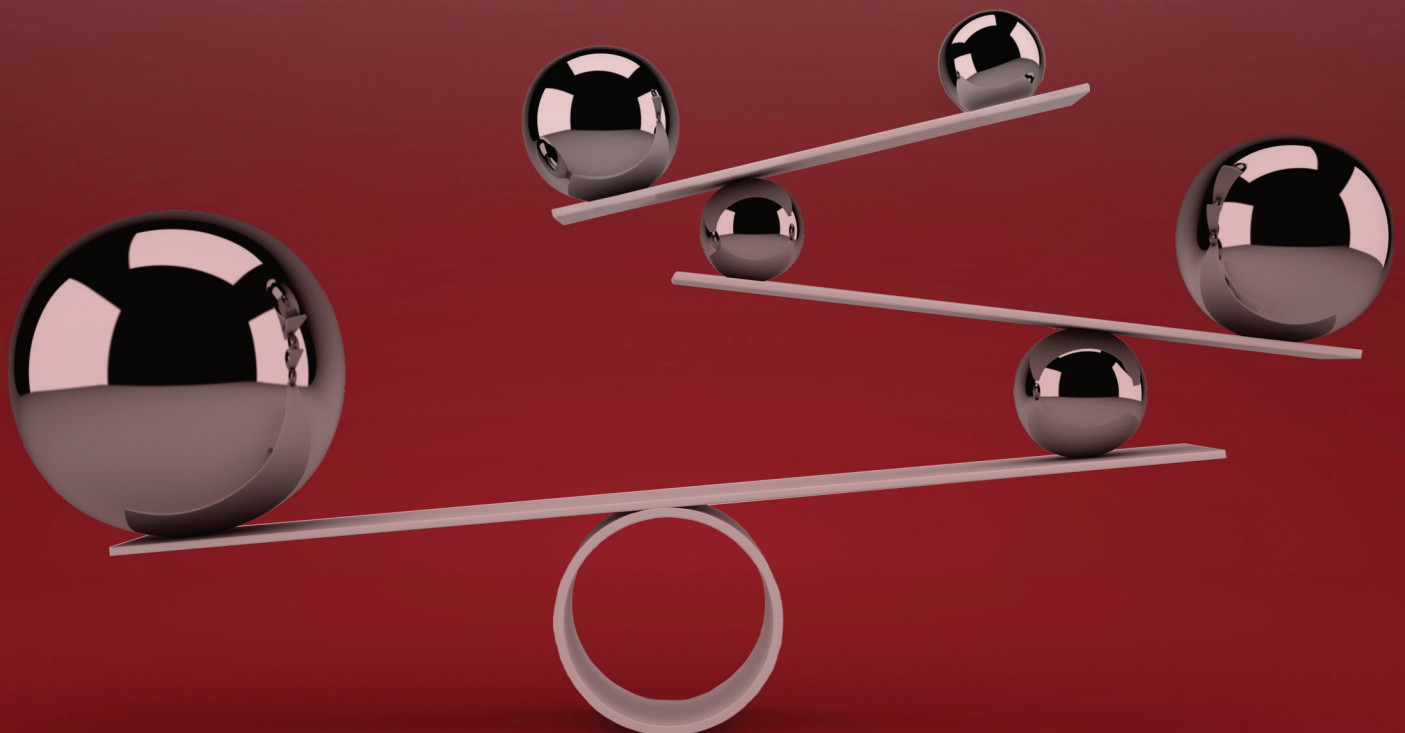




ENTERPRISE
GROWTH FUND
LIMITED

ANNUAL REPORT 2016

“Striking A Balance”



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Corporate Profile

Mission Statement

Our mission is to be a catalyst for the development of a dynamic small to medium sized business sector through the provision of non-traditional financing instruments and professional expertise to businesses in the productive sectors, with strong profit making and growth potential.

Guiding Philosophy

Enterprise Growth Fund Limited is committed to fostering the growth of young, dynamic Barbadian firms with superior entrepreneurial talent.

Board of Directors

The business of Enterprise Growth Fund Limited (EGFL) is conducted under the oversight of the Board of Directors. As of March 31, 2016 EGFL's Board of Directors was composed of the 8 members shown.

Principal Activities

On January 2, 1998 Enterprise Growth Fund Limited (EGFL) commenced operations as a limited liability company to provide venture capital, advisory services and technical assistance to its client companies in the small and medium sized enterprise (SME) sector.

Within a few years of its inception, EGFL's core activities evolved to include fund management services to a number of dedicated, sector-specific Funds established by the Government of Barbados to provide financing to assist with the retooling of the productive sectors of the economy.

These developments have enabled EGFL to cater to a wider cross-section of businesses in fulfilling its mandate of providing developmental finance to the critical SME sector.

Board of Directors



Richard Matthews
(Deputy Chairman)



Timothy Simmons



Horace Cobham



Terrence Thornhill
(Chairman)



Dr. Patricia Downes-Grant



John Cole



Peter Whitehall



Michael Mayers

Chairman's Statement



Introduction

The financial year end of Enterprise Growth Fund Limited (EGFL) and the various Funds Under Management was changed from December 31st to March 31st so as to comply with a request from the Ministry of Finance and Economic Affairs that the year end of all entities in which Government has an ownership interest be changed to coincide with that of central Government pursuant to the stated policy of implementing an accrual accounting system. Accordingly, this reporting period covers the fifteen months from January 2015 to March 2016.

At March 31, 2016, EGFL recorded a profit of \$1.2 million, sustaining the company's positive performance with a twelfth consecutive year of profitability. While the surplus recorded was significantly greater than the \$746,000 achieved at December 2014, it must be reinforced that the 2014 out-turn resulted from twelve months of operations.

During the last reporting period, we continued our policy of close engagement with our clients, particularly those with severe challenges. The aim is to obtain a deeper understanding of the challenges confronting them and to provide guidance and advice in implementing new strategies and business models so as to help them survive this difficult economic environment. As a result of these interventions coupled with a modest uptick in economic activity during 2015 and into the early part of 2016, we have noticed an improved payment record for some clients, particularly those within the agriculture and tourism sectors.

These efforts to assist and advise clients will continue to be emphasized until economic buoyancy returns and the cash flow and payment patterns across all Funds return to normalcy. Consequently, EGFL expects that clients will continue to request restructuring of repayment terms and we hope that more of them will implement innovative marketing and business strategies as they are inspired by the success of their peers.

For the period ended March 31, 2016, it is worth highlighting that EGFL factored \$1.14 million owed by government departments and statutory corporations to small and medium sized companies. This represents a sharp increase in the uptake of funds available under this facility following the \$400,000 which was factored in the twelve months ended December 2014 and \$300,000 in the prior year. As predicted last year, businesses have clearly become more comfortable with the concept of factoring and we anticipate that the enhanced activity witnessed under this facility will be sustained.

Economic Review

The Barbadian economy performed better in 2015 as real growth, provisionally set at 0.8% for the period, quadrupled the results achieved in 2014 and matched the outturn registered in 2011. The improvement was largely driven by a notable revival in the tourism sector as arrivals and receipts increased by 14% and 5% respectively. Long-stay arrivals increased by 25.3%, 14.0% and 13.4% from the US, Canada and UK markets respectively as airlift from our main source markets was significantly improved. Trinidad and other Caricom territories also generated increases of 2.9% and 14% respectively. As a result of the recovery in tourism, the traded sector significantly outperformed the non-traded sector by 2.6% to 0.4%. In addition to tourism, growth was registered in other agriculture (2.1%), mining and quarrying (23.4%), transport (1.4%) and finance and other services (1.1%). However, the important construction sector declined by 3% compared to 2014 as the start dates of several major projects were delayed.

Inflation was muted in 2015, a consequence of the steep drop in oil prices. In fact, prices are estimated to have declined by 0.7% after inflation exceeded 4% in 3 of the previous 5 years. The average unemployment rate by December 2015 declined to 11.8% compared to 12.3% at the end of 2014. Despite this improvement, worker productivity has lagged as cost increases have exceeded growth in output.

Foreign reserves at the Central Bank totalled \$927 million at the end of 2015, equivalent to 14 weeks of imports. This was lower than the \$1.1 billion provisionally estimated at the end of 2014, despite a \$380 million reduction in the cost of fuel imports and a general reduction in demand for foreign exchange engendered by ongoing fiscal adjustment measures.

The local commercial banking sector remains very liquid and somewhat stagnant. The loan to deposit ratio at the end of the third quarter 2015 was 66.4%, down from 70.3% for the corresponding period of 2014. During this same interval, liquid assets to total assets increased from 20.1% to 24.4%. Loan growth during the third quarter of 2015 was -0.6%, matching the negative outturn seen over the past few years.

In the first quarter of 2016 tourism continued its strong rebound as long-stay arrivals increased by 7% compared to the first quarter of 2015, on the back of sustained growth in the US and UK markets. Real economic growth was estimated to be 1.7% during the first three months of 2016 and this was in line with the projections made at the end of 2015. Government will be hoping that the upturn continues and that work on a number of planned major tourism projects can be started soon to provide an additional impetus for this most critical sector, along with construction, distribution and the other non-traded sectors.

Performance Review

Lending activity across EGFL and the Funds Under Management rebounded encouragingly during the fifteen months to March 2016, compared to 2014. Collectively, approvals and disbursements measured \$23.29 million and \$25.25 million respectively, compared to \$3.49 million and \$9.78 million for 2014. A turn around in the tourism sector and sustained expansion in the renewable energy sub-sector provided the impetus for this upsurge in the demand for funding.

The Agricultural Development Fund (ADF) registered a much improved performance at March 2016 when compared to the results achieved at December 31, 2014. During the period under review, seven applications were received while three, with a total value of \$510,000, were approved. Additionally, disbursements for loan and grant funding for the period were measured at \$804,000 and \$729,000, respectively. Total revenue generated by the Fund increased by 92.4%, moving from \$577,000 in 2014 to \$1.11 million in 2016. For the period under review, the Fund recorded net income of \$243,000, after registering a net loss of \$363,000 in 2014. This turn around in performance was mainly attributable to a \$554,000 increase in loan interest income, due to the liquidation of interest-in-arrears as conditions improved within the poultry industry and other sub-sectors.

The Energy Smart Fund (ESF) witnessed a noteworthy financial performance, realising a net profit of \$51,000 at March 2016 in contrast to a net profit of \$24,000 in the prior period, as interest income more than doubled during the reporting period. This was mainly attributable to a sharp rise in the demand for ESF loans as commercial enterprises sought the intrinsic benefits of renewable energy and energy efficient solutions.

Consequently, the ESF loan facility reported six approvals totalling \$5.5 million during the period under review, which represented a marked increase in overall value when compared to the seven approved loans totalling \$1.5 million for the previous period. To date, the Fund has cumulative loan disbursements of approximately \$10.47 million. Furthermore, a total of \$75,000 in grant funding was approved under the Technical Assistance Facility, which allowed applicants to draw upon the expertise of the Fund's eleven authorised Smart Fund Partners to undertake energy audits or feasibility studies on their behalf.

As anticipated in the previous annual report, there was an upsurge in activity under the Pilot Consumer Finance Facility as residential consumers took advantage of the cash rebates offered on approved energy efficient appliances. Since inception, cumulative reimbursements of \$840,000 have been granted to the two approved retailers, namely Unicomer (Barbados Limited) and Massy Stores (Barbados) Limited. Likewise, the Energy Efficient Lighting Distribution Facility which was launched in 2014 has been well received by home owners. Through Caribbean LED Lighting Inc., this facility has disbursed approximately \$970,000 worth of LED lights to households, which is expected to result in notable energy savings over the medium term. Based on this strong performance, it is envisioned that this Fund will be fully committed during the ensuing period. The ESF has aided in stimulating island wide awareness and a drive towards energy efficient, energy conservation and renewable energy technologies as we endeavour to further reduce Barbados' carbon foot print and the level of foreign reserves expended on imported fossil fuels.

For the period under review, the Industrial, Investment and Employment Fund registered a net loss of \$70,000, which exceeded the shortfall of \$14,000 reported in 2014. This result was due mainly to provisions for loan losses totalling \$136,000 for the period under review.

A total of \$16,000 was disbursed from this Fund during the current period as a result of prior commitments. The facility continues to provide vital financial support to manufacturers with business models and ideas which have the potential for strong, sustained growth. Increased competitiveness from regional and international manufacturers, which benefit from relatively low input costs, has negatively impacted the viability of clients operating in the local manufacturing sector. Therefore, the

continued availability of low cost financing remains of paramount importance to local manufacturers.

The resources of the Innovation Fund are fully committed and all previous approvals have been fully disbursed. Consequently, there were no approvals or disbursements during the reporting period. A loss of \$114,000 was recorded and efforts will have to be made to re-capitalise this Fund since it has provided a useful source of capital for innovative projects, particularly in non-traditional areas of endeavour. Since inception, the Fund has disbursed \$2.2 million in grants and equity investments.

In concert with the improvements noted in the tourism sector and in line with predictions for improvements noted in last year's report, activity within the Small Hotels Investment Fund increased substantially. In contrast to 2014 when there were no approvals and \$960,000 in disbursements, in the period under review the Fund is reporting \$6.97 million and \$5.48 million in approvals and disbursements respectively. While the net loss widened to \$1.34 million compared to a deficit of \$949,000 in 2014, the expectation is that continued improvements in the sector will lead to sustained demand for financing and a better financial performance in future periods.

The recovery in long-stay arrivals over the last two winter seasons and the associated upturn in confidence within the hospitality sector sparked a modest improvement in activity within the Tourism Loan Fund (TLF). Accordingly, the Fund approved two loan applications totalling \$7.01 million, while disbursements reached \$3.36 million over the period. The TLF performed credibly, realising net income of \$983,000 in the year ended March 2016. In spite of industry challenges, many clients were able to sustain operations with decisive promotional efforts and resolute cash flow management; while retaining employee placements. In light of a rejuvenated tourism sector, it is envisioned that there will be an associated rise in the demand for TLF financing.

Summary and Financial Outlook for 2016-2017

In its economic review, The Central Bank of Barbados predicted growth of 1.6% in the first quarter of 2016. Much of this is predicated on the commencement of several large projects within the critical tourism sector and the continued improvement of airlift capacity from major visitor source markets. Once these tourism projects materialise as planned, the expected impetus from growth in this sector can stimulate activity in the non-traded sectors.

Operatives within the tourism sector have started to capitalise on the momentum generated by the impressive growth registered in two consecutive winter seasons. To this end, the two tourism Funds managed by EGFL registered substantial increases in both approvals and disbursements. This is a clear signal that businesses are beginning to regain confidence and are proactively investing in their future. The expectation is that the tourism Funds will continue to see an increased demand for funding in future periods.

Additionally, businesses continued to focus on cost competitiveness through investments in renewable energy and energy efficiency, albeit at a slower pace, driven largely by falling electricity cost. Nevertheless, many businesses are still keen on taking advantage of falling PV prices in anticipation that oil prices along with electricity cost inevitably will rise in the not too distant future. The fact that the Central Bank noted that during 2015, installed generating capacity improved by 48% to reach 9.4 megawatts corroborates this assertion.

Efforts are in train to restore growth and interest to previous levels in this critical, emerging sub-sector. To this end active consideration is being given to the establishment of a feed-in-tariff to de-link revenues generated by renewable energy systems from the price of oil which has fallen precipitously over the last eighteen months.

EGFL will investigate the creation of a second phase to the ESF since the expected resurgence of growth in the renewable energy sector cannot be accommodated by the existing resources of the Fund since these should be committed early in the next financial year.

The performance of the ADF was also commendable, but this was registered mostly in terms of business performance and payment patterns within the important poultry sub-sector. This uptick might be directly correlated to the resurgence in the tourism sector and provides further confirmation of the importance of tourism to overall economic health in the country.

Thus, continued improvements in the tourism sector should stimulate the general economy and result in a more balanced recovery. The growth projections for the next five years are dependent on the nascent economic recovery taking hold and being broad based so the country can offset any negative consequences of further fiscal consolidation measures. EGFL and the Funds Under Management would also benefit in terms of loan demand and financial performance. That outcome would lead to a stronger institution which would benefit the SME sector well into the future.

Community Outreach and Staff Development

Our community outreach activities and initiatives continue to be important aspects of developing our corporate goals and responsibility of giving back to the community. We remain committed to furthering this role in our surrounding districts by providing donations, supporting worthy causes and charitable activities as well as engaging in other initiatives for the underprivileged.



Our Community Impact

Photo of the first Awardees of EGFL's scholarship programme for UWI academic year 2015/2016. (From left David Fitzpatrick, Duane Springer, Finance Manager of EGFL and Shanika Lynch).

In our 2014 report we highlighted our initiatives for 2015 which included the establishment of a scholarship programme with the University of the West Indies, Cave Hill Campus. We are pleased to report that two students have been awarded \$3,000 each in tuition assistance to subsidise the costs of their undergraduate studies in economics and business finance. The two awardees will be offered internships during the summer period in 2016. We also reported that we had planned to expand our alliance with the University by facilitating a job attachment for a student to undertake a practicum in the partial fulfilment of the requirements for the MSc Banking and Finance degree programme. We are happy to report that this initiative was completed successfully during the financial year.

We also wish to highlight the progress made during the reporting period as we focused our efforts on supporting some of the special needs students in the community. A financial contribution was given to the Dereck Smith Vocational Centre to fund the annual tuition costs of two students attending the Centre. This support gave them an opportunity to fulfil their educational needs and will help to fuel their potential in their chosen fields.

We hope to intensify our efforts in the upcoming year to provide assistance and support to our adopted schools, Ellerslie Secondary and St. Mary's Primary. We believe that our efforts will certainly help in encouraging and improving the schools' developmental programmes and activities.

While we are pleased with the positive impact EGFL has had on the surrounding communities, we recognise that creating a good work environment and having healthy and happy staff members are as important as the financial contributions and support we give. To this end, we are committed to working together and strengthening the physical well-being of team EGFL through the continued support of benefit programmes and the implementation of a health and fitness challenge, in collaboration with a wellness partner, to encourage behaviour changes which can lead to better overall health and wellness. We will also continue to invest in their future through related career development and training opportunities.

We look forward to sharing our progress and ongoing efforts for the upcoming 2016/2017 financial year and to reflect on the impact our contributions and support have made in our community outreach.

Acknowledgements

Finally, I wish to acknowledge the support of our clients, the encouragement and wisdom provided by my fellow Directors and the yeoman contributions of EGFL's management and staff during the 2015/2016 period.

A handwritten signature in black ink, appearing to read 'Terrence A. Thornhill', with a large, stylized initial 'T'.

Terrence A. Thornhill
Chairman

“Balance levels us
between highs and lows
– but it doesn’t negate
the highs in offsetting the
lows. Balance loves the
success that lies dormant
within failure, without
fearing the failure that
forms part of success.”

Buddha



Enterprise Growth Fund Limited

Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016

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ENTERPRISE GROWTH FUND LIMITED

Corporate Information

Board of Directors

Chairman of the Board	Terrence Thornhill
Deputy Chairman	Richard Matthews
Director	Horace Cobham
Director	John Cole
Director	Patricia Downes-Grant
Director	Michael Mayers
Director	Timothy Simmons
Director	Peter Whitehall

Registered Office

“Westgate”
Monteith Gardens
Barbarees Hill
St. Michael
BARBADOS

Attorneys-at-Law

Mr. Frank Belgrave
Veritas Chambers
Pine Hill
St. Michael
BARBADOS

Mr. Michael Springer
Suite 3 Law Chambers
Marhill Street
Bridgetown
BARBADOS

Officers

Chairman of the Board	Terrence Thornhill
Deputy Chairman	Richard Matthews
Chief Executive Officer	Timothy Simmons
Corporate Secretary	Linda Harris

Bankers

RBC Royal Bank (B'dos) Limited Broad Street Bridgetown BARBADOS	First Citizens Bank (B'dos) Limited Lower Broad Street Bridgetown BARBADOS
Republic Bank (B'dos) Limited Independence Square Branch Fairchild Street Bridgetown BARBADOS	Capita Financial Services Inc. 2 nd Floor Co-operators General Insurance Building Upper Collymore Rock St. Michael BARBADOS

Auditors

KPMG
Hastings
Christ Church
BARBADOS BB15154



KPMG

Hastings

Christ Church, BB 15154

Barbados West Indies

Telephone (246) 434-3900

Fax (246) 427-7123

P. O Box 690C

Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Shareholders

Enterprise Growth Fund Limited

We have audited the accompanying financial statements of Enterprise Growth Fund Limited, which comprise the statement of financial position as of March 31, 2016, and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and the statement of cash flows for the fifteen month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibility (continued)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Enterprise Growth Fund Limited as at March 31, 2016, and its financial performance and its cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG'. The letters are stylized and connected, with a long horizontal stroke extending from the end of the 'G'.

