | 146,226 | 123,463 |
| Other expenses | 182,526 | 221,913 |
| Professional fees | 256,691 | 234,881 |
| Board members' expenses | 48,000 | 59,900 |
| Membership fees | 27,840 | 25,883 |
| Board expenses | <u>22,347</u> | <u>27,913</u> |
| | <u>2,201,607</u> | <u>2,246,848</u> |

18. Key management compensation

| | 2018 | 2017 |
|--------------------------|---------------|----------------|
| | \$ | \$ |
| Retirement benefit costs | - | 130,028 |
| Short-term benefits | <u>12,600</u> | <u>60,000</u> |
| | <u>12,600</u> | <u>190,028</u> |

19. The redevelopment of Harrison's Cave

The Company is redeveloping Harrison's Cave at an estimated cost of \$84,849,000. At 31 March 2018, expenditure of \$6,680,733 (2017 - \$6,016,481) has been incurred with respect to this development (Note 8). It is a condition of the loan agreement that the Shareholder will provide additional capital in connection with the redevelopment project.

20. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables, bank overdraft and due to related parties. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, due from related party and cash and that derive directly from its operations. The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the Company. The Board of Directors provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loan payable, due to shareholder and due to related party. The Company is not exposed to other price risk since it has no investment in equity securities.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

20. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations. However, since the interest rate on the loan payable is fixed, the Company's exposure is insignificant.

Interest rate risk is disclosed in notes 7, 9 and 15.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The Company major transactions are denominated in United States dollars.

At the reporting period, the significant balance denominated in foreign currency was the US\$ loan payable to the Caribbean Development Bank. The exposure to foreign currency risk is considered to be insignificant as the Barbados dollar is currently tied to the United States dollar.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is subject to the Company's established policy, procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 4.

Concentration of credit risk exists if a number of clients are engaged in similar activities or are located in the same industry sector or have similar economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Management does not believe that that the concentration is unusual or provides undue risks.

Financial instruments and cash deposits

Credit risk from balances with banks is managed by management in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2018 and 2017 is the carrying amounts as illustrated in Note 4.

Liquidity risk

Liquidity risk is the risk of financial loss arising from the inability to meet obligations when they come due. Liquidity risk also arises from changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

The Company believes that it has adequate liquid funds to meet its obligations as and when they fall due and to carry out activities. In addition, the Shareholder has guaranteed the entity's major borrowings.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2018

(expressed in Barbados dollars)

20. Financial risk management objectives and policies (continued)

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return for stakeholders through the optimization of the debt and equity balances. The capital structure of the Company consists of debt, which includes due to related party, loan payable and the equity comprising share capital, subscription for shares to be issued, capital contributed by the Government of Barbados and accumulated deficit, as disclosed in the statement of changes in equity.

The Board of Directors reviews the capital structure on an annual basis. As a part of their review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the board, the Company will balance its overall capital structure through the issue of new debt or the redemption of existing debt and the issue or repurchase of common shares.

21. Fair value

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. The fair values of the Company's financial instruments are considered to approximate their book values.

22. Government grants

The Company receives subventions from the Government of Barbados to assist with the payment of operational expenses. During the period, the Company received \$8,813,702 (2017- \$9,456,800).

23. Subsequent Events

In a Letter received from the Ministry of Finance and Economic Affairs and Investment (MOFEI) subsequent to the year end, instructions were issued to State Owned Enterprises to write off all intragovernmental debts prior to 1 September 2018. Such debt includes tax refunds and budgetary transfers which had not been paid to date. The Company at the reporting date reflected a VAT refund of \$1,254,455 to Barbados Revenue Authority.

The Director of Finance and Economic Affairs and Investment further instructed that these adjustments be made effective 31 December 2018. Consequently the aforementioned adjustment were not recorded as at 31 March 2018.