Chartered Accountants
Bridgetown, Barbados

July 20, 2016

ENTERPRISE GROWTH FUND LIMITED

Statement of Financial Position



As at March 31, 2016
with figures as at December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>March 31</u> <u>2016</u>	<u>December 31</u> <u>2014</u>
Assets			
Cash and short term deposits	5	\$ 4,863,401	6,667,044
Accounts receivable and prepayments, net	6	883,852	1,234,213
Loans receivable, net	7	9,417,200	8,692,126
Withholding tax recoverable		138,850	141,052
Other assets	8	75,485	10,798
Investments, net	9	4,660,000	2,652,994
Property, plant and equipment	10	5,463,573	5,468,061
Due from related parties	13	842,509	831,879
Pension asset	14	<u>544,070</u>	<u>486,165</u>
Total Assets		\$ <u>26,888,940</u>	<u>26,184,332</u>
Liabilities and Shareholders' Equity			
Liabilities			
Accounts payable		\$ 128,891	125,968
Accrued employee benefits		-	464,397
Due to related party		20,000	-
Due to Tourism Industry Relief Fund	18	96,136	96,136
Deferred shareholder grant	12	<u>181,274</u>	<u>179,971</u>
Total Liabilities		<u>426,301</u>	<u>866,472</u>
Shareholders' Equity			
Stated capital	15	17,372,109	17,372,109
Other comprehensive income		190,083	184,526
Accumulated surplus		<u>8,900,447</u>	<u>7,761,225</u>
Total Shareholders' Equity		<u>26,462,639</u>	<u>25,317,860</u>
Contingencies	22	<u>-</u>	<u>-</u>
Total Liabilities and Shareholders' Equity		\$ <u>26,888,940</u>	<u>26,184,332</u>

See accompanying notes to the financial statements.

Approved on behalf of the Board:


.....

.....

Chairman

Director

ENTERPRISE GROWTH FUND LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	March 31 <u>2016</u>	December 31 <u>2014</u>
Revenue			
Management fees	17	\$ 3,496,595	2,678,370
Evaluation fees		66,135	11,660
Investment income		726,841	639,051
Interest on short term deposits		343,780	132,850
Other		<u>18,476</u>	<u>13,142</u>
		<u>4,651,827</u>	<u>3,475,073</u>
Expenses			
Operating		3,053,591	2,440,256
Depreciation	10	384,998	278,128
Gain on disposal of assets		(25,245)	-
Loan (reversal) provision	7	(5,739)	140,709
Investment recoveries		<u>-</u>	<u>(139,166)</u>
		<u>3,407,605</u>	<u>2,719,927</u>
Net income		1,244,222	755,146
Other Comprehensive Income(Loss)			
Re-measurement of defined benefit pension plan		<u>5,557</u>	<u>(8,797)</u>
Net income and other comprehensive income		\$ <u>1,249,779</u>	<u>746,349</u>

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Statement of Changes in Shareholders' Equity

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>Class A Shares</u>	<u>Class B Shares</u>	<u>Other Comprehensive Income</u>	<u>Accumulated Surplus</u>	<u>Total</u>
Balances, December 31, 2013						
As restated	\$	3,500,000	13,872,109	193,323	7,111,079	24,676,511
Dividends paid	15	-	-	-	(105,000)	(105,000)
Net income and Other comprehensive income		<u>-</u>	<u>-</u>	<u>(8,797)</u>	<u>755,146</u>	<u>746,349</u>
Balances, December 31, 2014	\$	3,500,000	13,872,109	184,526	7,761,225	25,317,860
Dividends paid	15	-	-	-	(105,000)	(105,000)
Net income and Other comprehensive income		<u>-</u>	<u>-</u>	<u>5,557</u>	<u>1,242,222</u>	<u>1,249,779</u>
Balances, March 31, 2016	\$	<u>3,500,000</u>	<u>13,872,109</u>	<u>190,083</u>	<u>8,900,447</u>	<u>26,462,639</u>

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Statement of Cash Flows

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	March 31 <u>2016</u>	December 31 <u>2014</u>
Operating Activities			
Net income		\$ 1,244,222	755,146
Adjustments for:			
Interest on short term deposits		(343,780)	(132,850)
Depreciation		384,998	278,128
Gain on disposal of fixed assets		(25,245)	-
Deferred shareholder-grant		1,303	(37,925)
Investment recoveries		-	(139,166)
Re-measurement of defined benefit pension plan		5,557	(8,797)
Loan loss (recovery) provision	7	<u>(5,739)</u>	<u>140,709</u>
Operating profit before working capital changes		1,261,316	855,245
Decrease (increase) in accounts receivable and prepayments		350,361	(468,708)
(Increase) decrease in loans receivable		(719,335)	539,748
Increase in due from related parties		(10,630)	(11,787)
Increase in accounts payable		2,923	30,218
(Decrease) increase in accrued employee benefits		(464,397)	40,868
Increase in pension asset		(57,905)	(48,612)
Increase (decrease) in due to related party		<u>20,000</u>	<u>(13,801)</u>
		382,333	923,171
Taxation		2,202	-
Interest received on short term deposits		<u>279,093</u>	<u>137,335</u>
Net cash provided by operating activities		<u>663,628</u>	<u>1,060,506</u>
Investing Activities			
Sale of investments		(2,007,006)	64,971
Sale of fixed assets		43,625	-
Purchase of fixed assets	10	<u>(398,890)</u>	<u>(185,952)</u>
Net cash used in investing activities		<u>(2,362,271)</u>	<u>(120,981)</u>
Financing Activities			
Dividends paid	15	<u>(105,000)</u>	<u>(105,000)</u>
Net cash used in financing activities		<u>(105,000)</u>	<u>(105,000)</u>
(Decrease) increase in cash and short term deposits		(1,803,643)	834,525
Cash and short term deposits – beginning of period/year		<u>6,667,044</u>	<u>5,832,519</u>
Cash and short term deposits – end of period/year		\$ <u>4,863,401</u>	<u>6,667,044</u>

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

1. Incorporation and Principal Activities

Enterprise Growth Fund Limited ("the Company") was incorporated in Barbados as a company authorised to issue an unlimited number of Class A common shares and an unlimited number of Class B common shares without par value.

The address of the Company's registered office is "Westgate", Monteith Gardens, Barbarees Hill, St. Michael. The principal activity of the Company is the provision of venture capital and loan financing to small and medium-sized Barbadian businesses. Additionally the Company also provides management services to various Funds operating in the manufacturing, agriculture, tourism and innovation sectors (see note 17).

The financial statements were authorised for issue by the Board of Directors on July 20, 2016.

2. Basis of Preparation

(a) Statement of compliance

The financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for financial instruments classified as available-for-sale investments.

(c) Functional and presentation currency

These financial statements are presented in Barbados dollars, which is the Company's functional currency. These values have been rounded to the nearest dollar.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

2. Basis of Preparation, continued

(d) Use of estimates and judgements

The Company makes estimates and assumptions concerning the future. 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. These accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Provision for loan losses

The provision for loan losses is estimated using discounted cash flow analysis. The Company uses its judgment to select assumptions that reflect the expected timing and amount of future payments by customers and where applicable the expected net proceeds on realization of security.

(ii) Fair market value of investments

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Company has access at the measurement date. The fair value of a liability reflects its non-performance risk.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

(iii) Employee retirement benefits

The Company operates a defined benefit pension scheme. Measurement of pension costs and pension obligations for defined benefit plans involves the application of a number of assumptions and estimates, relating to the discount rate, future salary levels, expected employee turnover rate, the return on plan assets, annual pension increases, expected adjustments to the National Insurance Scheme basic amount and demographic factors. Changes in pension assumptions will affect the pension obligations and pension cost for the period. Pension obligations are significantly affected by changes in the discount rate, life expectancy and expected salary and pension adjustments.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

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2. Basis of Preparation, continued

(d) Use of estimates and judgements, continued

(iv) Depreciation of property, plant & equipment

The Company assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where the Company determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in asset lives or residual value is reflected in the Company's financial statements when the change in estimate is determined.

3. Significant Accounting Policies

The significant accounting policies adopted by the Company have been applied consistently to all periods presented in these financial statements.

(a) Accounts receivable, net

Accounts receivable are stated at their nominal value less provisions for estimated irrecoverable balances.

(b) Revenue recognition

Interest on deposits

Interest income on deposits is recognised on an accrual basis and represents interest earned on contractual agreements with financial institutions at agreed rates of interest.

Income from loans

Income from loans is recognised on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

All interest accrued during the period has been recorded as income in the financial statements. Provisions for bad debts are recorded for clients in non-accrual status where there is evidence to support the fact that the loan is impaired.

Income from management fees

Income derived from management fees are recognised as they accrue in accordance with the provisions of separate agreements between the Company and the trustees or sponsors for the funds under management using contractual interest rates.

ENTERPRISE GROWTH FUND LIMITED

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3. Significant Accounting Policies, continued

(c) *Impairment*

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(d) *Investments, net*

Investments comprise term deposits, which are held to maturity for a period exceeding 90 days, are categorised as held to maturity and carried at cost. Provision for losses is made at a level considered adequate to absorb anticipated losses considering the current economic conditions and other relevant factors.

(e) *Property, plant and equipment*

Property, plant and equipment are recorded at cost, net of accumulated depreciation. Depreciation and amortisation are provided on the straight-line basis at rates based on the estimated useful life of each asset. Land is not depreciated. The annual rates applied are:

Buildings	-	2.0%
Office equipment	-	12.5%
Vehicles	-	20.0%
Furniture and equipment	-	20.0%
Computer equipment	-	33.3%
Computer software	-	100.0%

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

(f) *Deferred shareholder grant*

Shareholder grants relating specifically to technical assistance for investees are deferred and recognised into income as costs are incurred for such technical assistance.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

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3. Significant Accounting Policies, continued

(g) *Pension – defined benefit scheme*

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum requirements.

Re-measurements of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income (OCI). The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains or losses in the settlement of a defined benefit plan when the settlement occurs.

(h) *Operating leases*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(i) *Related parties*

Parties are considered 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 individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

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4. Forthcoming new standards or amendment requirements:

Standards and interpretations adopted

There were no new standards and amendments of standards adopted during the period ended March 31, 2016 which had an impact on the Company.

New Standards and interpretations not yet adopted

IFRS 9 – Financial Instruments Classification and Measurement, effective January 1, 2018

IFRS 15 – Revenue Contracts with Customers, effective January 1, 2018

5. Cash and Short Term Deposits

Cash and short term deposits comprise cash on hand, cash at bank and call and fixed deposits with original maturity dates of 90 days or less. These are illustrated as follows:

	March 31 <u>2016</u>	December 31 <u>2014</u>
Cash on hand and at bank	\$ 1,959,190	5,206,777
Short term deposits	<u>2,904,211</u>	<u>1,460,267</u>
	\$ <u>4,863,401</u>	<u>6,667,044</u>

The applicable interest rates for the short term deposits range from 2.50% to 3.75% (December 31, 2014: 1.50% - 4.0%).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

6. Accounts Receivable and Prepayments, net

Accounts receivable and prepayments, net are comprised of:

	March 31 <u>2016</u>	December 31 <u>2014</u>
Accounts receivable, net	\$ 69,447	125,965
Other receivables, prepayments and loan benefits	<u>814,405</u>	<u>1,108,248</u>
	<u>\$ 883,852</u>	<u>1,234,213</u>

7. Loans Receivable, net

The maximum loan size allowed is the greater of \$1,500,000 and 15% of the total capitalization of the Fund. The minimum loan size is limited to \$100,000. Loans shall not be used to purchase land, buildings or other real estate except where the buildings are to be used for productive purposes. All loans shall be repaid within twelve (12) years or less.

When a loan/bond is uncollectible, it is written off against the related allowance for impairment and subsequent recoveries are credited to the provision for loan loss in the statement of profit or loss and other comprehensive income. The Company as the Fund Manager is entitled to receive an incentive payment when one of its managed funds recovers any principal and interest in respect of any loan which may be classified as uncollectible and/or may have been written off the books of the Fund. Such an incentive payment shall be ten percent (10%) on the net amounts recovered.

The grace period (i.e. the period during which only interest payments are due and payable) for loans with repayment periods of five (5) years or less will be limited to one year.

For loans with repayment periods in excess of five (5) years, but less than or equal to ten (10) years, the grace period is limited to two (2) years. For loans with a repayment period in excess of ten (10) years the grace period is limited to not more than three (3) years.

Where a construction and/or installation contract is for less than the stipulated grace period, the grace period will be limited to the length of the construction and/or installation contract.

Security is by way of first or second legal mortgage on property (ies) owned by the borrower(s).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

7. Loans Receivable, net, continued

The maturity structure of loans receivable, gross, is:

	March 31 2016	December 31 2014
Under 1 year	\$ 2,883,009	1,974,132
1 – 5 years	844,944	2,244,181
Over 5 years	<u>7,290,810</u>	<u>6,081,115</u>
Total loans receivable	\$ 11,018,763	10,299,428
Less loan loss provision:		
Balance at start of period/year	\$ (1,607,302)	(1,466,593)
Impairment recovery/(loss)	<u>5,739</u>	<u>(140,709)</u>
Balance at end of period/year	<u>(1,601,563)</u>	<u>(1,607,302)</u>
Total loans receivable, net	\$ <u>9,417,200</u>	<u>8,692,126</u>

Loans receivable carry interest rates of 7.5% to 9.5% per annum at the end of 2016 (December 31, 2014: 7.5% - 9.5% per annum). However, net loans receivable includes the amount of \$1,859,505 (December 31, 2014: \$1,294,061) relating to staff loans. These amounts carry interest rates of 3.0% to 3.63% per annum (December 31, 2014: 3% to 3.63% per annum).

The Company has invested in convertible bonds. These bonds are redeemable and bear interest at annual rates ranging from 8% - 10%. Any unpaid interest can be converted into shares of the borrower at \$1 per share at the option of the Company. These bonds which are reflected in loans receivable, net, amount to \$1,087,041 (December 31, 2014: \$1,087,041).

During the year, there were no disbursements in new bonds (December 31, 2014: \$490) and no principal repayments were received (December 31, 2014: \$ NIL).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

8. Other Assets

In 2010, the Government of Barbados made a decision to wind down the operations of CRL Limited and as a consequence the existing portfolio of CRL Limited was assigned to the Company in return for the equivalent value of one (1) non-voting Class B share. These assets are valued at \$100 and the relevant shares were transferred to the Government of Barbados.

	March 31 2016	December 31 2014
Interest receivable on term deposits	\$ 75,385	10,698
Assets transferred from CRL	<u>100</u>	<u>100</u>
Total	\$ <u>75,485</u>	<u>10,798</u>

9. Investments, net

Investments held by the Company are classified as held to maturity investments:

	March 31 2016	December 31 2014
Preferred shares	\$ 1,331,451	1,331,451
Less: Provision for investment losses	<u>(1,331,451)</u>	<u>(1,331,451)</u>
Net investments	-	-
Commercial deposits	<u>4,660,000</u>	<u>2,652,994</u>
Balances, end of year	\$ <u>4,660,000</u>	<u>2,652,994</u>

The Company has invested in preferred shares which are subject to an annual 8% cumulative dividend. The option to convert outstanding dividends into preferred shares was not exercised during the financial year.

During the year, no preference shares were redeemed (December 31, 2014 - \$1,382,049).

Included in investments is an amount of \$4,660,000 (December 31, 2014: \$2,652,994) representing commercial deposits with a maturity period of greater than 90 days. At the reporting date the effective interest rate range from 3.5% to 4.375% per annum (December 31, 2014: 1% to 4% per annum).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

10. Property, Plant and Equipment

Cost	Land & Construction In Progress	Buildings	Vehicles	Furniture	Computer Equipment	Office Equipment	Computer Software	Total
Balance at December 31, 2013	\$ 1,720,980	3,324,931	469,160	566,489	136,910	94,372	300,909	6,613,751
Additions	-	-	-	134,821	7,740	43,391	-	185,952
Disposals	-	-	-	-	-	-	-	-
Balance at December 31, 2014	\$ 1,720,980	3,324,391	469,160	701,310	144,650	137,763	300,909	6,799,703
Additions	-	-	254,235	126,579	3,800	14,276	-	398,890
Disposals	-	-	(169,674)	-	-	-	-	(169,674)
Balance at March 31, 2016	\$ 1,720,980	3,324,391	553,721	827,889	148,450	152,039	300,909	7,028,919
Accumulated Depreciation								
Balance at December 31, 2013	\$ -	132,998	182,956	291,495	114,200	30,956	300,909	1,053,514
Depreciation	-	66,498	79,690	111,798	9,683	10,459	-	278,128
Disposals	-	-	-	-	-	-	-	-
Balance at December 31, 2014	\$ -	199,496	262,646	403,293	123,883	41,415	300,909	1,331,642
Depreciation	-	83,123	104,009	163,803	14,738	19,325	-	384,998
Disposals	-	-	(151,294)	-	-	-	-	(151,294)
Balance at March 31, 2016	\$ -	282,619	215,361	567,096	138,621	60,740	300,909	1,565,346
Net Book Value								
At March 31, 2016	\$ 1,720,980	3,042,312	338,361	260,793	9,829	91,299	-	5,463,573
At December 31, 2014	\$ 1,720,980	3,125,435	206,514	298,017	20,767	96,348	-	5,468,061

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

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(Amounts in Barbados Dollars)

11. Corporation tax

Corporation tax has not been provided for in these financial statements since the Company is exempt from payment of tax in accordance with Income Tax Act Cap 73 which exempts entities whose funds have been provided by Government and used for purposes of promoting the development of sectors of the economy.

12. Deferred Shareholder Grant

	March 31 2016	December 31 2014
Balance – beginning of period/year	\$ 179,971	217,896
Disbursements – Marketing, Planning & Evaluation	-	(45,000)
Receipts – Technical Assistance	-	5,000
Interest earned on funds	<u>1,303</u>	<u>2,075</u>
Balance – end of period/year	\$ <u>181,274</u>	<u>179,971</u>

The Company receives grants from the Government of Barbados to contribute to the financial expertise of the borrowers. The Company assesses requests from its borrowers on an individual basis to determine the allocation of the funds received.

13. Due from Related Parties

	March 31 2016	December 31 2014
Agricultural Development Fund	\$ 169,097	172,489
Energy Smart Fund	56,803	67,693
Export, Promotion & Marketing Fund	176	4,029
Industrial Investment and Employment Fund	82,726	76,229
Innovation Fund	25,255	25,421
Small Hotels Investment Fund	277,717	267,336
Tourism Loan Fund	<u>230,735</u>	<u>218,682</u>
	\$ <u>842,509</u>	<u>831,879</u>

Amounts due from related parties consists mainly of management fees charged during the course of the financial year in accordance with the provisions of separate agreements between the Company and the Trustees or Sponsors of the Funds under management using contractual rates (see note 17).

Related party transactions

The related party transactions are made on terms equivalent to those prevailing in an arm's length transaction only if those terms can be substantiated. The amounts are unsecured, interest free and have no fixed terms of repayment.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

14. Defined Benefit Pension Plan

The Company invested in a defined benefit pension plan during the year ended December 31, 2005. The assets of the Plan are administered on behalf of the trustees by Sagicor Life Incorporated. The amounts recognised in the statement of financial position and the Statement of Profit or Loss and Other Comprehensive Income ("OCI") are as follows:

	March 31 2016	December 31 2014
Statement of Financial Position		
Present value of obligation at end of year	\$ 1,845,441	1,268,697
Minus Fair value of plan assets at end of year	<u>(2,389,511)</u>	<u>(1,754,862)</u>
Asset recognized in the statement of financial position	\$ <u>(544,070)</u>	<u>(486,165)</u>
Current service cost (reduced by Employee contributions)	\$ 65,856	58,990
Net interest on net defined benefit liability	<u>(33,539)</u>	<u>(30,448)</u>
Expense recognized in profit and loss	\$ <u>32,317</u>	<u>28,542</u>
Actuarial gain on obligation	\$ (102,466)	(58,617)
Return on Plan assets excluding interest income	<u>96,909</u>	<u>67,414</u>
Re-measurements recognised in OCI	<u>(5,557)</u>	<u>8,797</u>
	March 31 2016	December 31 2014
Movement in net asset recognized in the statement of financial position		
Net asset at the start of the year	\$ (486,165)	(437,553)
Amount recognized in profit and loss	32,317	28,542
Re-measurements recognised in OCI	(5,557)	8,797
Contributions - Employer	<u>(84,665)</u>	<u>(85,951)</u>
Net asset at the end of the year	\$ <u>(544,070)</u>	<u>(486,165)</u>
	March 31 2016	December 31 2014
Movement in present value of obligation		
Present value of obligation at start of year	\$ 1,268,697	1,180,269
Interest expense	119,760	93,893
Current service cost	562,886	92,792
Less: benefits paid	(3,436)	(39,640)
Actuarial gain loss on obligation	<u>(102,460)</u>	<u>(58,617)</u>
Present value of obligation at year end	\$ <u>1,845,441</u>	<u>1,268,697</u>

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

14. Defined Benefit Pension Plan, continued

	March 31 2016	December 31 2014
Movement in plan assets		
Fair value of plan assets at start of year	\$ 1,754,862	1,617,822
Actual return on plan assets	56,390	56,927
Contributions paid – total	581,695	119,753
Benefits paid	<u>(3,436)</u>	<u>(39,640)</u>
Fair value of plan assets at end of year	\$ <u>2,389,511</u>	<u>1,754,862</u>

Plan assets are equally distributed between equity investments and government bonds.

Principal actuarial assumptions

Discount rate at end of year	7.5%	7.50%
Future salary increases	6.00%	6.00%
Future pension increases	0.00%	0.00%
Future changes in National Insurance Scheme ceiling	3.5%	3.50%
Mortality	1994 Group Annuity Mortality Static Tables for Males and Females	

Historical information

	<u>2016</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Present Value of the obligation	(1,845,441)	(1,268,697)	(1,180,269)	(1,060,330)	(953,572)
Fair value of plan assets	2,389,511	1,754,862	1,617,822	1,415,336	1,216,314
Surplus	544,070	486,165	437,553	355,006	262,742

Sensitivity analysis

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by 0.25%

	<u>+0.25%</u>	<u>-0.25%</u>
Discount rate	1,785,336	1,909,823
Salary increases	1,896,108	1,796,806

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

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15. Stated Capital

	March 31 2016	December 31 2014
Class A Shares – 35,000 shares – no par value	\$ 3,500,000	3,500,000
Class B Shares – 138,731 shares – no par value	<u>13,872,109</u>	<u>13,872,109</u>
	\$ <u>17,372,109</u>	<u>17,372,109</u>

The holders of Class “A” shares are entitled to receive dividends in respect of their shareholding and to vote for the election of directors of the Company. Any holder of 10,000 or more Class “A” shares is entitled to appoint one director.

With regard to distribution or liquidation or winding-up of the Company, Class “A” shareholders shall receive, before any distribution is made to the Class “B” shareholders, the stated capital of these shares plus an amount equivalent to a 10% annual rate of return on their initial investment in the Company, after the discharge of all liabilities of the Company.

Class “B” shares are reserved only for the Government of Barbados or entities owned by the Government. Class “B” shares are not entitled to receive dividends or to elect the directors of the Company. Upon the distribution, liquidation or winding-up of the Company, Class “B” shareholders shall receive the stated capital of their shares plus an amount equivalent to a 7% compounded annual rate of return on the initial investment in the Company after payment to Class “A” shareholders of their entitlement as stated above.

On October 1, 2010 amounts owed to CRL Limited were transferred to the equity shareholding of the Company in the form of 18,296 Class “B” common shares for the subscribed value of \$1,829,518. The remaining 10 Class “A” shares previously held by CRL Limited in the capital of the Company were re-designated as 10 Class “B” common shares. These shares are valued at \$100 per share.

The Company declared a dividend of \$105,000 (December 31, 2014: \$105,000). This dividend represented \$3.00 per qualifying Class “A” Share.

16. Commitments

At the reporting date, there was one outstanding loan commitment totalling \$779,239 (December 31, 2014: \$350,000).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

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17. Management Fees

Management fees recognized as income (net of VAT) are as follows:

	March 31 <u>2016</u>	December 31 <u>2014</u>
Agricultural Development Fund	\$ 717,100	595,093
Energy Smart Fund	201,498	63,579
Export, Promotion & Marketing Fund	7,899	10,859
Industrial Investment and Employment Fund	337,670	261,569
Innovation Fund	110,471	92,947
Small Hotels Investment Fund	1,156,616	911,192
Tourism Loan Fund	<u>965,341</u>	<u>743,131</u>
	\$ <u>3,496,595</u>	<u>2,678,370</u>

Amounts receivable related to management fees as at March 31, 2016 and December 31, 2014 were \$842,509 and \$831,879 respectively.

The complete list of funds under the management of the Company is as follows:-

- Agricultural Development Fund
- Energy Smart Fund
- Export, Promotion & Marketing Fund
- Industrial Investment and Employment Fund
- Innovation Fund
- Small Hotels Investment Fund
- Tourism Loan Fund
- Tourism Industry Relief Fund

ENTERPRISE GROWTH FUND LIMITED

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18. Due to Tourism Industrial Relief Fund

On February 19, 2010 the Government of Barbados announced the creation of a \$25 million Tourism Industrial Relief Fund (TIRF) to assist the tourism accommodation and ancillary services sub-sectors to remain in business and maintain employment levels during the global economic recession. This Fund is administered by the Enterprise Growth Fund Limited (EGFL). At the end of the fifteen month period ended March 31, 2016, \$96,136 (December 31, 2014: \$96,136) remains undisbursed.

19. Financial Risk Management

Introduction and overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk Management Framework

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, in order to set appropriate risk limits and controls, and to monitor risks and the adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Credit risk

Credit risk is the risk of financial loss if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and investment securities.

Loans receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. A loan provisioning policy has been implemented and all borrowers are assessed according to their credit risk profile. These assessments, which involve ascertaining the clients' ability to service their existing liabilities as well as the value of their securitised assets, are used in order to determine the extent of credit risk.

ENTERPRISE GROWTH FUND LIMITED

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19. Financial Risk Management, continued

Management of credit risk

The Company employs a range of policies and practices to mitigate credit risk relating to loans receivable, by the taking of security whose value approximates the quantum of funds advanced. The principal collateral types for loans are:

- Mortgages over residential/commercial properties
- Charges over business assets/bill of sale
- Personal guarantees
- Hypothecation of deposit balances

Financial investments

The Company's limits its exposure to credit risk by investing only in reputable financial institutions and Government of Barbados securities. Government securities are generally invested over a period longer than that of term deposits with other financial institutions. The Company's has documented investment policies in place which act as a guide to the management of credit risk on investments.

Exposure to credit risk

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

	<u>Carrying Amount</u>	
	<u>March 31</u>	<u>December 31</u>
	<u>2016</u>	<u>2014</u>
Held to maturity investments	\$ 4,660,000	2,652,994
Loans and receivables	9,417,200	8,692,126
Cash and cash equivalents	<u>4,863,401</u>	<u>6,667,044</u>
Total	\$ <u>18,940,601</u>	<u>18,012,164</u>

Credit quality by class of financial assets

Loans Receivable

The credit quality of loans and advances is managed through the prudent underwriting principles established by management.

Cash and balances with financial institutions

The credit quality of financial institutions holding the Fund's cash resources is assessed by the level of credit worthiness and by comparison to other financial institutions. The Fund only places its cash resources with reputable financial institutions.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

19. Financial Risk Management, continued

The tables below show the credit quality analysis of financial assets:

		March 31, 2016			
		Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash resources	\$	4,863,401	-	-	4,863,401
Financial investments:					
Held to maturity		4,660,000	-	-	4,660,000
Loans receivable		<u>3,550,325</u>	<u>5,751,090</u>	<u>115,785</u>	<u>9,417,200</u>
		<u>13,073,726</u>	<u>5,751,090</u>	<u>115,785</u>	<u>18,940,601</u>
		December 31, 2014			
		Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash Resources	\$	6,667,044	-	-	6,667,044
Financial investments:					
Held to maturity		2,652,994	-	-	2,652,994
Loans receivable		<u>3,104,192</u>	<u>5,473,207</u>	<u>114,727</u>	<u>8,692,126</u>
		<u>12,424,230</u>	<u>5,473,207</u>	<u>114,727</u>	<u>18,012,164</u>

Impairment Assessment

Impaired loans and securities

Impaired loans and securities are loans and securities for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans/securities agreement(s).

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but management believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed.

Allowances for impairment

Management monitors the aging and credit quality of each loan facility extended through the monthly preparation of a delinquency report. Allowances are established on a per loan basis as set in the Company's Loan Provisioning Policy.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

19. Financial Risk Management, continued

Concentration of credit risk

Concentration of credit risk exists if a number of borrowers 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 the concentration is unusual or provides undue risks.

Impairment losses

The aging of accounts receivable at the reporting date was:

		Gross <u>2016</u>	Impairment <u>2016</u>	Gross <u>2014</u>	Impairment <u>2014</u>
Not past due	\$	-	-	-	-
Past due 0 – 30 days		69,447	-	125,965	-
Past due 31 – 120 days		-	-	-	-
More than one year		<u>33,010</u>	<u>32,943</u>	<u>33,010</u>	<u>32,943</u>
Total	\$	<u>102,457</u>	<u>32,943</u>	<u>158,975</u>	<u>32,943</u>

The movement in the allowance for impairment during the year was as follows:

		March 31 <u>2016</u>	December 31 <u>2014</u>
Balance at beginning of year	\$	32,943	32,943
Bad debt recovered		<u>-</u>	<u>-</u>
Balance at end of year	\$	<u>32,943</u>	<u>32,943</u>

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

19. Financial Risk Management, continued

Management of Liquidity Risk

Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. This has been facilitated by using a computerised management system which tracks the quantum of funds available for lending and other expenditure.

Analysis of financial liabilities

The financial liabilities of the Company, based on their earliest possible contractual maturity, are due within 30 days (December 31, 2014 – 30 days).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

Management of Market Risk

Frequent reviews and monitoring of cash resources are conducted by management in order to minimise instances of market risk in accordance with the Company's Short Term Investment Policy. Further considerations are made relating to the level of concentration of resources in financial institutions.

Exposure to currency risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates when an investor has exposure to foreign currency or in foreign-currency-traded investments. The Company had no significant exposure to currency risk at the end of the financial year.

Exposure to interest rate risk

Interest rate risk is the risk of loss from the fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between the interest-bearing assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

19. Financial Risk Management, continued

An interest rate sensitivity analysis was performed to determine the impact on total loss of reasonable possible changes in interest rates prevailing at March 31, 2016, with all other variables held constant. The impact is illustrated and shown in the table below:

Increase/(decrease) of 100 bps	March 31 <u>2016</u>	December 31 <u>2014</u>
Impact on comprehensive income +100 bps	\$ 96,912	85,207
Impact on comprehensive income – 100 bps	(96,912)	(85,207)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes, associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is delegated to the trustees of the Company. Key policies and procedures used in managing operating risk involve segregation of duties, delegation of authority and financial and managerial reporting. Mitigation of operating risk is supported by a well defined organisational structure that segregates operational and administrative functions. Additionally, quarterly reviews are undertaken by the trustees of the Company.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

19. Financial Risk Management, continued

Financial income and expense

	March 31 <u>2016</u>	December 31 <u>2014</u>
Interest income on unimpaired loans & receivables	\$ 726,841	639,051
Interest income on bank deposits	343,780	132,850
Reversal of investment provisions	<u>-</u>	<u>139,166</u>
Financial income	1,070,621	911,067
Financial expenses	<u>5,739</u>	<u>(140,709)</u>
Net financial income	\$ <u>1,076,360</u>	<u>770,358</u>

Investments

Non-current investments

Held-to-maturity investments	\$ 4,660,000	2,652,994
Available-for-sale investments	-	-

20. Fair Value Disclosure of Financial Instruments

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. There is no available trading market for these financial instruments and therefore, it is not possible to determine independently the estimated fair values. The fair values of financial instruments are considered to approximate their book values.

Fair value of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

	2016 <u>Carrying Value</u>	2016 <u>Fair Value</u>	2014 <u>Carrying Value</u>	2014 <u>Fair Value</u>
Cash and short term deposits	\$ 4,863,401	4,863,401	6,667,044	6,667,044
Accounts receivable & prepayments	883,852	883,852	1,234,213	1,234,213
Loans receivable, net	9,417,200	9,417,200	8,692,126	8,692,126
Held to maturity investments	4,660,000	4,660,000	2,652,994	2,652,994
Due from related parties	842,509	842,509	831,879	831,879
Accounts payable	(128,891)	(128,891)	(125,968)	(125,968)
Accrued employee benefits	-	-	(464,397)	(464,397)
Due to related parties	(20,000)	(20,000)	-	-
Due to Tourism Industry Relief Fund	(96,136)	(96,136)	(96,136)	(96,136)

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

20. Fair Value Disclosure of Financial Instruments, continued

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets of liabilities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

21. Key Management Personnel Compensation

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

	March 31 2016	December 31 2014
Salaries, directors fees and benefits	\$ 1,123,439	916,887

Key management personnel are entitled to post retirement benefits under the Company's defined benefit pension scheme which cannot be reasonably estimated at year end.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2016


(Amounts in Barbados Dollars)

22. Contingencies

At February 1, 2012, the Company signed a Bond of Guarantee with the Comptroller of Customs. This is a general bond for securing duty on goods warehoused in a customs controlled area with a liability of \$250,000 for goods owned by BICO Ltd.

23. Change in financial year end

The Government of Barbados has requested all government-owned entities and statutory corporations to amend their financial year-ends to March 31st, to align with the Government's fiscal period. As a result these financial statements have been prepared for the fifteen-month period ended March 31, 2016.



“To acquire balance means to achieve that happy medium between the minimum and the maximum that represents your optimum. The minimum is the least you can get by with. The maximum is the most you’re capable of. The optimum is the amount or degree of anything that is most favorable toward the ends you desire.”

Nido Qubein

Agricultural Development Fund

**Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016**

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Agricultural Development Fund

Corporate Information

Management Committee

Mr. Ian Collymore – Chairman

Mr. Lionel Jordan – Deputy Chairman

Mr. Anthony Sobers – Member

A representative of Enterprise Growth Fund Limited – Member

A representative of the Barbados Agricultural Society – Member

Permanent Secretary – Ministry of Finance or his nominee – Member

Permanent Secretary – Ministry of Agriculture, Food, Fisheries and Water Resource Management or his nominee – Member

Fund Manager

Enterprise Growth Fund Limited

Secretary

Mrs. Linda Harris

Bankers

RBC Royal Bank (Barbados) Ltd.
Broad Street
Bridgetown
St. Michael

Auditors

Skeete, Best & Co.
Chartered Accountants
Tudor Bridge
St. Michael

Agricultural Development Fund

Management Committee's Report

The Management Committee submits its annual report and the audited financial statements for the 15 month period from January 1, 2015 to March 31, 2016 which show the state of the Fund's affairs.

		\$
1.	The net income for the period was	243,149
	Which is deducted from the accumulated deficit brought forward of	<u>(9,224,831)</u>
	Resulting in an accumulated deficit to be carried forward of	<u>(8,981,682)</u>
2.	The retiring auditors, Skeete, Best & Co., Chartered Accountants, offer themselves for re-appointment.	

By Order of the Management Committee



Linda Harris
Secretary
July 14, 2016



Skeete, Best & Co. Chartered Accountants

Tudor Bridge, St. Michael

Barbados, W.I.

Tel. (246) 424-6626 Fax. (246) 425-5348

Email: ds.skeetebest@caribsurf.com



Independent Auditors' Report

To the Management Committee of the Agricultural Development Fund

We have audited the accompanying financial statements of the **Agricultural Development Fund**, which comprise the statement of financial position as of March 31, 2016, and the statements of income, changes in fund and cash flows for the 15 month period from January 1, 2015 to March 31, 2016, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Agricultural Development Fund** as of March 31, 2016, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Skeete, Best & Co.,

Chartered Accountants

Barbados, W.I.

July 14, 2016

Agricultural Development Fund
Statement of Financial Position
As of March 31, 2016
(with comparatives as of December 31, 2014)
(expressed in Barbados dollars)

	2016 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents	2,348,184	2,910,122
Short term investment (Note 4)	1,092,199	1,057,364
Withholding tax refundable (Note 9)	22,714	22,714
Interest receivable	30,080	20,874
Total current assets	3,493,177	4,011,074
Available-for-sale investments (Note 6)	-	-
Revolving lines of credit (Note 7)	3,647	3,647
Loans receivable (Note 8)	10,009,330	9,984,957
Total assets	13,506,154	13,999,678
Liabilities and fund		
Current liabilities		
Accounts payable	37,595	27,113
Due to related companies (Note 5)	555,578	573,545
Total liabilities	593,173	600,658
Fund	12,912,981	13,399,020
Total liabilities and fund	13,506,154	13,999,678

Approved by the Management Committee on July 14, 2016

 Chairman

 Member

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Statement of Changes in Fund

For the 15 month period January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

	Development Fund \$	Accumulated Deficit \$	Total \$
Balance at January 1, 2013	23,417,394	(8,861,640)	14,555,754
Grants disbursed (Note 10)	(793,543)	-	(793,543)
Net loss for the year	-	(363,191)	(363,191)
	<hr/>		
Balance at December 31, 2014	22,623,851	(9,224,831)	13,399,020
Grants disbursed (Note 10)	(729,188)	-	(729,188)
Net income for the period	-	243,149	243,149
	<hr/>		
Balance at March 31, 2016	21,894,663	(8,981,682)	12,912,981

Agricultural Development Fund

Statement of Comprehensive Income

For the 15 month period January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

	2016	2014
	\$	\$
Revenue		
Interest on deposits	102,949	126,931
Interest on loans	1,003,422	450,125
	1,106,371	577,056
Expenses		
Bank charges	194	290
Interest	2,408	-
Impairment (gains) losses (Note 11)	(27,697)	206,000
Management Committee fees	7,640	5,790
Management fees (Note 5)	842,593	699,232
Professional fees	38,084	28,936
	863,222	940,247
Net income (loss) for the period/year	243,149	(363,191)

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Statement of Cash Flows

For the 15 month period January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

	2016	2014
	\$	\$
Cash flows from operating activities		
Net income (loss) for the period/year	243,149	(363,191)
Adjustment for:		
Provision for impairment losses	(27,697)	206,000
Operating income (loss) before working capital changes	215,452	(157,191)
(Increase) decrease in interest receivable	(9,206)	24,996
Decrease in other receivable	-	1,849
Loans disbursed	(803,696)	(364,847)
Loans repaid	791,382	554,142
Revolving line of credit repaid	15,639	-
Sale of short-term investment	-	1,031,638
Purchase of short term investment	(34,835)	-
Increase in accounts payable	10,481	1,086
Decrease in due from related parties	-	20,499
Decrease in due to related company	(17,967)	(14,642)
Net cash from operating activities	167,250	1,097,530
Cash flows from financing activities		
Grants disbursed	(729,188)	(793,543)
Net cash used in financing activities	(729,188)	(793,543)
Net (decrease) increase in cash and cash equivalents	(561,938)	303,987
Cash and cash equivalents - beginning of the period/year	2,910,122	2,606,135
Cash and cash equivalents - end of the period/year	2,348,184	2,910,122
Cash and cash equivalents comprise:		
Cash	624,418	690,878
Term deposits (Note 3)	1,723,766	2,219,244
	2,348,184	2,910,122

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

1. Establishment and purpose

The Agricultural Development Fund was established in Barbados by an Act of Parliament on December 12, 2001. Financial resources, as determined by the Minister of Agriculture, are paid into this Fund. These resources are used to finance projects and programmes that are designed for the improved development of agriculture in Barbados.

The Fund's operations commenced on March 28, 2002.

2. Significant accounting policies

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Basis of measurement

The financial statements are prepared on the historical cost basis except that the following assets are stated at their fair value: financial instruments at fair value through profit and loss and financial instruments classified as available-for-sale.

Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Standards, amendments and interpretations effective in 2016

a) The following standards, amendments and interpretations are mandatory for the Fund's accounting period beginning on or after January 1, 2015.

- IFRS 8 – Operating Segments (annual improvements) – effective July 1, 2014
- IFRS 13 – Fair Value Measurement (annual improvements) – effective July 1, 2014
- IAS 24 – Related Party Disclosures (annual improvements) – effective July 1, 2014

b) The amendments below were not relevant or did not have a significant impact on the financial statements

- IFRS 2 – Share based payment (definition of 'vesting condition') – effective July 1, 2014
- IFRS 3 – Business Combinations (amendment) – effective July 1, 2014
- IAS 16 – Property, Plant and Equipment – effective July 1, 2014
- IAS 19 – Employee Benefits – effective July 1, 2014
- IAS 38 – Intangible Assets (amendment) – effective July 1, 2014
- IAS 40 – Investment Property (amendment) – effective July 1, 2014

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

2 Significant accounting policies.....continued

c) *Standards, amendments and interpretations not yet effective but will be relevant to the fund.*

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (annual improvements) - effective January 1, 2016
- IFRS 7 – Financial Instruments: Disclosures (annual improvements)- effective January 1, 2016
- IFRS 9 – Financial Instruments (Classification and Measurement of financial assets) effective January 1, 2018
- IFRS 12 – Disclosure of Interests in Other Entities (amendments regarding the application of the consolidation exception) - effective January 1, 2016
- IFRS 15 – Revenue from Contracts with Customers (amendment) - effective January 1, 2018
- IAS 1 – Presentation of Financial Statements (amendments resulting from disclosure initiative) – effective January 1, 2016
- IAS 7 – Statement of Cash Flows (amendments as a result of the disclosure initiative) – effective January 1, 2017

d) *Standards, interpretations and amendments to existing standards that are not yet effective and are **not** relevant to the Fund's operations.*

- IFRS 7 - Financial Instruments: Disclosures (additional hedge accounting) – applies when IFRS 9 is applied
- IFRS 10 – Consolidated Financial Statements (amendment) - effective January 1, 2016
- IFRS 11 – Joint Arrangements – effective January 1, 2016
- IFRS 14 – Regulatory Deferral Accounts - effective January 1, 2016
- IFRS 16 – Leases – effective January 1, 2019
- IFRS for SMEs – effective January 1, 2017
- IAS 12 – Income Taxes – effective January 1, 2017
- IAS 16 – Property, Plant and Equipment – effective January 1, 2016
- IAS 19 – Employee Benefits - effective January 1, 2016
- IAS 27 – Separate Financial Statements - effective January 1, 2016
- IAS 28 – Investments in Associates and Joint Ventures - effective January 1, 2016
- IAS 34 – Interim Financial Reporting - effective January 1, 2016
- IAS 38 – Intangible Assets (amendment) - effective January 1, 2016
- IAS 39 – Financial Instruments: Recognition and Measurement (amendment to continue to apply hedge accounting) – effective when IFRS 9 is applied
- IAS 41 – Agriculture (amendment to bring Bearer Plants into IAS 16 scope) – effective January 1, 2016

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

2 Significant accounting policies.....continued**Foreign currencies**

Transactions arising during the year involving foreign currencies are converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of loss.

Taxation

The fund is exempt from income tax under section 9 (1) (f) of the Income Tax Act, Cap 73.

Cash and cash equivalents

Cash and cash equivalents are short term highly liquid investments which are readily convertible into known amounts of cash without notice and which are within three (3) months of maturity when acquired. These are shown at amortised cost.

Short term investments

Short term investments are investments which are readily convertible into known amounts of cash and which are within three (3) to twelve (12) months of maturity when acquired. These are shown at amortised cost.

Financial instruments**i) Classification**

Originated loans are loans created by the Fund providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans comprise loans to customers.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Fund has the intent and ability to hold to maturity.

Available-for-sale assets are financial assets that are not financial assets at fair value through profit and loss, originated by the Fund, or held-to-maturity. Available-for-sale instruments include certain equity investments.

ii) Recognition

The Fund recognises financial assets on the date it commits to purchasing the assets or originating loans. From this date, any gains and losses arising from changes in fair value of assets are recognised.

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

2 Significant accounting policies.....continued**Financial instruments...continued**

iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all available-for-sale assets are measured at fair value based on their quoted market price at the balance sheet date without any deduction for transaction costs. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost, including transaction costs less impairment losses.

Gains and losses arising from the change in fair value of available-for-sale investments subsequent to initial recognition are accounted for as changes in the investment revaluation reserve.

All originated loans and held-to-maturity assets are measured at amortised costs less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts including initial transaction costs are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Impairment

The carrying amounts of the Fund's assets are reviewed at each financial year end to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive loss.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in reserves is recognised in the statement of comprehensive loss even though the financial asset has not been derecognised. The amount of the cumulative loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive loss.

An originated loan is considered to be impaired when principal and interest are past due ninety days or more or if there is objective evidence that the fund will not be able to collect all amounts due according to the contractual terms of the loan.

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

2 Significant accounting policies.....continued**Impairment...continued**

i) Calculation of recoverable amount

The recoverable amount of the Fund's originating loans is calculated as the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate (i.e. the effective interest rate computed at the initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset.

ii) Reversals of impairment

An impairment loss in respect of a loan carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue recognition**Loans and investments**

Interest income is accounted for on the accrual basis for investments, and all other loans other than non-accrual loans, using the effective interest yield method. When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income of the current period, unless the loan, including accrued interest, is fully secured and in the process of collection. Thereafter, interest income is recognised only after the loan reverts to performing status.

Grants

The Fund provides grants to the agricultural sector to finance projects which contribute to the long-term development and sustainability of agriculture in Barbados. Such grants, when disbursed, are recognised in the accounts as a reduction in the equity of the Fund.

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

3. Cash equivalents

These are term deposits placed with a financial institution.

Financial Institution	Date of Maturity	Interest Rate	Principal \$
2016			
Capita Financial Services Inc.	June 14, 2016	2.50%	<u>1,723,766</u>
2014			
Capita Financial Services Inc.	March 15, 2015	3.00%	<u>2,219,244</u>

4. Short-term investment

These are term deposits placed with a financial institution.

Financial Institution	Date of Maturity	Interest Rate	Principal \$
2016			
Capita Financial Services Inc.	October 26, 2016	3.00%	<u>1,092,199</u>
2014			
Capita Financial Services Inc.	April 24, 2015	3.25%	<u>1,057,364</u>

5. Related party transactions

The Enterprise Growth Fund Limited serves as manager of, and provides disbursement and administrative assistance to the Fund. As a result of providing such services, the Enterprise Growth Fund Limited receives a management fee based on the value of the gross assets of the Fund, calculated quarterly and payable in arrears, at a rate of 0.5%.

Charges of \$842,593 (2014 - \$699,232) were incurred during the period in respect of management fees payable to the Enterprise Growth Fund Limited. At March 31, 2016, the related party balances were as follows:

	2016 \$	2014 \$
Due to Disaster Relief Revolving Fund	(386,481)	(401,056)
Due to Enterprise Growth Fund Limited	<u>(169,097)</u>	<u>(172,489)</u>
	<u>(555,578)</u>	<u>(573,545)</u>

These balances are unsecured, interest-free and are repayable on demand.

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

6. Available-for-sale investments

At period end the Fund had invested \$4,000,000 in 2% cumulative, redeemable, convertible Class A preferred shares at \$1 per share in Exclusive Cottons of the Caribbean Inc. (ECCI) to be redeemed no later than March 31, 2015 at a price not greater than \$3.32 per share. These shares were not redeemed at the stipulated date of March 31, 2015. Subsequent to the period end, a proposal was made to ECCI to convert the 4,000,000 Class A preferred shares into common shares and the associated unpaid dividends into a loan. The Fund's total investment was \$4,000,000 (2014 - \$4,000,000)

Impairment allowance recognised on this investment at period end was \$4,000,000 (2014 - \$4,000,000).

At period end the Fund had invested \$3,555,769 in 7% cumulative, redeemable, convertible Class A preferred shares at a price of \$1 per share in The West Indies Sugar & Trading Company Limited (WISTCL). The Class A preferred shares are to be redeemed as follows: 3,055,769 to be redeemed no later than December 31, 2016 at a price no less than \$1.15 per share and 500,000 are to be redeemed no later than December 31, 2018 at a price no less than \$1.15 per share. The fund reserved the right to convert any dividends not paid within twelve calendar months of their due date into additional Class A preferred shares at a price of \$1 per share. The Fund also purchased \$33,334 ordinary shares at the price of \$1 per share in WISTCL, these shares were repurchased by WISTCL on December 2, 2013. The Fund's total investment was \$3,555,769 (2014 - \$3,555,769)

Impairment allowance recognised on this investment at period end was \$3,555,769 (2014 - \$3,555,769).

	2016	2014
	\$	\$
Original cost	7,555,769	7,555,769
Less: Allowance for impairment	<u>(7,555,769)</u>	<u>(7,555,769)</u>
	<u>-</u>	<u>-</u>

7. Revolving lines of credit

The revolving lines of credit at year end comprised:

	Interest rate		Outstanding balance	
	2016	2014	2016	2014
	%	%	\$	\$
Exclusive Cottons of the Caribbean Inc.	6.5%	6.5%	488,498	504,136
Barbados Agricultural Development & Marketing Corporation	6.5%	6.5%	<u>3,647</u>	<u>3,647</u>
			492,145	507,783
Less: Provision for credit losses			<u>(488,498)</u>	<u>(504,136)</u>
			<u>3,647</u>	<u>3,647</u>

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

7 Revolving lines of credit.....continued

	2016	2014
	\$	\$
Provision for Revolving lines of credit losses		
Balance at January 1	504,136	504,136
Decrease in provision	(15,638)	-
	<u>488,498</u>	<u>504,136</u>
Balance at March 31/December 31		

8. Loans receivable

The loans at period end comprised:

	Interest rate		Outstanding balances	
	2016	2014	2016	2014
	%	%	\$	\$
1 year	6.5-7.0	6.5-7.0	6,061,616	2,484,244
2 to 5 years	6.5-7.0	6.5-7.0	2,107,163	5,558,053
Over 5 years and up to 10 years	6.5-8.5	6.5-7.0	6,205,522	4,754,346
Over 10 years and up to 15 years	6.5-7.0	6.5-7.0	-	1,565,344
			<u>14,374,301</u>	<u>14,361,987</u>
Less: Provision for loan losses			(4,364,971)	(4,377,030)
			<u>10,009,330</u>	<u>9,984,957</u>
Provision for loan losses				
Balance at January 1			4,377,030	4,171,030
(Decrease) increase in provision			(12,059)	206,000
			<u>4,364,971</u>	<u>4,377,030</u>
Balance at March 31/December 31				

9. Taxation

	2016	2014
	\$	\$
Balance Sheet:		
Withholding taxes refundable – year of income 2003	<u>22,714</u>	<u>22,714</u>

10. Grants disbursed

During the period under review, the following grants were disbursed:

	2016	2014
	\$	\$
Barbados Agricultural Development and Marketing Corporation	729,188	726,685
Barbados Agricultural Society	-	6,000
Barbados Cane Industry Corporation	-	60,858
	<u>729,188</u>	<u>793,543</u>

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

11. Impairment losses

This amount is made up as follows: -

	2016	2014
	\$	\$
Decrease in revolving lines of credit provision (Note 7)	(15,638)	-
(Decrease) increase in provision for loan losses (note 8)	(12,059)	206,000
	<u>(27,697)</u>	<u>206,000</u>

12. Commitments

At the period end, the following commitments were outstanding:

	2016	2014
	\$	\$
Loans	323,983	607,497
Grants	753,892	1,818,363
	<u>1,077,875</u>	<u>2,425,800</u>

13. Financial risk management

a) Introduction and overview

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Fund's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

The Management Committee has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

13 Financial risk management.....continued

b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's loans and investment securities.

Management of credit risk

The Management Committee has delegated responsibility for the management of credit risk to the Enterprise Growth Fund Limited, a related party.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Fund determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans/securities agreement(s).

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Fund believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed.

Allowances for impairment

The Fund monitors the aging and credit quality of each loan facility extended. Allowances are established on a per loan basis as set out in the Fund's credit policy.

Write off policy

The Fund writes off a loan/security balance (and any related allowances for impairment) when it determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Fund holds collateral against loans in the form of mortgage debentures over property, bills of sale and/or personal or government guarantees.

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

13 Financial risk management.....continued

c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Fund's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

Management of liquidity at the Fund is the responsibility of the Enterprise Growth Fund Limited, a related party.

d) Market risk

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business. Liquidity risk is the risk that the Fund may be unable to meet a financial commitment to a customer or creditor when due. Price risk is the risk to earnings that arises from changes in interest rates, commodity prices and their implied volatilities.

Management of market risk

Market risk is measured in accordance with established standards.

e) Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes, associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations and are faced by all business entities.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Enterprise Growth Fund Limited, a related party.

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

14. Segment reporting

Segment reporting which conforms with International Financial Reporting Standard (IFRS) 8 distinguishes between two business segments – Commercial division and Developmental division and thus follows the Funds internal reporting structure. The Commercial division encompasses those financing activities entered into with the main intention of profit generation while the Developmental division encompasses financial support of projects with a social emphasis.

2016			
Segment information	Commercial	Developmental	Total
	\$	\$	\$
Total revenue	1,106,371	-	1,106,371
Management fees	842,593	-	842,593
Impairment losses - loans	-	-	-
Impairment losses - equity	-	-	-
Other operating expenses	20,629	-	20,629
Total expenses	863,222	-	863,222
Net income	243,149	-	243,149
Current assets	3,493,177	-	3,493,177
Non-current assets	10,012,977	-	10,012,977
Intersegment balances	111,005,312	(111,005,312)	-
Liabilities	593,172	-	593,172
Funds received (disbursed)	125,105,335	(103,210,672)	21,894,663
Retained earnings (deficit)	(1,187,042)	(7,794,640)	(8,981,682)

Agricultural Development Fund

Notes to Financial Statements

For the 15 month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

14. Segment reporting...continued

2014			
Segment information	Commercial	Developmental	Total
	\$	\$	\$
Total revenue	577,056	-	577,056
Management fees	699,232	-	699,232
Impairment losses - loans	206,000	-	206,000
Impairment losses - equity	-	-	-
Other operating expenses	35,015	-	35,015
Total expenses	940,247	-	940,247
Net loss	(363,191)	-	(363,191)
Current assets	4,011,074	-	4,011,074
Non-current assets	9,988,604	-	9,988,604
Intersegment balances	110,276,124	(110,276,124)	-
Liabilities	600,662	-	600,662
Funds received (disbursed)	125,105,335	(102,481,484)	22,623,851
Retained earnings (deficit)	(1,430,191)	(7,794,640)	(9,224,831)

15. Change of financial year end

The Government of Barbados instructed all government-owned entities and statutory corporations to amend their financial year-end to March 31 to be co-terminus with the government's fiscal period. As a result, the financial statements have been prepared for the fifteen-month period ended March 31, 2016. Consequently, the previous year's figures presented are not entirely comparable with the period under review.

Disaster Relief Revolving Fund

**Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016**

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Independent Auditors' Report

To the Management Committee of the Agricultural Development Fund for Disaster Relief Revolving Fund

We have audited the accompanying financial statements of the **Disaster Relief Revolving Fund**, which comprise the statement of financial position as of March 31, 2016 and the statements of comprehensive income, changes in fund and cash flows for the 15 month period from January 1, 2015 to March 31, 2016, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Disaster Relief Revolving Fund** as of March 31, 2016 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Skeete, Best & Co.,

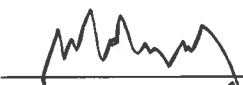
Chartered Accountants

Barbados, W.I.
July 14, 2016

Disaster Relief Revolving Fund
Statement of Financial Position
As of March 31, 2016
(with comparatives as of December 31, 2014)
(expressed in Barbados dollars)

	2016 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	2,219,937	2,116,544
Due from related party (Note 5)	386,480	401,055
Withholding tax refundable	45,844	45,844
Interest receivable	1,071	17,718
	<hr/>	<hr/>
Total current assets	2,653,332	2,581,161
Loans receivable (Note 4)	-	-
	<hr/>	<hr/>
	2,653,332	2,581,161
	<hr/>	<hr/>
Liabilities and fund		
Current liabilities		
Accounts payable	9,000	7,109
	<hr/>	<hr/>
Total liabilities	9,000	7,109
	<hr/>	<hr/>
Fund	2,644,332	2,574,052
	<hr/>	<hr/>
Total liabilities and fund	2,653,332	2,581,161
	<hr/>	<hr/>

Approved by the Management Committee on July 14, 2016

 Chairman

 Member

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Statement of Changes in Fund

For the fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

	Disaster Relief Fund \$	Retained Earnings \$	Total \$
Balance at December 31, 2013	2,000,000	471,575	2,471,575
Net income for the year	-	102,477	102,477
Balance at December 31, 2014	2,000,000	574,052	2,574,052
Net income for the period	-	70,280	70,280
Balance at March 31, 2016	2,000,000	644,332	2,644,332

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Statement of Income

For the fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

	2016	2014
	\$	\$
Revenue		
Interest on deposits	81,304	75,543
Interest on loans	2,764	5,272
	84,068	80,815
Expenses		
Bank charges	244	152
Provision for loan losses (Note 4)	3,906	(29,570)
Professional fees	9,638	7,756
	13,788	(21,662)
Net income for the period/year	70,280	102,477

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Statement of Cash Flows

For the fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

	2016	2014
	\$	\$
Cash flows from operating activities		
Net income for the period/year	70,280	102,477
Adjustment for:		
Provision (reversal) for loan losses	3,906	(29,570)
	<hr/>	<hr/>
Operating profit before working capital changes	74,186	72,907
Decrease in interest receivable	16,647	3,191
Loans disbursed	(16,707)	-
Loans repaid	12,799	29,570
Increase in accounts payable	1,891	587
Decrease (increase) in amounts due from related party	14,575	(15,849)
	<hr/>	<hr/>
Net cash from operating activities	103,393	90,406
	<hr/>	<hr/>
Net increase in cash and cash equivalents	103,393	90,406
	<hr/>	<hr/>
Cash and cash equivalents - beginning of period/year	2,116,544	2,026,138
	<hr/>	<hr/>
Cash and cash equivalents - end of period/year	2,219,937	2,116,544
	<hr/>	<hr/>
Represented by:		
Cash	94,199	88,581
Term deposits	2,125,738	2,027,963
	<hr/>	<hr/>
	2,219,937	2,116,544
	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Notes to Financial Statements

For the fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

1. Establishment and purpose

The Disaster Relief Revolving Fund (hereinafter referred to as 'The Fund') was established in Barbados by the Minister of Finance and Economic Affairs in his Economic and Financial Policies dated December 7, 2004. Financial resources, as determined by the Minister of Agriculture, are paid into this Fund. These financial resources are managed solely by the Agricultural Development Fund (ADF) and are used to provide agricultural producers, who have been affected by a disaster, with access to a revolving loan facility that offers lenient repayment terms, to assist in restoring their operations to their pre-disaster status.

The Fund's operations commenced on April 01, 2005 when the first contribution was received.

2. Significant accounting policies

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. They are prepared under the historical cost convention.

Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition

Interest income is recognised in the income statement on the accrual basis for all interest bearing instruments using the effective yield method. Interest income from loans is not accrued if a loan becomes impaired. In subsequent periods, any interest received on impaired loans is accounted for on a cash basis. Interest income includes interest earned on the term deposit.

Foreign currencies

Transactions arising during the year involving foreign currencies are converted at the rates prevailing on the dates the transactions occurred. Differences arising from fluctuations in exchange rates are included in the statement of income.

Taxation

The Fund is exempt from income tax under section 9 (1) (f) of the Income Tax Act, CAP 73.

Disaster Relief Revolving Fund

Notes to Financial Statements

For the fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

2. Significant accounting policies ...continued**Loans receivable and allowances for loan losses**

Loans are categorised as originating loans and are carried at amortised cost. These loans are secured by promissory notes.

A loan is considered to be impaired when principal and interest are past due ninety days or more, or, there is objective evidence that the Fund will not be able to collect all amounts due according to the contractual terms of the loan. The amount of the provision is the difference between the carrying amount and the recoverable amount of the loan. The recoverable amount of the loan is the present value of the expected cash flows discounted based on the interest rate at inception of the loan.

When a loan is uncollectible, it is written off against the related allowance. Any subsequent amounts recovered are credited to the provision for loan losses in the statement of comprehensive income.

3. Cash and cash equivalents

This includes term deposits of \$2,125,738 (2014- \$2,027,963) that were placed with a financial institution for a period of six months. The deposits earn interest at rates of 3.0% per annum (2014 – 3.25%) and mature on September 26, 2016.

Financial Institution	Date of Maturity	Interest rate	Principal Mar-2016 \$	Principal Dec-2014 \$
Capital Financial Services Inc.	September 26, 2016	3.0%	2,125,738	2,027,963
Cash			94,199	88,581
			<u>2,219,937</u>	<u>2,116,544</u>

4. Loans receivable

Loans receivable are comprised as follows:

	Interest rate 2016	Outstanding balances Mar-2016 \$	Dec-2014 \$
Loans Receivable	3.0%	291,105	287,109
Less: Provision for loan losses		<u>(291,105)</u>	<u>(287,109)</u>
Loans Receivable, net		<u>-</u>	<u>-</u>

Disaster Relief Revolving Fund

Notes to Financial Statements

For the fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

4. Loans receivablecontinued

	Mar-2016	Dec-2014
	\$	\$
Provision for Loan Losses		
Balance at January 1	287,109	316,678
Increase (decrease) in provision	<u>3,906</u>	<u>(29,570)</u>
Balance at March 31/December 31	<u>291,015</u>	<u>287,109</u>

5. Related party transactions

The Fund is administered by the Agricultural Development Fund. At March 31, 2016 the Fund had a balance due from the Agricultural Development Fund of \$386,480 (2014 – \$401,055). This balance is unsecured, interest-free and repayable on demand.

The Enterprise Growth Fund Limited serves as manager of, and provides disbursement and administrative assistance to, the Fund. As a result of providing such services, the Enterprise Growth Fund Limited receives a management fee based on the value of the gross assets of the Fund, calculated quarterly and payable in arrears, at a rate of 0.5%.

Charges of \$72,720 (2014 - \$62,052) were incurred during the period under review in respect of management fees payable to the Enterprise Growth Fund Limited for management services provided to the Disaster Relief Revolving Fund. These fees are borne out of the funds of the Agricultural Development Fund.

6. Commitments

At the end of the period, the Fund had \$1,381 (2014 – \$6,588) commitments outstanding as follows:

	Mar-2016	Dec-2014
	\$	\$
Trevor Mayers	<u>1,381</u>	<u>6,588</u>
	<u>1,381</u>	<u>6,588</u>

Disaster Relief Revolving Fund

Notes to Financial Statements

For the fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

7. Financial risk management**Fair value**

The methods and assumptions used to estimate fair value of each class of financial instruments are as follows:

- a) Cash and cash equivalents, withholding tax refundable, due to related party and accounts payable.

Due to the short-term nature of these financial assets and liabilities their carrying values approximate their fair values.

- b) Loans receivable

The rates of interest in the portfolio reflect market conditions and their carrying amounts, net of provision for loan losses, approximate their fair values.

Interest rate risk

The Fund invests in fixed interest rate securities and the loan interest rates are fixed by the Fund managers based on the commercial banks' prime rate. The Fund therefore can exert some measure of control over its exposure to interest rate risk, and so the risk is not considered to be significant.

Credit risk

The Fund had no significant credit risk at the end of the financial year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

8. Change of financial year end

The Government of Barbados instructed all government-owned entities and statutory corporations to amend their financial year-end to March 31 to be co-terminus with the government's fiscal period. As a result, the financial statements have been prepared for the fifteen-month period ended March 31, 2016. Consequently, the previous year's figures presented are not entirely comparable with the period under review.

“Success works as
a cycle – growth and
contraction, balancing
and unbalancing
– all while your’re
encountering hurdles that
get higher and higher
over time.”

Julien Smith



Energy Smart Fund

Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016

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ENERGY SMART FUND

Corporate Information

Trustee

Enterprise Growth Fund Limited

Fund Manager

Enterprise Growth Fund Limited

Bankers

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INDEPENDENT AUDITORS' REPORT

To the Trustee of Energy Smart Fund

We have audited the accompanying financial statements of Energy Smart Fund, which comprise the statement of financial position as at March 31, 2016, the statement of income, statement of changes in fund balance and statement of cash flows for the fifteen month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibility (continued)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Energy Smart Fund as at March 31, 2016 and its financial performance and its cash flows for the fifteen month period ended March 31, 2016 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'KPMG' in a stylized, cursive script.

Chartered Accountants
Bridgetown, Barbados

July 12, 2016

ENERGY SMART FUND

Statement of Financial Position

As at March 31, 2016

With figures as at December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>March 31</u> <u>2016</u>	<u>December 31</u> <u>2014</u>
Assets			
Cash		\$ 1,130,269	51,334
Loans receivable	4	8,909,804	4,360,773
Prepaid short-term benefits		924,328	397,133
Interest receivable		34,780	15,240
Other receivable		<u>29,081</u>	<u>4,112</u>
Total Assets		\$ <u>11,028,262</u>	<u>4,828,592</u>
Liabilities and Fund			
Liabilities			
Accounts payable		38,571	24,675
Due to related party		36,803	67,693
Deferred income		<u>40,983</u>	<u>18,706</u>
Total Liabilities		<u>116,357</u>	<u>111,074</u>
Fund			
Contribution	1	10,699,202	4,539,687
Accumulated surplus		<u>212,703</u>	<u>177,831</u>
Total Fund		<u>10,911,905</u>	<u>4,717,518</u>
Total Liabilities and Fund		\$ <u>11,028,262</u>	<u>4,828,592</u>

See accompanying notes to the financial statements.

Approved on behalf of the Trustee - Enterprise Growth Fund Limited

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Director

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Director

ENERGY SMART FUND

Statement of Income

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	March 31 <u>2016</u>	December 31 <u>2014</u>
Revenue		
Interest income	\$ 318,686	118,646
Less: management fees	<u>(192,880)</u>	<u>(67,693)</u>
Net interest income	125,806	50,953
Other income	<u>30,844</u>	<u>-</u>
Total Revenue	<u>156,650</u>	<u>50,953</u>
Expenses		
Bank charges	431	211
Short-term benefits expense	101,232	9,537
Professional fees	<u>20,115</u>	<u>17,073</u>
Total Expenses	<u>121,778</u>	<u>26,821</u>
Net income	\$ <u><u>34,872</u></u>	<u><u>24,132</u></u>

See accompanying notes to financial statements.

ENERGY SMART FUND

Statement of Changes in Fund Balance

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>Contribution</u>	<u>Accumulated Surplus</u>	<u>Total</u>
Balance at December 31, 2013		\$ 3,962,924	153,699	4,116,623
Transfers to government		(1,369,624)	-	(1,369,624)
Transfers from government		2,246,075	-	2,246,075
Technical Assistance grants disbursed	5	(299,688)	-	(299,688)
Net income for the year		<u>-</u>	<u>24,132</u>	<u>24,132</u>
Balance at December 31, 2014		\$ 4,539,687	177,831	4,717,518
Transfers from government		8,033,410	-	8,033,410
Technical Assistance grants disbursed	5	(1,873,895)	-	(1,873,895)
Net income for the period		<u>-</u>	<u>34,872</u>	<u>34,872</u>
Balance at March 31, 2016		\$ <u>10,699,202</u>	<u>212,703</u>	<u>10,911,905</u>

See accompanying notes to financial statements.

ENERGY SMART FUND

Statement of Cash Flows

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	March 31, <u>2016</u>	December 31, <u>2014</u>
Operating Activities		
Net income	\$ 34,872	24,132
Interest income	(318,686)	(118,646)
Interest received	<u>299,146</u>	<u>107,180</u>
Operating profit before working capital changes	15,332	12,666
Increase in accounts payable	13,896	4,675
Increase in loans receivable	(4,549,031)	(3,742,052)
Increase in prepaid short-term benefits	(527,195)	(397,133)
(Increase) decrease in other receivable	(24,969)	3,230
(Decrease) increase in due to related party	(30,890)	67,693
Increase in deferred income	<u>22,277</u>	<u>18,706</u>
Net cash used in operating activities	<u>(5,080,580)</u>	<u>(4,032,215)</u>
Financing Activities		
Technical Assistance grants disbursed	(1,873,895)	(299,688)
Transfer to Government	-	(1,369,624)
Funding from Government	<u>8,033,410</u>	<u>2,246,075</u>
Net cash from financing activities	<u>6,159,515</u>	<u>576,763</u>
Increase (decrease) in cash	1,078,935	(3,455,452)
Cash – beginning of period/year	<u>51,334</u>	<u>3,506,786</u>
Cash – end of period/year	\$ <u><u>1,130,269</u></u>	<u><u>51,334</u></u>

See accompanying notes to financial statements

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

1. Incorporation and Principal Activities

The Energy Smart Fund (“ESF” or “Fund”) began operations in Barbados on November 29, 2012. The Government of Barbados has pledged a cumulative capital injection of BDS\$ 20 million to establish this multi-tiered facility. These contributions will be used to provide financing to assist with the execution of viable energy efficiency (EE) and renewable energy (RE) projects amongst Barbadian businesses and households. The sum of BDS \$12.91 million (2014 – \$6.25 million) has been received to date.

The Fund is not a legal entity but functions as a segregated pool of funds and it is managed by Enterprise Growth Fund Limited (“Fund Manager” or “EGFL”). The principal place of business is “Westgate”, Monteith Gardens, Barbarees Hill, St. Michael.

The financial statements were authorised for issue by the Trustee on July 12, 2016.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). IFRS incorporates all International Accounting Standards (IAS) and interpretations issued by the predecessor body, the International Accounting Standards Committee.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

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

(b) Functional and presentation currency

These financial statements are presented in Barbados dollars, which is the Fund’s functional currency. These values have been rounded to the nearest dollar.

(c) Cash

Cash comprises cash at bank.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

2. Significant Accounting Policies, (continued)

(d) *Loans receivable*

This amount comprises low-interest loans issued at rates which are below the prevailing market rates of interest. Once fully disbursed, the amounts receivable are determined by the present value of all future cash receipts discounted using the prevailing market rate(s) of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating.

(e) *Revenue recognition*

Interest on deposits

Interest income on deposits represents interest earned on contractual agreements with financial institutions at agreed rates of interest.

Income from loans

Income from loans is recognised on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

All interest accrued during the period has been recorded as income in the financial statements. Provisions for bad debts are recorded for clients in non-accrual status where there is evidence to support the fact that the loan is impaired.

(f) *Contributions*

Contributions from the Government of Barbados are recorded in the Statement of Changes in Fund Balance. Technical Assistance grant disbursements are recognised as a decrease in the Fund balance.

(g) *Investments*

Investments comprising term deposits are categorised as held to maturity and are carried at cost.

(h) *Impairment*

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of 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 Income.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

2. Significant Accounting Policies, (continued)

(i) Deferred income

This represents deposits received from clients prior to disbursement of grant funding. They are treated as such until the client is approved for funding under the Energy Efficiency (EE) Retrofit and Renewable Energy (RE) Finance Facility.

(j) Related parties

Parties are considered 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 individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

3. Forthcoming new standards or amendment requirements:

Standards and interpretations adopted

No new standards were adopted during the fifteen month period ended March 31, 2016.

New Standards and interpretations not yet adopted

The new standards and interpretations which are not yet adopted are as follows:-

- IFRS 9 – Financial Instruments Classification and Measurement, effective January 1, 2018
- IFRS 15 – Revenue from Contracts with Customers, effective January 1, 2017

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

4. Loans receivable

The maximum loan size allowed is \$1,500,000 with a low interest rate of 3.75% per annum being applied to the reducing balance of the loan. The resources of this facility are not to be used to refinance existing debt. All loans shall be repaid within ten (10) years or less.

Security is by way of first or second legal mortgage on property(ies) owned by the borrower(s) where the market realisation value of the underlying security is adequate to liquidate all prior charges and the Fund's exposure.

The maturity structure of loans receivable is:

	March 31 <u>2016</u>	December 31 <u>2014</u>
Over 5 years	\$ <u>8,909,804</u>	\$ <u>4,360,773</u>

5. Grants/Rebates

The Trustees administer the following grants/rebates under the Fund. These are illustrated as follows:

- a) Technical Assistance Grants
- b) Pilot Consumer Finance Facility
- c) Energy Efficiency Lighting Distribution Facility
- d) Air Conditioner Rebate Trade-In Facility

Technical Assistance Grants (T/A)

This comprises amounts disbursed to eligible businesses to support the preparation of Energy Efficiency (EE) audits and Renewable Energy (RE) studies. These audits and studies will test the economic, environmental, technical and financial viability of each project prior to final implementation. The maximum allowed is \$40,000.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

5. Grants/Rebates, (continued)

Pilot Consumer Finance Facility (PCF)

The PCF Facility provides rebates on either interest rates or retail price to one or more selected Barbadian retailers that sell (or intend to sell) EE and RE equipment at a retail level, and have some experience in hire-purchase. The maximum size of a grant to any selected retailer is \$500,000.

Energy Efficiency Lighting Distribution Facility

This facility provides grant funding for selected retailers to purchase EE Lights, and distribute them for to their customers based on a voucher system. The maximum size of a grant to any selected retailer is \$1,000,000.

Air Conditioner (A/C) Rebate Trade-In Facility

This facility provides grant funding for giving 50 percent rebates to businesses and households on new efficient and ozone depleting substance (ODS)-free Air Conditioners (provided an old unit is disposed for each new unit supported), working through selected retailers. The maximum size of a grant to any selected retailer is \$1.5 million.

6. Commitments

Outstanding commitments totalling \$1.84 million (December 31, 2014 - \$2.46 million) were reported at the end of the period. These are illustrated as follows:

	March 31 <u>2016</u>	December 31 <u>2014</u>
Loans	\$ 1,637,388	\$ 1,664,549
Grants/Rebates	<u>207,564</u>	<u>800,410</u>
Total	<u>1,844,952</u>	<u>2,464,959</u>

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

6. Commitments, (continued)

<u>Client Name</u>	<u>Facility Type</u>	<u>Approved</u>	<u>Disbursed</u>	<u>Undisbursed</u>
Airline Services Inc.	Loan	\$ 800,000	\$ 339,909	\$ 460,091
Armag Manufacturing Ltd.	Loan	443,461	417,437	26,024
Bernie's (West Coast)	Loan	130,000	130,000	-
Bico Ltd.	Loan	1,500,000	1,500,000	-
Broome Holdings Inc.	Loan	1,500,000	1,468,362	31,638
Caribbean Homes Ltd.	Loan	490,000	320,752	169,248
Chickmont Foods Ltd.	Loan	1,500,000	1,067,640	432,360
Coconut Court Ltd.	Loan	780,000	780,000	-
Hinds Transport Serv. Ltd.	Loan	300,000	300,000	-
HIPAC Ltd.	Loan	1,500,000	1,500,000	-
Island Holdings Inc.	Loan	440,000	440,000	-
Krysnatash Investments Ltd.	Loan	70,000	70,000	-
Mahabir's Agencies	Loan	76,000	3,724	72,276
New Dawn Inc.	Loan	180,000	180,000	-
Preconco Ltd.	Loan	942,382	648,638	293,744
Simmons Electrical Co. Ltd	Loan	160,400	160,400	-
Transmed Inc.	Loan	425,000	355,894	69,106
Trevor Haynes	Loan	132,983	132,983	-
Unicomer (Barbados) Ltd.	Loan	<u>737,313</u>	<u>654,412</u>	<u>82,901</u>
Sub-total Loans		<u>12,107,539</u>	<u>10,470,151</u>	<u>1,637,388</u>
Abundant Life Assembly Inc.	T/A Grant	\$ 23,500	\$ 23,500	\$ -
Airline Services Inc.	T/A Grant	11,600	11,600	-
Animal Flower Cave Tours	T/A Grant	2,862	859	2,003
Armag Manufacturing Ltd.	T/A Grant	25,850	23,970	1,880
Atlantic Computers Ltd.	T/A Grant	2,000	-	2,000
B'dos Investment & Development Corporation	T/A Grant	40,000	40,000	-
Bico Ltd.	T/A Grant	18,000	18,000	-
Caribbean LED Lighting Inc.	EELD Rebate	1,000,000	970,045	29,955
Carters & Co. Ltd	T/A Grant	8,500	8,500	-
Chickmont Foods Ltd	T/A Grant	18,000	18,000	-
Cobblers Cove	T/A Grant	21,150	21,150	-
Coconut Court Ltd.	T/A Grant	16,500	16,450	50
Corbin's Catering Services	T/A Grant	8,000	2,400	5,600
Cricket Legends of B'dos Inc.	T/A Grant	<u>7,050</u>	<u>7,050</u>	<u>-</u>
Subtotal Grants/Rebates c/f		1,203,012	1,161,524	41,488

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

6. Commitments, (continued)

<u>Client Name</u>	<u>Facility Type</u>	<u>Approved</u>	<u>Disbursed</u>	<u>Undisbursed</u>
Subtotal Grants/Rebates b/f		1,203,012	1,161,524	41,488
Fiberpol	T/A Grant	32,900	32,900	-
Harris Holdings Ltd.	T/A Grant	9,000	9,000	-
Island Holdings Inc.	T/A Grant	6,500	6,500	-
Jump & Wave Inc.	T/A Grant	1,500	1,500	-
Krysnatash Investments Ltd.	T/A Grant	4,700	4,700	-
Lenstec (B'dos) Inc.	T/A Grant	37,013	37,013	-
Massy Stores	PCF Rebate	500,000	457,322	42,678
Morgan Lewis Co. Ltd	T/A Grant	21,150	21,150	-
Ocean Fisheries Ltd.	T/A Grant	2,000	2,000	-
Queen's Laundry Ltd.	T/A Grant	24,675	24,675	-
RDT Holdings Inc.	T/A Grant	21,150	21,150	-
Shorelinez Inc.	T/A Grant	16,450	16,450	-
Sugar Hill Property Owners	T/A Grant	12,338	12,338	-
The Nature Group Inc.	T/A Grant	7,638	7,638	-
Transmed Inc.	T/A Grant	6,500	-	6,500
Trevor Haynes	T/A Grant	2,700	2,700	-
Unicomer (Barbados) Ltd.	TPCF Rebate	500,000	383,102	116,898
West Haven Ltd.	T/A Grant	9,000	9,000	-
Subtotal Grants/Rebates		<u>2,418,226</u>	<u>2,210,662</u>	<u>207,564</u>
TOTAL		\$ <u>14,525,765</u>	\$ <u>12,680,813</u>	\$ <u>1,844,952</u>

7. Corporation tax

The Fund is not a legal entity, but functions as a segregated pool of funds and therefore under the Income Tax Act, the tax treatment is similar to that of a non-incorporated entity. The Income Tax Act Cap 73 was amended to exempt from tax, funds provided by Government and used for purposes of promoting the development of sectors of the economy.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

8. Change in financial year end

The Government of Barbados has requested all government-owned entities and statutory corporations to amend their financial year-ends to March 31, to align with the government fiscal period. As a result these financial statements have been prepared for the fifteen-month period ended March 31, 2016.

9. Financial Risk Management

Introduction and overview

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Fund's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk Management Framework

The Trustee of the Fund has overall responsibility for the establishment and oversight of the Fund's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Fund, in order to set appropriate risk limits and controls, and to monitor risks and the adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Credit risk

Credit risk is the risk of financial loss if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's investments.

Loans receivable

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. A loan provisioning policy has been implemented and all borrowers are assessed according to their credit risk profile. These assessments, which involve ascertaining the clients' ability to service their existing liabilities as well as the value of their securitised assets, are used in order to determine the extent of credit risk.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

9. Financial Risk Management, (continued)

Management of credit risk

The Fund employs a range of policies and practices to mitigate credit risk relating to loans receivable, by the taking of security whose value approximates the quantum of funds advanced. The principal collateral types for loans are:

- Mortgages over residential/commercial properties
- Charges over business assets/bill of sale
- Personal guarantees
- Hypothecation of deposit balances

Financial investments

The Fund limits its exposure to credit risk by investing only in reputable financial institutions and Government of Barbados securities. Government securities are generally invested over a period longer than that of term deposits with other financial institutions. The Fund has documented investment policies in place which act as a guide to the management of credit risk on investments.

Exposure to credit risk

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

	<u>Carrying Amount</u>	
	March 31 <u>2016</u>	December 31 <u>2014</u>
Cash	\$ 1,130,269	51,334
Loans receivable	8,909,804	4,360,773
Other receivable	<u>29,081</u>	<u>4,112</u>
Total	\$ <u>10,069,154</u>	<u>4,416,219</u>

Credit quality by class of financial assets

Loans Receivable

The credit quality of loans and advances is managed through the prudent underwriting principles established by management.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

9. Financial Risk Management, (continued)

Cash and balances with financial institutions

The credit quality of financial institutions holding the Fund's cash resources is assessed by the level of credit worthiness and by comparison to other financial institutions. The Fund only places its cash resources with reputable financial institutions.

Aging analysis of past due but not impaired loans

All loans receivable are past due for a period of no more than 30 days as at the reporting date (December 31, 2014 – 30 days).

Impairment Assessment

Impaired loans and securities

Impaired loans and securities are loans and securities for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans/securities agreement(s).

Past due but not impaired loans

These comprise loans and securities where contractual interest or principal payments are past due but management believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed.

Allowances for impairment

Management monitors the aging and credit quality of each loan facility extended through the monthly preparation of a delinquency report. Allowances are established on a per loan basis as set in the Company's Loan Provisioning Policy.

Concentration of credit risk

Concentration of credit risk exists if a number of borrowers 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 Fund's performance to developments affecting a particular industry or geographical location. Management does not believe that the concentration is unusual or provides undue risks.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

9. Financial Risk Management, (continued)

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations from its financial liabilities.

Management of Liquidity Risk

Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. This has been facilitated by using a computerised management system which tracks the quantum of funds available for lending and other expenditure.

Analysis of financial liabilities

The financial liabilities of the Fund, based on their earliest possible contractual maturity, are due within 30 days (December 31, 2014 – 30 days).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investment.

Management of Market Risk

Frequent reviews and monitoring of cash resources are conducted by management in order to minimize instances of market risk in accordance with the Fund's Short Term Investment Policy. Further considerations are made relating to the level of concentration of resources in financial institutions.

Exposure to currency risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates when an investor has exposure to foreign currency or in foreign-currency-traded investments. The Fund had no significant exposure to currency risk at the end of the financial year.

Exposure to interest rate risk

Interest rate risk is the risk of loss from the fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between the interest-bearing assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

9. Financial Risk Management, (continued)

An interest rate sensitivity analysis was performed to determine the impact on total loss of reasonable possible changes in interest rates prevailing at March 31, 2016, with all other variables held constant. The impact is illustrated and shown in the table below:

Increase/(decrease) of 100 bps

	March 31 <u>2016</u>	December 31 <u>2014</u>
Impact on net income +100 bps	\$ 10,077	28,807
Impact on net income – 100 bps	(10,077)	(28,807)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes, associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations and are faced by all business entities.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is delegated to the trustees of the Fund. Key policies and procedures used in managing operating risk involve segregation of duties, delegation of authority and financial and managerial reporting. Mitigation of operating risk is supported by a well defined organisational structure that segregates operational and administrative functions. Additionally, quarterly reviews are undertaken by the Trustees of the Fund.

Financial income

	March 31 <u>2016</u>	December 31 <u>2014</u>
Interest income on deposits	\$ 10,895	10,620
Interest income on loans	<u>307,791</u>	<u>108,026</u>
Financial income	\$ <u>318,686</u>	<u>118,646</u>

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

10. Fair values of financial instruments

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. There is no available trading market for these financial instruments and therefore, it is not possible to determine independently the estimated fair values. The fair values of financial instruments are considered to approximate their book values.

Fair value of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

	2016	2016	2014	2014
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash at bank	\$ 1,130,269	1,130,269	\$ 51,334	51,334
Loans receivable	8,909,804	8,909,804	4,360,773	4,757,906
Interest receivable	34,780	34,780	15,240	15,240
Other receivable	29,081	29,081	4,112	4,112
Accounts payable	(38,571)	(38,571)	(24,675)	(24,675)
Due to related party	(36,803)	(36,803)	(67,693)	(67,693)

Capital Management Policy

Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. There were no changes in management's approach to capital management during the year.

Determination of fair value and fair value hierarchy

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted market prices unadjusted in active markets for identical assets of liabilities.

The fair value of financial instruments traded in active markets is based in quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in Level 1.

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

10. Fair value disclosure of financial instruments, (continued)

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Fund's financial instruments that are not measured at fair value:

	<u>Level 3</u>	
	March 31	December 31
	<u>2016</u>	<u>2014</u>
Loans receivable	\$ <u>8,909,804</u>	<u>4,360,773</u>

“Life is like a riding a
bicycle. To keep your
balance you must keep
moving.”

Albert Einstein



Industrial, Investment and Employment Fund

Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016

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INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Corporate Information

Trustees

Mr Ramon Alleyne
Mr Martin Cox
Mr Richard Cozier
Mr Colin Highland
Mrs Sandra Husbands-Nurubakari
Mr Douglas Skeete

Secretary

Mrs Linda Harris

Fund Manager

Enterprise Growth Fund Limited

Bankers

RBC Royal Bank Barbados Limited
Broad Street
Bridgetown
St Michael
BARBADOS

Capita Financial Services Inc.
2nd Floor
Co-Operators General Insurance Building
Upper Collymore Rock
St. Michael
BABADOS

Auditors

KPMG
Hastings
Christ Church, BB15154
BARBADOS



KPMG

Hastings

Christ Church, BB 15154

Barbados West Indies

Telephone (246) 434-3900

Fax (246) 427-7123

P. O Box 690C

Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Trustees of Industrial, Investment and Employment Fund

We have audited the accompanying financial statements of Industrial, Investment and Employment Fund, which comprise the statement of financial position as of March 31, 2016, the statement of loss, changes in general fund and cash flows for the fifteen month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4



INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibility (continued)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Industrial, Investment and Employment Fund as of March 31, 2016, and its financial performance and its cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG'. The letters are stylized and cursive, with the 'K' and 'P' being particularly prominent.

Chartered Accountants
Bridgetown, Barbados
August 15, 2016

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Financial Position



As at March 31, 2016
with comparative figures as at December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>March 31</u> <u>2016</u>	<u>December 31</u> <u>2014</u>
Assets			
Cash	5	\$ 1,801,242	892,010
Short term investments	6	2,222,500	1,312,464
Loans, bonds and lines of credit receivable – net	7	4,909,598	5,804,172
Interest receivable, net		56,281	39,775
Withholding tax recoverable		<u>128,838</u>	<u>128,838</u>
Total Assets		\$ <u>9,118,459</u>	<u>8,177,259</u>
Liabilities and General Fund			
Liabilities			
Accounts payable		\$ 26,445	21,375
Due to related party	8	82,726	76,229
Funds held in escrow	11	<u>1,000,000</u>	<u>-</u>
Total liabilities		<u>1,109,171</u>	<u>97,604</u>
General Fund			
Capital contribution		15,000,000	15,000,000
Accumulated deficit		<u>(6,990,712)</u>	<u>(6,920,345)</u>
Total general fund		<u>8,009,288</u>	<u>8,079,655</u>
Total Liabilities and General Fund		\$ <u>9,118,459</u>	<u>8,177,259</u>

See accompanying notes to the financial statements.

Approved on behalf of the Trustees:

.....

.....

.....

Trustee

Trustee

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Loss

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	<u>Notes</u>	March 31 <u>2016</u>	December 31 <u>2014</u>
Revenue			
Interest income		\$ <u>489,228</u>	<u>337,927</u>
Expenses			
Management fees		396,763	307,343
Provision for loan losses	7	136,041	22,196
Professional fees		26,495	21,956
Bank charges		<u>296</u>	<u>115</u>
		<u>559,595</u>	<u>351,610</u>
Net loss		\$ <u><u>(70,367)</u></u>	<u><u>(13,683)</u></u>

See accompanying notes to the financial statements.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Changes in General Fund

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	<u>Contribution</u>	Accumulated <u>Deficit</u>	<u>Total</u>
Balances at December 31, 2013	\$ 15,000,000	(6,906,662)	8,093,338
Net loss	<u>-</u>	<u>(13,683)</u>	<u>(13,683)</u>
Balances at December 31, 2014	\$ 15,000,000	(6,920,345)	8,079,655
Net loss	<u>-</u>	<u>(70,367)</u>	<u>(70,367)</u>
Balances at March 31, 2016	\$ <u>15,000 000</u>	<u>(6,990,712)</u>	<u>8,009,288</u>

See accompanying notes to the financial statements.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Cash Flows

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Amounts in Barbados Dollars)

	March 31 <u>2016</u>	December 31 <u>2014</u>
Cash flows from operating activities		
Net loss	\$ (70,367)	(13,683)
Adjustments for:		
Provision for loan losses	136,041	22,196
Interest income	(489,228)	(337,927)
Interest received	<u>472,723</u>	<u>337,084</u>
Operating profit before working capital changes	49,169	7,670
Decrease in loans receivable	758,533	659,990
Increase/(decrease) in due to related parties	6,496	(33,592)
Increase in funds held in escrow	1,000,000	-
Decrease in deferred income	-	(40,922)
Increase in accounts payable	<u>5,070</u>	<u>5,671</u>
Net cash from operating activities	<u>1,819,268</u>	<u>598,817</u>
Cash flows from investing activities		
Purchase of short term investments	<u>(910,036)</u>	<u>(28,223)</u>
Net cash used in investing activities	<u>(910,036)</u>	<u>(28,223)</u>
Increase in cash and cash equivalents	909,232	570,594
Cash and cash equivalents at beginning of period/year	<u>892,010</u>	<u>321,416</u>
Cash and cash equivalents at end of period/year	\$ <u>1,801,242</u>	<u>892,010</u>

See accompanying notes to the financial statements

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

1. Incorporation and Principal Activities

The Industrial, Investment and Employment Fund ("IIEF" or the "Fund") began operations in Barbados on August 9, 2002 and was funded with an initial transfer from the Government of Barbados of \$15 million. These contributions are used to provide financing to local manufacturers to enhance and expand the productive capacity of the manufacturing sector in order to improve the level of competitiveness and financial viability. A further contribution of \$10 million was budgeted, however, this has not been realised as a result of the poor performance of the Fund.

The Fund is not a legal entity but functions as a segregated pool of funds and is managed by Enterprise Growth Fund Limited (the "Fund Manager" or "EGFL"). The principal place of business is Enterprise Growth Fund Limited, "Westgate", Monteith Gardens Barbarees Hill, St. Michael. The Investment Committee and the Board of Directors of EGFL are ultimately responsible for the approval and ratification of loans issued by the Fund.

The financial statements were authorised for issue by the Trustees on August 15, 2016.

2. Basis of Preparation

(a) Statement of compliance

The financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for financial instruments classified as available-for-sale investments.

(c) Functional and presentation currency

These financial statements are presented in Barbados dollars, which is the Fund's functional currency. These values have been rounded to the nearest dollar.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

2. Basis of Preparation, (continued)

(d) Use of estimates and judgements

The Fund makes estimates and assumptions concerning the future. 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. These accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Provision for loan losses

The provision for loan losses is estimated using discounted cash flow analysis. The Fund uses its judgment to select assumptions that reflect the expected timing and amount of future payments by customers and where applicable the expected net proceeds on realization of security.

(ii) Fair market value of investments

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Fund has access at the measurement date. The fair value of a liability reflects its non-performance risk.

The Fund values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Fund maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

3. Significant Accounting Policies

The significant accounting policies adopted by the Fund have been applied consistently to all periods presented in these financial statements.

(a) Revenue recognition

Interest on deposits

Interest income on deposits is recognised on an accrual basis and represents interest earned on contractual agreements with financial institutions at agreed rates of interest.

Income from loans

Income from loans is recognised on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

All interest accrued during the period has been recorded as income in the financial statements. Provisions for bad debts are recorded for clients in non-accrual status where there is evidence to support the fact that the loan is impaired.

(b) Short term Investments

Short term investments comprising term deposits are categorised as held to maturity and are carried at cost or amortized cost.

(c) Provision for loan losses

Specific provisions are made on an individual loan, where management is of the opinion that full collection is doubtful.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

3. Significant Accounting Policies, (continued)

(d) Impairment

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of 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 Loss.

(e) Related parties

Parties are considered 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 individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

4. Forthcoming new standards or amendment requirements:

Standards and interpretations adopted

There were no new standards and amendments of standards adopted during the period ended March 31, 2016.

New Standards and interpretations not yet adopted

IFRS 9 – Financial Instruments Classification and Measurement, effective January 1, 2018

IFRS 15 – Revenue Contracts with Customers, effective January 1, 2018

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

5. Cash

Cash comprise cash at bank:

	March 31 2016	December 31 2014
Cash	\$ <u>1,801,242</u>	<u>892,010</u>
	\$ <u>1,801,242</u>	<u>892,010</u>

6. Short Term Investments

These are held to maturity investments with a maturity period of 6 months. At the reporting date the effective interest rate range was from 3.0% per annum to 3.4% per annum (December 31, 2014: 2.3% per annum). Short term investments with original maturity dates of 90 days or less have been classified as cash equivalents.

7. Loans, Bonds and Lines of Credit Receivable - Net

	March 31 2016	December 31 2014
Loans	\$ 6,395,029	7,153,632
Bonds	200,000	200,000
Revolving lines of credit	<u>1,249,428</u>	<u>1,249,358</u>
	\$ <u>7,844,457</u>	<u>8,602,990</u>
Less Provision:		
Balance, beginning of period/year	\$ 2,798,818	2,776,622
Increase in provision for loan losses	<u>136,041</u>	<u>22,196</u>
	\$ <u>2,934,859</u>	<u>2,798,818</u>
Balance, end of period/year	\$ <u>4,909,598</u>	<u>5,804,172</u>

At March 31, 2016 the maturity profile of loans is as follows:

		Years to maturity			Total	Total
		Up to 1 yr	One to 5 yrs	Over 5 Yrs	2016	2014
Business Sector	\$	<u>2,761,854</u>	<u>807,267</u>	<u>4,275,336</u>	7,844,457	8,602,990
Less allowance for loan losses					<u>(2,934,859)</u>	<u>(2,798,818)</u>
	\$	<u>2,761,854</u>	<u>807,267</u>	<u>4,275,336</u>	<u>4,909,598</u>	<u>5,804,172</u>

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

7. Loans, Bonds and Lines of Credit Receivable - Net, (continued)

The interest rate applicable to the loans and lines of credit receivable ranged from 5.5% - 6.5% at the end of 2016 (December 31, 2014: 5.50% - 6.5%). The annual interest rate applicable to all bonds was 10% for 2016 (December 31, 2014: 10%).

The maximum loan allowed is the greater of \$2,000,000 and 8% of the total capitalisation balance of the Fund. Loans with repayment periods of five (5) years or less will be granted a grace period limited to one (1) year (the period during which only interest payments are due and payable). For loans with repayment periods in excess of five (5) years, but less than or equal to ten (10) years, the grace period will be two (2) years. Loans with a repayment period in excess of ten (10) years, the grace period will be for three (3) years. The grace period is limited to the length of the contract for construction or installation. Loans receivable include revolving lines of credit which are due on demand.

Security is by way of first or second legal mortgages on property(ies) owned by the borrower(s).

When a loan/bond is uncollectible, it is written off against the related allowance and subsequent recoveries are credited to the provision for loan losses in the Statement of Loss. As at the reporting date, interest not recognised in respect of delinquent loans amounted to \$1,432,201 (December 31, 2014: \$1,291,432).

8. Due to Related Party

	March 31 2016	December 31 2014
Enterprise Growth Fund Limited	\$ <u>82,726</u>	<u>76,229</u>

Due to related party consists mainly of management fees charged during the course of the financial year in accordance with the provisions of separate agreements between Enterprise Growth Fund Limited (EGFL) and the Trustees of the Fund using contractual rates.

These related party transactions are made on terms equivalent to those that prevail in arm's length transactions only if those terms can be substantiated. The amounts are unsecured, interest free and have no fixed terms of repayment.

9. Commitments

At the reporting date, there were no loans approved which have not been disbursed (December 31, 2014: \$ NIL).

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

10. Corporation Tax

Corporation tax has not been provided for in these financial statements since the Fund is exempt from payment of tax in accordance with Income Tax Act Cap 73 which exempts entities whose funds have been provided by Government and used for purposes of promoting the development of sectors of the economy.

11. Funds Held in Escrow

This amount represents funds transferred to the Fund by AC Woodhouse Inc. The amount was applied to the client's loan balance subsequent to the end of the financial period under instructions by the client.

12. Financial Risk Management

Introduction and overview

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Fund's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk Management Framework

The Trustees of the Fund have overall responsibility for the establishment and oversight of the Fund's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Fund, in order to set appropriate risk limits and controls, and to monitor risks and the adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

12. Financial Risk Management, (continued)

Credit risk

Credit risk is the risk of financial loss if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's loans, interest receivable and its investments.

Loans receivable

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. A loan provisioning policy has been implemented and all borrowers are categorized according to their credit risk profile. These assessments, which involve ascertaining the clients' ability to service their existing liabilities as well as the value of their securitised assets, are used in order to determine the extent of credit risk.

Management of credit risk

The Fund employs a range of policies and practices to mitigate credit risk relating to loans receivable, by the taking of security whose value approximates the quantum of funds advanced. The principal collateral types for loans are:

- Mortgages over residential/commercial properties
- Charges over business assets/bill of sale
- Personal guarantees
- Hypothecation of deposit balances

Exposure to credit risk

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

	<u>Carrying Amount</u>	
	March 31 <u>2016</u>	December 31 <u>2014</u>
Loans, bonds and lines of credit receivable	\$ 4,909,598	5,804,172
Cash	1,801,242	892,010
Investments	<u>2,222,500</u>	<u>1,312,464</u>
Total	\$ <u>8,933,340</u>	<u>8,008,646</u>

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

12. Financial Risk Management, (continued)

Credit quality by class of financial assets

Loans Receivable

The credit quality of loans and advances is managed through the prudent underwriting principles established by management.

Cash and balances with financial institutions

The credit quality of financial institutions holding the Fund's cash resources is assessed by the level of credit worthiness and by comparison to other financial institutions. The Fund only places its cash resources with reputable financial institutions.

The tables below show the credit quality analysis of financial assets:

March 31, 2016				
	Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash resources \$	1,801,242	-	-	1,801,242
Financial investments:				
Held to maturity	2,222,500	-	-	2,222,500
Loans receivable	<u>2,012,063</u>	<u>991,993</u>	<u>4,840,401</u>	<u>7,844,457</u>
	<u>6,035,805</u>	<u>991,993</u>	<u>4,840,401</u>	<u>11,868,199</u>

December 31, 2014				
	Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash Resources \$	892,010	-	-	892,010
Financial investments:				
Held to maturity	1,312,464	-	-	1,312,464
Loans receivable	<u>2,587,660</u>	<u>3,163,432</u>	<u>2,851,898</u>	<u>8,602,990</u>
	<u>4,792,134</u>	<u>3,163,432</u>	<u>2,851,898</u>	<u>10,807,464</u>

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

12. Financial Risk Management, (continued)

Impairment Assessment

Impaired loans and securities

Impaired loans and securities are loans and securities for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans/securities agreement(s).

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but management believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed.

Allowances for impairment

Management monitors the aging and credit quality of each loan facility extended through the monthly preparation of a delinquency report. Allowances are established on a per loan basis as set in the Fund's Loan Provisioning Policy.

Concentration of credit risk

Concentration of credit risk exists if a number of borrowers 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 Fund's performance to developments affecting a particular industry or geographical location. Management does not believe that the concentration is unusual or provides undue risks.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations from its financial liabilities.

Management of Liquidity Risk

Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. This has been facilitated by using a computerised management system which tracks the quantum of funds available for lending and other expenditure.

Analysis of financial liabilities

The financial liabilities of the Fund, based on their earliest possible contractual maturity, are due within 30 days (December 31, 2014 – 30 days).

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

12. Financial Risk Management, (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on the investment.

Management of Market Risks

Frequent reviews and monitoring of cash resources are conducted by management in order to minimise instances of market risk in accordance with the Fund's Short Term Investment Policy. Further considerations are made relating to the level of concentration of company resources in financial institutions.

Exposure to currency risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates when an investor has exposure to foreign currency or in foreign-currency-traded investments. The Fund had no significant exposure to currency risk at the end of the financial year.

Exposure to interest rate risk

Interest rate risk is the risk of loss from the fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between the interest-bearing assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period.

An interest rate sensitivity analysis was performed to determine the impact on total loss of reasonable possible changes in interest rates prevailing at March 31, 2016, with all other variables held constant. The impact is illustrated and shown in the table below:

	March 31 <u>2016</u>	December 31 <u>2014</u>
Increase/(decrease) of 100 bps		
Impact on comprehensive income +100 bps	\$ 78,474	58,573
Impact on comprehensive income – 100 bps	(78,474)	(58,573)

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

12. Financial Risk Management, (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes, associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations and are faced by all business entities.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is delegated to the management of the Fund.

Financial income

	March 31 <u>2016</u>	December 31 <u>2014</u>
Interest income on loans, bonds and lines of credit	\$ 431,608	312,628
Interest income on cash and short term deposits	<u>57,620</u>	<u>25,299</u>
Financial income	\$ <u>489,228</u>	<u>337,927</u>

13. Fair Value Disclosures of Financial Instruments

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. There is no available trading market for these financial instruments and therefore, it is not possible to determine independently the estimated fair values. The fair values of financial instruments are considered to approximate their book values.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

13. Fair Value Disclosures of Financial Instruments, (continued)

Fair value of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

	<u>2016</u>	<u>2016</u>	<u>2014</u>	<u>2014</u>
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash	1,801,242	1,801,242	892,010	892,010
Short term investments	2,222,500	2,222,500	1,312,464	1,312,464
Loans, bonds, LOC receivable- net	4,909,598	4,909,598	5,804,172	5,804,172
Interest receivable	56,281	56,281	39,775	39,775
Accounts payable	(26,445)	(26,445)	(21,375)	(21,375)
Due to related party	(82,726)	(82,726)	-	-
Funds held in escrow	1,000,000	1,000,000	-	-

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2016

(Amounts in Barbados Dollars)

14. Capital Management Policy

Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. There were no changes in management's approach to capital management during the period.

15. Change in financial year end

The Government of Barbados has instructed all government-owned entities and statutory corporations to amend their financial year-ends to March 31, to align with the Government's fiscal period. As a result these financial statements have been prepared for the fifteen-month period ended March 31, 2016.

“Your present
circumstances don’t
determine where you
can go; they merely
determine where you
start.”

Nido Qubein



Innovation Fund

Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016

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The Innovation Fund

Corporate Information

Board of Trustees

Mr. Wayne Alleyne – Trustee

Mrs. Sandra Husbands-Nurubakari – Trustee

Mr. Richard Cozier – Trustee

Mrs. Norma Holder – Trustee (Died February 14, 2016)

Fund Manager

Enterprise Growth Fund Limited

Bankers

RBC Royal Bank (Barbados) Limited
Broad Street
Bridgetown
St. Michael

Capita Financial Services Inc.
2nd Floor
Co-Operators General Building
Upper Collymore Rock
St. Michael

Auditors

Skeete, Best & Co.
Chartered Accountants
Tudor Bridge
St. Michael

The Innovation Fund

Trustees' Report

The Trustees submit their annual report and the audited financial statements for the fifteen month period from January 1, 2015 to March 31, 2016 which show the state of the Fund's affairs.

		\$
1.	The net loss for the period was	114,115
	To which is added accumulated deficit brought forward of	<u>2,761,921</u>
	Leaving an accumulated deficit to be carried forward of	<u>2,876,036</u>
2.	The retiring auditors, Skeete, Best & Co., Chartered Accountants, offer themselves for re-appointment.	

By Order of the Trustees



Trustee
July 4, 2016



Skeete, Best & Co. Chartered Accountants
Tudor Bridge, St. Michael
Barbados, W.I.
Tel. (246) 424-6626 Fax. (246) 425-5348
Email: ds.skeetebest@caribsurf.com



Independent Auditors' Report

To the Trustees of The Innovation Fund

We have audited the accompanying financial statements of **The Innovation Fund**, which comprise the statement of financial position as of March 31, 2016 and the statements of comprehensive loss, changes in fund and cash flows for the fifteen month period from January 1, 2015 to March 31, 2016 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Innovation Fund**, as of March 31, 2016, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Skeete, Best & Co
Chartered Accountants

Barbados, W.I.
July 4, 2016

The Innovation Fund
Statement of Financial Position
As of March 31, 2016
(with comparatives as of December 31, 2014)
(expressed in Barbados dollars)

	2016 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	744,067	895,878
Interest receivable	2,968	3,501
Withholding tax recoverable	13,651	13,651
	<hr/>	<hr/>
Total current assets	760,686	913,030
Investments (Note 4)	912,147	912,147
	<hr/>	<hr/>
Total assets	1,672,833	1,825,177
	<hr/>	<hr/>
Liabilities and fund		
Current liabilities		
Accounts payable and accruals	8,511	6,574
Due to related party (Note 5)	25,255	25,421
	<hr/>	<hr/>
Total liabilities	33,766	31,995
	<hr/>	<hr/>
Fund	1,639,067	1,793,182
	<hr/>	<hr/>
Total liabilities and fund	1,672,833	1,825,177
	<hr/>	<hr/>

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

Approved by the Trustees on July 4, 2016

Trustee

Trustee

The Innovation Fund

Statement of Changes in Fund

Fifteen month period from January 1, 2015 to March 31, 2016**(with comparatives for the year ended December 31, 2014)**

(expressed in Barbados dollars)

	Innovation Fund \$	Accumulated Deficit \$	Total \$
Balance at December 31, 2013	4,460,973	(2,673,231)	1,787,742
Grants disbursed - competition expenses (Note 7)	(155,870)	-	(155,870)
Transfer from Export, Promotion & Marketing Fund	250,000	-	250,000
Net loss for the year	-	(88,690)	(88,690)
Balance at December 31, 2014	4,555,103	(2,761,921)	1,793,182
Grants disbursed - competition expenses (Note 7)	(40,000)	-	(40,000)
Net loss for the period	-	(114,115)	(114,115)
Balance at March 31, 2016	4,515,103	(2,876,036)	1,639,067

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

The Innovation Fund

Statement of Comprehensive Loss

Fifteen month period from January 1, 2015 to March 31, 2016**(with comparatives for the year ended December 31, 2014)**

(expressed in Barbados dollars)

	2016	2014
	\$	\$
Revenue		
Interest income	24,367	28,729
Other income	-	1,409
	24,367	30,138
Expenses		
Bank charges	229	186
Investment committee fees and meeting expenses	-	3,150
Management fees	129,803	109,212
Professional fees	8,450	6,280
	138,482	118,828
Net loss and total comprehensive loss for the period	(114,115)	(88,690)

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

The Innovation Fund

Statement of Cash Flows

Fifteen month period from January 1, 2015 to March 31, 2016**(with comparatives for the year ended December 31, 2014)**

(expressed in Barbados dollars)

	2016	2014
	\$	\$
Cash flows from operating activities		
Net loss for the period	(114,115)	(88,690)
Operating loss before working capital adjustments:	(114,115)	(88,690)
Decrease in interest receivable	533	2,133
Increase (decrease) in accounts payable and accruals	1,937	(1,650)
(Decrease) increase in due to related party	(166)	414
Net cash used in operating activities	(111,811)	(87,793)
Cash flows from investing activities		
Purchase of investments	-	(19,310)
Cash flows from financing activities		
Grants disbursed - competition expenses	(40,000)	(155,870)
Transfer from Export, Promotion & Marketing Fund	-	250,000
Net cash (used in) from financing activities	(40,000)	94,130
Net decrease in cash and cash equivalents	(151,811)	(12,973)
Cash and cash equivalents - beginning of period	895,878	908,851
Cash and cash equivalents - end of period (Note 3)	744,067	895,878

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

The Innovation Fund

Notes to Financial Statements

Fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

1. Establishment and purpose

The Innovation Fund was established for the purpose of providing funding and technical assistance to small and emerging innovative enterprises to properly develop a concept or product and to develop the business to the stage where it can obtain the additional financing needed to commercialize the concept or product fully. It was funded by Bds\$5,000,000 transferred by the Crown to Trustees under a Deed of Trust, dated October 2002. The Fund commenced operations on January 15, 2003.

2. Significant accounting policies

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. They are prepared under the historical cost convention.

Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue recognition

Interest income is recognised in the income statement on the accrual basis for all interest bearing instruments using the effective yield method. Interest income includes interest earned on time deposits.

Taxation

The fund is exempt from income tax under Section 9 (1) (f) of the Income Tax Act, Cap.73.

Term deposits with bank

These are call and fixed deposits with original maturity dates of 90 days or less.

Equity Investments

Equity investments are initially recorded at cost, being the fair value consideration given, and include acquisition charges associated with the investments. These are privately held unquoted equity investments. They are carried at cost based on available information and do not necessarily represent the amount that might ultimately be realised, since such amounts depend on future circumstances. Because of the inherent uncertainties of valuation, the assigned values may differ significantly from the values that would have been used, had more current information been available, and the difference could be material.

The Innovation Fund

Notes to Financial Statements

Fifteen month period from January 1, 2015 to March 31, 2016**(with comparatives for the year ended December 31, 2014)**

(expressed in Barbados dollars)

3. Cash and cash equivalents

Term deposits with CAPITA Financial Services Inc.

	Date of Maturity	Interest Rate	2016	2014
			\$	\$
Term Deposit	April 29, 2016	2.50%	700,928	-
Term Deposit	January 29, 2015	3.75%	-	676,028
			700,928	676,028
Current account				
Cash at bank – RBC Royal Bank (Barbados) Limited			43,139	219,850
			<u>744,067</u>	<u>895,878</u>

4. Investments

The Fund has invested in 8% cumulative, redeemable, Class A preferred shares at \$1 per share in the following companies and these have been fully provided for in the financials:

- a) Ajeland Investments Inc. – 250,000 shares
These are participating shares which are redeemable no later than January 31, 2008 at a price no lower than \$1.47 per share. Any dividends not paid within 12 calendar months of their due date, may be converted into additional Class A shares at the price of \$1.00 per share.
- b) Birds Eye Music Inc. – 250,000 shares
These shares are to be redeemed no later than October 31, 2009 at a price no lower than \$1.47 per share.
- c) Country Style Woodwork Inc. – 250,000 shares
These shares are to be redeemed no later than September 28, 2015 at a price no lower than \$1.60 per share.
- d) Gold Coast Records Inc. – 250,000 shares
These shares are to be redeemed no later than November 28, 2014 at a price no lower than \$1.60 per share.

The Fund has committed to invest in 8% cumulative, redeemable, Class A preferred shares at \$1 per share in the following companies:

- a) Advanced Energy Systems Inc. – 205,000 shares
These shares are to be redeemed no later than the fifth anniversary of the development of a commercially viable device at the higher of a price that provides a 12% internal rate of return and a price derived by multiplying the sum of the company's net income for the three most recent years by seven, then dividing that figure by the number of shares outstanding.

The Innovation Fund

Notes to Financial Statements

Fifteen month period from January 1, 2015 to March 31, 2016

(with comparatives for the year ended December 31, 2014)

(expressed in Barbados dollars)

4. Investments ...continued

- b) Coral Isle Food Products Ltd. – 210,000 shares
These shares are to be redeemed no later than July 31, 2014 at a price no lower than \$1.88 per share.
- c) Hit Island Inc. – 250,000 shares
These shares are to be redeemed no later than February 28, 2019 at a price no lower than \$2.10 per share.
- d) Harewood's Tropical Foods Inc. – 180,000 shares
These shares are to be redeemed no later than January 28, 2016 at a price no lower than \$1.55 per share.
- e) Country Style Woodwork Inc. – 60,000 shares
These shares are to be redeemed no later than July 28, 2017 at a price no lower than \$1.60 per share.

The Fund has invested in 10% cumulative, redeemable, Class A preferred shares at \$2 per share in the following company:

- a) Hit for Six Inc. – 125,000 shares
These shares are to be redeemed no later than December 31, 2011 at a price no lower than \$3.20 per share.

The Fund has invested in 10% cumulative, redeemable, Class A preferred shares at \$1 per share in the following companies:

- a) Melange Production Inc. – 210,000 shares
These shares are to be redeemed no later than December 31, 2013 at a price no lower than \$1.75 per share.
- b) Abus Technology Inc. – 200,000 shares
These shares are to be redeemed no later than May 31, 2014 at a price no lower than \$1.75 per share.

The Fund has invested in cumulative, redeemable, Class A preferred shares at \$1 per share in the following company:

- a) Smart Tie Inc. – 31,000 shares
These shares are to be redeemed no later than April 30, 2008, with a 5% royalty on sales revenue once the investment remains with the fund.
- b) Fifth Element Designs – 20,000 shares
These shares shall pay a dividend of 10% per share per annum. These shares are to be redeemed no later than July 31, 2018 at a price no lower than \$1.00 per share.

The Innovation Fund

Notes to Financial Statements

Fifteen month period from January 1, 2015 to March 31, 2016**(with comparatives for the year ended December 31, 2014)**

(expressed in Barbados dollars)

4. Investments ... continued

At March 31, 2016, the Fund has approved investments totalling \$3,869,035. Approximately \$2,247,283 of this total has been disbursed to date. The investment balances are listed as follows:

	2016	2014
	\$	\$
Abus Technology Inc.	200,000	200,000
Advanced Energy Systems	82,449	82,449
Ajeland Investments Inc.	249,600	249,600
Birds Eye Music Inc.	250,000	250,000
Coral Isle Food Products Ltd.	241,720	241,720
Fifth Element Designs Inc.	20,000	20,000
Harewood's Tropical Foods Inc.	2,782	2,782
Country Style Woodwork Inc.	250,000	250,000
Country Style Woodwork Inc.	56,017	56,017
Gold Coast Records Inc.	250,000	250,000
Hit For Six Inc.	250,000	250,000
Hit Island Inc.	91,628	91,628
Melange Productions Inc.	210,000	210,000
Smart Tie Inc.	31,000	31,000
	<u>2,185,196</u>	<u>2,185,196</u>
Less: provision for impairment of investments:		
Abus Technology Inc.	(200,000)	(200,000)
Advanced Energy Systems	(82,449)	(82,449)
Ajeland Investments Inc.	(249,600)	(249,600)
Birds Eye Music Inc.	(250,000)	(250,000)
Hit For Six Inc.	(250,000)	(250,000)
Melange Productions Inc.	(210,000)	(210,000)
Smart Tie Inc	(31,000)	(31,000)
	<u>(1,273,049)</u>	<u>(1,273,049)</u>
	<u>912,147</u>	<u>912,147</u>

Based on a review of the investments portfolio, management has made a provision for the impairment of investments. A 100% provision has been made for Abus Technology Inc., Advance Energy Systems, Ajeland Investments Inc., Birds Eye Music Inc., Hit For Six Inc., Melange Productions Inc. and Smart Tie Inc.

The Innovation Fund

Notes to Financial Statements

Fifteen month period from January 1, 2015 to March 31, 2016**(with comparatives for the year ended December 31, 2014)**

(expressed in Barbados dollars)

5. Due to related party

At March 31, 2016, there was an amount of \$25,255 (2014 – \$25,421) due to the Enterprise Growth Fund Limited. This balance is unsecured, interest-free and is repayable on demand.

Related party transactions

The Enterprise Growth Fund Limited serves as manager of, and provides disbursement and administrative assistance to, the Fund. As a result of providing such services, the Enterprise Growth Fund Limited receives a management fee based on the value of the average gross assets of the Fund, calculated quarterly and payable in arrears, at a rate of 0.75% per quarter.

Charges of \$129,803 (2014 - \$109,212) were incurred during the fifteen-month period in respect of management fees payable to the Enterprise Growth Fund Limited.

6. Commitments

At year end, the following commitments in respect of investments were outstanding.

	2016	2014
	\$	\$
Coral Isle Food Products Ltd.	17,684	49,629
Country Style Woodwork Inc.	3,983	3,983
iLand Guide	60,000	60,000
Harewood's Tropical Foods Inc. (formerly Pato Tropi-Foods)	-	177,218
	<u>81,667</u>	<u>290,830</u>

7. Special grants

The Fund administers and finances The National Innovation Competition to develop creative thinking to produce viable innovative projects that have the best chance of realizing commercial success. From 2008 income year, the Board of Trustees resolved to treat the expenses for this competition as grants. Such grants when disbursed are recognised in the accounts as a reduction in the equity of the Fund.

	2016	2014
	\$	\$
Grants disbursed – competition expenses	<u>40,000</u>	<u>155,870</u>

The Innovation Fund

Notes to Financial Statements

Fifteen month period from January 1, 2015 to March 31, 2016**(with comparatives for the year ended December 31, 2014)**(expressed in Barbados dollars)

8. Financial risk management**Fair value of financial assets and liabilities**

Fair value amounts represents estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The methods and assumptions used to estimate fair value of each class of financial instruments are as follows:

- a) Cash, term deposits, interest receivable, accounts payable and due to related party

Due to the short-term nature of these financial assets and liabilities, their carrying values approximate their fair values.

- b) Equity Investments

These are carried at cost since their fair values cannot be reasonably determined.

Interest rate risk

The Fund invests in fixed interest rate securities, as disclosed in Note 3, and so this risk is not considered to be significant.

Credit risk

The amount of the Fund's exposure to credit risk is indicated by the carrying amount of its financial assets. These include cash, term deposits and interest receivable from these deposits, all of which are placed with a reputable bank and financial institution. All of the deposits were held with one financial institution at March 31, 2016.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations from its financial liabilities.

The Fund's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

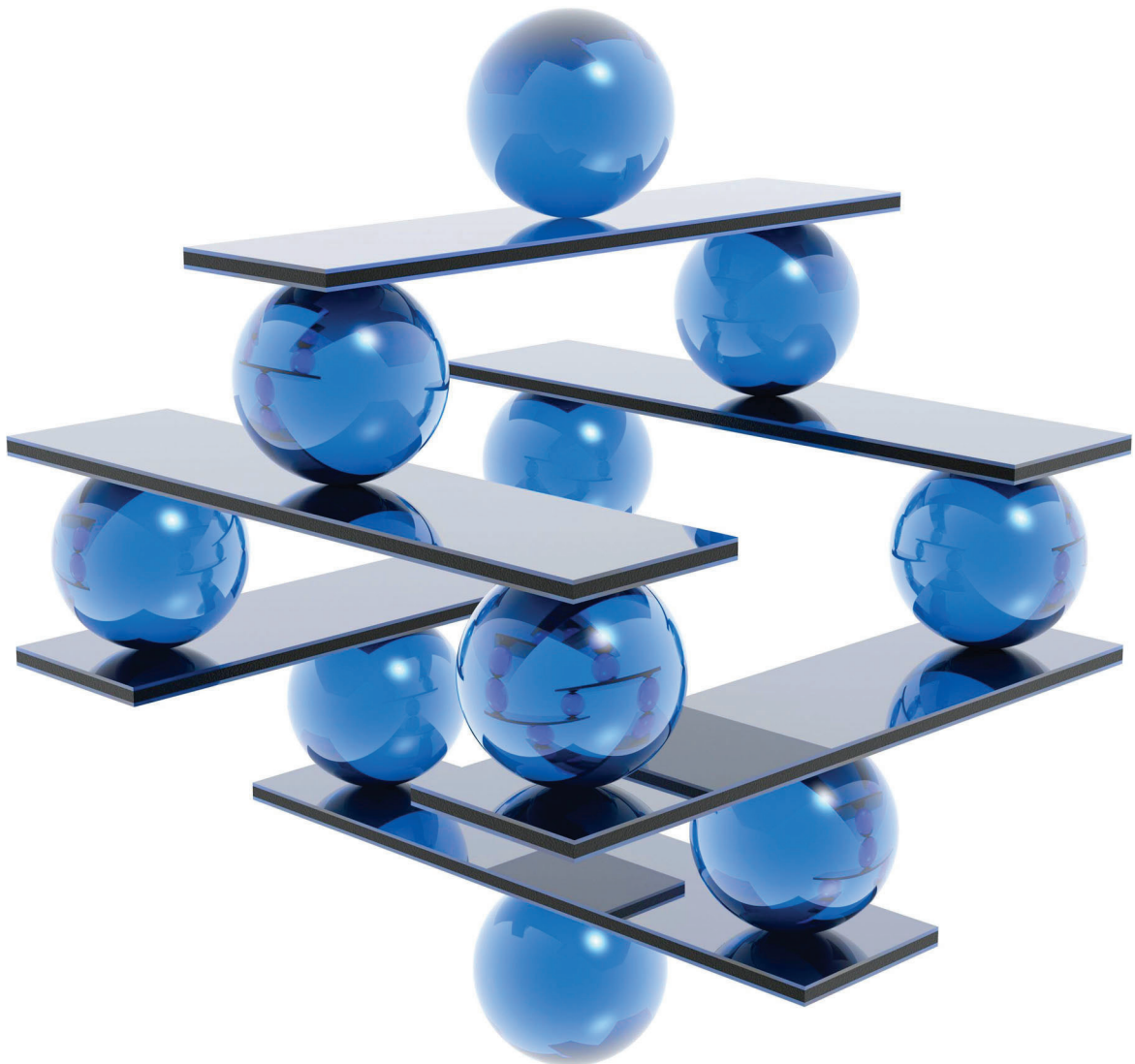
Management of liquidity at the Fund is the responsibility of the Enterprise Growth Fund Limited, a related party.

9. Reporting period

The Government of Barbados has instructed all government-owned entities and statutory corporations to amend their financial year-ends to March 31, to align with the government fiscal period. As a result, the financial statements have been prepared for the fifteen-month period. The previous year figures presented are not entirely comparable.

"In reaching for balance
we find alignment"

Sue Krebs



Small Hotels Investment Fund

Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016

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SMALL HOTELS INVESTMENT FUND

CORPORATE INFORMATION

Investment Committee

Mrs Donna Cadogan	- Chairman and representative of Ministry of Tourism & International Transport
Miss Debbie-Anne Jemmott	- Representative of Enterprise Growth Fund Limited
Mr Timothy Simmons	- Representative of Enterprise Growth Fund Limited
Mr Kashka Haynes	- Representative of Small Hotels of Barbados Inc
Mrs Gayle Headley-Lowe	- Representative of Small Hotels of Barbados Inc

Fund Manager

Enterprise Growth Fund Limited

Bankers

RBC Royal Bank Barbados Limited
Bridgetown
St Michael

Republic Bank Barbados Limited
Bridgetown
St Michael

Capita Financial Services Inc
Whitepark Road
St Michael

Auditors

Topaz Consulting Inc
Chartered Accountants
Medford Complex
Whitehall
St Michael
BARBADOS

INDEPENDENT AUDITORS' REPORT

To the Investment Committee of Small Hotels Investment Fund

We have audited the accompanying financial statements of the **Small Hotels Investment Fund**, which comprise the Statement of Financial Position as at March 31, 2016, and the Statement of Comprehensive Loss, Statement of Changes in Fund and Statement of Cash Flows for the fifteen months then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Small Hotels Investment Fund** as at March 31, 2016, and its financial performance and its cash flows for the fifteen months then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 7 to the financial statements indicating that the Fund has defaulted on its obligation to commence payments in December 2010 toward the loan payable to the Government of Barbados resulting in that loan becoming fully repayable. Our opinion is not qualified in respect of this matter.

Topaz Consulting Inc.

Chartered Accountants
July 18, 2016
Bridgetown, Barbados

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016**

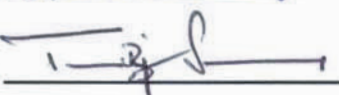
(Expressed in Barbados Dollars)

	NOTES	Mar-2016 \$	Dec-2014 \$
ASSETS			
Interest receivable		68,964	61,025
Loans receivable, net	(4)	36,930,368	32,931,662
Withholding tax recoverable		128,860	128,860
Cash & short term deposits	(3)	1,897,321	5,453,065
Short term investments	(8)	3,480,526	3,344,375
		<u>42,506,039</u>	<u>41,918,987</u>
TOTAL ASSETS		<u>42,506,039</u>	<u>41,918,987</u>
FUND AND LIABILITIES			
FUND			
Capital Contributions	(9)	13,564,920	12,814,920
Accumulated losses		<u>(7,773,390)</u>	<u>(6,483,047)</u>
		<u>5,791,530</u>	<u>6,331,873</u>
LIABILITIES			
Loan payable	(7)	28,000,000	28,000,000
Interest payable		8,422,410	7,307,968
Accounts payable	(5)	292,099	279,146
		<u>36,714,509</u>	<u>35,587,114</u>
TOTAL FUND AND LIABILITIES		<u>42,506,039</u>	<u>41,918,987</u>

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

Approved by the Investment Committee on July 18, 2016:

Member 

Member 

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF COMPREHENSIVE LOSS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

<i>(Expressed in Barbados Dollars)</i>			
	NOTES	Mar-2016 \$	Dec-2014 \$
<u>INCOME</u>			
Interest income		<u>1,375,177</u>	<u>1,186,989</u>
<u>EXPENSES</u>			
Management fees	(5)	1,359,024	1,070,651
Interest expense		1,114,442	866,420
Professional fees		191,760	10,412
Bank charges		<u>294</u>	<u>119</u>
		<u>2,665,520</u>	<u>1,947,601</u>
NET OPERATING LOSS		(1,290,343)	(760,613)
<u>OTHER EXPENSES</u>			
Withholding tax		<u>-</u>	<u>(188,148)</u>
NET (LOSS) FOR THE YEAR		<u><u>(1,290,343)</u></u>	<u><u>(948,761)</u></u>

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

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF CHANGES IN FUND
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

	NOTES	Capital Contribution \$	Accumulated Losses \$	Total \$
Balances as at December 31, 2013		12,824,339	(5,534,286)	7,290,053
Grants disbursed		(9,419)	-	(9,419)
Net Loss for the year		-	(948,761)	(948,761)
Balances as at December 31, 2014		12,814,920	(6,483,047)	6,331,873
Contribution from Government		750,000		750,000
Net Loss for the period		-	(1,290,343)	(1,290,343)
Balances as at March 31, 2016		<u>13,564,920</u>	<u>(7,773,390)</u>	<u>5,791,530</u>

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

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF CASH FLOWS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

	Mar-2016	Dec-2014
	\$	\$
<u>Cash Flows from Operating Activities:</u>		
Net (loss) for the period	(1,290,343)	(948,761)
<i>Adjustments for:</i>		
Interest income	(1,375,177)	(1,186,989)
<i>Deficit before Working Capital Changes</i>	<u>(2,665,520)</u>	<u>(2,135,750)</u>
<u>Working Capital Changes:</u>		
(Increase) in loans receivable	(3,998,706)	(210,245)
Increase in interest payable	1,114,442	866,420
Decrease in withholding tax recoverable	-	188,148
Increase / (decrease) in accounts payable	12,953	(19,959)
<i>Cash (used in) Operations</i>	<u>(5,536,831)</u>	<u>(1,311,386)</u>
<i>Net cash (used in) Operating Activities</i>	<u>(5,536,831)</u>	<u>(1,311,386)</u>
<u>Cash Flows from Investing Activities:</u>		
Net purchases of short term investments	<u>(136,151)</u>	<u>(536,828)</u>
<i>Net cash used in Investing Activities</i>	<u>(136,151)</u>	<u>(536,828)</u>
<u>Cash Flows from Financing Activities:</u>		
Interest received	1,367,238	1,223,348
Government contribution	750,000	-
Grants disbursed	-	(9,419)
<i>Net cash provided by Financing Activities</i>	<u>2,117,238</u>	<u>1,213,929</u>
(Decrease) in cash	(3,555,744)	(634,285)
Cash - beginning of year	<u>5,453,065</u>	<u>6,087,350</u>
Cash - end of year	<u>1,897,321</u>	<u>5,453,065</u>
<u>Cash and Cash Equivalents</u>		
Short term deposits	1,043,420	5,006,875
Cash at bank	<u>853,901</u>	<u>446,190</u>
	<u>1,897,321</u>	<u>5,453,065</u>

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

NOTE: 1 *STRUCTURE & PRINCIPAL ACTIVITY*

The Small Hotels Investment Fund (SHIF) is a Fund which was established by the Government of Barbados and began operations on May 27, 1999 in Barbados. SHIF is not a separate legal entity but functions as a segregated pool of funds.

The objective of the Fund is to assist small hotels with marketing, management, procurement of joint services and refurbishment, in order to improve their revenue-earning capacity and operational efficiency.

The beneficiaries of SHIF are restricted to the Small Hotels of Barbados Inc. (SHBI) and also its members whose properties comply with the minimum standards established by the European Travel Trade.

SHIF seeks to finance projects that clearly demonstrate that they will enhance the financial viability and operational performance of the small hotels sector.

The Fund consists of a combination of a loan and capital contributions received from Government.

SHIF is overseen by an Investment Committee which comprises five members. Two members represent the Enterprise Growth Fund Limited, two members represent SHBI and one member represents the Ministry of Tourism and International Transport. The operations of the Fund are managed by Enterprise Growth Fund Limited.

The financial statements were authorized for issue by the members on July 18, 2016.

NOTE: 2 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

(a) Basis of preparation

The financial statements are prepared in Barbados dollars on the historic cost basis in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). IFRS incorporate all International Accounting Standards (IAS) and interpretations issued by its predecessor body, the International Accounting Standards Committee. The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

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

(b) New Standards and interpretations not yet adopted

There are a number of new standards, amendments to standards and interpretations which are not yet effective for the period ended March 31, 2016 and have not yet been applied in preparing these financial statements.

(c) Cash and short term deposits

Cash and short term deposits comprise cash on hand, cash at bank and call and fixed deposits with original maturity dates of 90 days or less.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

NOTE: 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, cont'd

(d) Loans receivable

Interest income from loans is recognized as it accrues. Loans are placed on a non-accrual basis when there is reasonable doubt regarding the collectability of principal and interest or when principal and/or interest payments are ninety days or more in arrears. Upon classification of a loan to a non-accrual basis, any previously accrued but unpaid interest thereon is reversed against the current period. Interest is only accrued to the extent that unpaid interest is paid and total accrued interest does not exceed one hundred and eighty (180) days. In subsequent periods, interest received on non-accrual loans is recorded as income only if management has determined that the loans do not require specific provisions, otherwise all amounts are credited to principal.

(e) Provision for loan losses

Specific provisions are made on an individual basis, where management is of the opinion that collection is doubtful.

(f) Revenue recognition

Interest income from investments is accounted for on an accrual basis.

(g) Deferred income

The loan from Government carries a low interest rate. Accordingly, the saving on the interest expense as compared to what it would be at the applicable market rate constitutes income. This income will be recognized on a systematic basis using the effective interest method over the period of the loan when it is being repaid.

(h) Impairment

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of 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 income statement.

(i) Taxation

Small Hotels Investment Fund (SHIF) is not a legal entity, but functions as a segregated pool of funds and therefore under the Income Tax Act, the tax treatment is similar to that of a non-incorporated entity. The Income Tax Act Cap 73 was amended to exempt from tax, funds provided by Government and used for purposes of promoting the development of sectors of the economy.

(j) Reporting Period

The Government of Barbados has instructed all government-owned entities and statutory corporations to amend their financial year-ends to March 31st, to align with the government fiscal period. As a result, the financial statements have been prepared for the fifteen-month period ended March 31st, 2016. The previous year figures presented are not entirely comparable.

NOTE: 3 CASH AND SHORT TERM DEPOSITS

	Mar-2016	Dec-2014
	\$	\$
Cash	853,901	446,190
Short term deposits	1,043,420	5,006,875
	<u>1,897,321</u>	<u>5,453,065</u>

Short term deposits consist primarily of fixed deposits with interest rates at 0.6% to 3.4% (2014: 1.60%-3.75%) per annum. These deposits have a maturity period of ninety days or less.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

NOTE: 4 LOANS RECEIVABLE, NET

Effective since October 1, 2002 members of the SHBI in good standing and who qualify under the by-laws and regulations of the SHBI have been eligible to receive loans. The maximum loan size allowed is the lower of \$5,600,000 and 15% of the initial capitalization of the Fund. The minimum loan size shall be limited to \$50,000. Loans shall not be used to purchase land, buildings or other real estate except where such real estate is to be used for the member's productive purpose. All loans shall be repaid within a ten (10) year period which includes a five (5) year moratorium on interest and principal payments. Security on loans is by way of first or second legal mortgage.

Loans include interest capitalized during the moratorium period.

The loans receivable bear interest at 5% per annum (2014: 5% per annum). All loans are subject to the moratorium of interest and principal payments for a period of five (5) years.

The maturity structure of loans receivable, net, is:

	Mar-2016	Dec-2014
	\$	\$
Under 1 year	322,744	224,814
1 - 5 years	1,551,790	1,554,663
Over 5 years	<u>38,508,316</u>	<u>34,604,666</u>
Total loans receivable, gross, carried forward	40,382,850	36,384,143
Less loan loss provision:		
Balance as at January 1, 2015	3,452,482	3,452,482
Increase in provision	<u>-</u>	<u>-</u>
Balance as at March 31, 2016	<u>3,452,482</u>	<u>3,452,482</u>
Total loans receivable, net	<u>36,930,368</u>	<u>32,931,661</u>

In the previous years the Fund made a provision for loan loss for Tourism Services Inc., Villa Investments Inc. and WSB Ltd. This was based on their non-accrual status and their inability to honour their current obligations.

NOTE: 5 MANAGEMENT FEES

Management fees are due to Enterprise Growth Fund Limited and are based on a contractual percentage of the average gross assets of the fund outstanding. Included in Accounts Payable are Management Fees of \$277,718 and \$267,336 as at March 31, 2016 and December 31, 2014 respectively.

NOTE: 6 COMMITMENTS

At the balance sheet date, there were outstanding commitments totalling approximately \$1.62 million (2014 - \$NIL).

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

NOTE: 7 *LOAN PAYABLE*

The original amount of the loan from Government was \$30 million. However, \$2 million advanced to SHBI was authorized for treatment as a Grant by Government thereby effecting a reduction in the loan payable to \$28 million.

The loan is unsecured and bears interest of 2.5% per annum. A moratorium on both principal advanced for loan financing and interest accrued thereon had been granted for a period of five (5) years, commencing September 1, 2005. Scheduled monthly payments of both principal and interest were expected to commence on December 31, 2010, payable over a period of five (5) years, in ten (10) equal, semi-annual installments of \$2.8 million together with any interest accrued thereon, on June 30th and December 31st of each year.

Payments have not been made in accordance with the agreement and therefore the loan is in default and has become fully payable.

NOTE: 8 *SHORT-TERM INVESTMENTS*

This consists of deposits held with a maturity period exceeding 90 days. These deposits currently carry interest rates of 0.60% to 3.75% (2014: 2.00% - 3.00%) per annum respectively.

NOTE: 9 *CAPITAL CONTRIBUTIONS*

The original contribution by Government to the Fund was \$5 million. Of this amount, \$1,240,080 was disbursed to SHBI. The investment committee of SHIF resolved on November 4, 2002 to treat all advances to the SHBI as of September 30, 2002 (previously loans) as grants and to cancel all prior related balances and interest accrued. Accordingly, the balance of the capital contribution was reduced to \$3,759,920.

During the year \$750,000 was received (2014: NIL) from the Government of Barbados in order to finance the lending activities of the Small Hotels Refurbishment Scheme. Capital contribution at March 31, 2016 was \$13,564,920.

NOTE: 10 *FINANCIAL RISK MANAGEMENT*

(a) Introduction and Overview

The Fund has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Fund's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the management of the capital.

Risk Management Framework

The Investment Committee has overall responsibility for the establishment and oversight of the Fund's risk management framework. Risk management policies are established to identify and analyze the risks faced by the Fund, in order to set appropriate risk limits and controls, and to monitor risks and the adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

NOTE: 10 FINANCIAL RISK MANAGEMENT, cont'd

(b) Credit Risk

Credit Risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's loan securities.

Loans Receivable

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each customer. A loan provisioning policy has been implemented and all clients are categorized according to their credit risk profile. These assessments are used in order to determine the extent of provisions to be made for the financial year.

Management of Credit Risk

Management has responsibility for the management of credit risk in accordance with the Fund's established policies.

Exposure to Credit Risk

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

	Carrying Amount	
	Mar-2016	Dec-2014
	\$	\$
Loans receivable	36,930,368	32,931,662
Cash & short term deposits	1,897,321	5,453,065
Short term investments	3,480,526	3,344,375
Total	42,308,215	41,729,102

Impaired Loans and Securities

Impaired loans and securities are loans and securities for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans/securities agreement(s).

Past Due but not Impaired Loans

These consist of loans and securities where contractual interest or principal payments are past due but management believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed as classified as Past Due but not Impaired.

Allowances for Impairment

Management monitors the aging and credit quality of each loan facility extended through the monthly preparation of a delinquency report. Allowances are established on a per loan basis as set in the Fund's Loan Provisioning Policy.

Concentration of Credit Risk

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 Fund's performance to developments affecting a particular industry or geographical location.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

NOTE: 10 FINANCIAL RISK MANAGEMENT, cont'd

(b) Credit Risk, cont'd

Write-off Policy

The Fund writes off a loan/security balance (and any related allowances for impairment) when it determines that the loan/security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Fund holds collateral against loans receivable in the form of mortgage debentures over property, bills of sale and/or personal or government guarantees.

(c) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations of its financial liabilities.

Management of Liquidity Risk

Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Market risk encompasses liquidity risk and price risk, both of which arise in the normal course of business. Liquidity risk is the risk that the Fund may be unable to meet a financial commitment to a customer or creditor when due. Price risk is the risk to earnings that arises from changes in interest rates, commodity prices and their implied volatilities.

Management of Market Risk

Market risks are measured in accordance with established standards.

(e) Currency Risk

The Fund had no significant currency risk at the end of the financial year.

(f) Capital Management Policy

The Investment Committee's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. There were no changes in the Investment Committee's approach to capital management during the year.

(g) Exposure to Interest Rate Risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

The Fund's exposure to interest rate risk is disclosed in Notes 3 and 8.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2016**

(Expressed in Barbados Dollars)

NOTE: 10 FINANCIAL RISK MANAGEMENT, cont'd

(h) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes, associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations and are faced by all business entities.

The objective is to manage operational risk so as to balance the avoidance of the financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is delegated to the management of the Fund.

Financial Income and Expenses

	Mar-2016	Dec-2014
	\$	\$
Interest income on unimpaired held-to maturity investments	1,075,796	951,529
Interest income on bank deposits	299,381	235,460
Financial Income	<u>1,375,177</u>	<u>1,186,989</u>
Financial Expenses	1,114,442	866,420
Net Finance Costs	<u>260,735</u>	<u>320,569</u>

NOTE: 11 FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS

The Fund's activity as a provider of financing to assist small hotels with marketing, management, procurement of joint services and refurbishment is one which involves transactions, which are speculative in nature. Financial instruments consist of cash and short term deposits, loans receivable, interest receivable, loan payable, interest payable and accounts payable.

Fair Value

Fair value amounts represent estimates of the consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The company's financial instruments are not traded on a formal market. The fair values of these instruments are considered to approximate their book values.

“Strike the right balance
between respecting your
rivals and focusing on
how you can beat them,
and you’ll have a winning
formula”

Richard Branson



Tourism Loan Fund

**Financial Statements
For the fifteen month period from
January 1, 2015 to March 31, 2016**

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TOURISM LOAN FUND

Corporate Information

Trustees

Hazel Highland – Chairman
Dr. Jean Holder – Deputy Chairman
Dr. Hudson Husbands
Peter Odle
Earlyn Shuffler
Peter Whitehall

Fund Manager

Enterprise Growth Fund Limited

Bankers

RBC Royal Bank Barbados Limited
Broad Street
Bridgetown
BARBADOS

Capita Financial Services Inc.
2nd Floor
Co-operators General Insurance Building
Upper Collymore Rock
St. Michael
BARBADOS

Auditors

KPMG
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KPMG

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Christ Church, BB 15154

Barbados West Indies

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P. O Box 690C

Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Trustees of Tourism Loan Fund

We have audited the accompanying financial statements of Tourism Loan Fund, which comprise the statement of financial position as at March 31, 2016, the statement of income, statement of changes in fund balance and statement of cash flows for the fifteen month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



INDEPENDENT AUDITORS' REPORT (continued)

Auditors' Responsibility (continued)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tourism Loan Fund as at March 31, 2016 and its financial performance and its cash flows for the fifteen month period ended March 31, 2016 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG'. The letters are stylized and connected, with a long horizontal stroke extending from the 'G'.

Chartered Accountants
Bridgetown, Barbados
August 4, 2016

TOURISM LOAN FUND

Statement of Financial Position

As at March 31, 2016



With comparative figures as at December 31, 2014

(Expressed in Barbados Dollars)

	<u>Notes</u>	<u>March 31</u> <u>2016</u>	<u>December 31</u> <u>2014</u>
Assets			
Cash and cash equivalents	4	\$ 1,735,026	1,488,861
Short term investments	5	2,773,471	4,390,831
Interest receivable, net		<u>636,653</u>	<u>704,778</u>
Total current assets		<u>5,145,150</u>	<u>6,584,470</u>
Loans receivable, net	6	<u>32,317,839</u>	<u>28,736,299</u>
Total Assets		<u>\$ 37,462,989</u>	<u>35,320,769</u>
Liabilities and General Fund			
Liabilities:			
Accounts payable and accrued liabilities		\$ 28,602	22,824
Due to related party	9	<u>230,735</u>	<u>218,682</u>
Total liabilities		<u>259,337</u>	<u>241,506</u>
General Fund:			
Capital contribution	8	30,000,000	30,000,000
Accumulated earnings		<u>7,203,652</u>	<u>5,079,263</u>
Total general fund		<u>37,203,652</u>	<u>35,079,263</u>
Total Liabilities and General Fund		<u>\$ 37,462,989</u>	<u>35,320,769</u>

See accompanying notes to financial statements.

Approved on behalf of the Trustees:


 Trustee

 Trustee

TOURISM LOAN FUND

Statement of Profit or Loss

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Expressed in Barbados Dollars)

	<u>Notes</u>	15months <u>2016</u>	I Year <u>2014</u>
Income			
Interest on short term investments		\$ 134,781	120,792
Interest on loans		<u>3,154,123</u>	<u>2,005,464</u>
Total income		<u>3,288,904</u>	<u>2,126,256</u>
Expenses			
Management fees	9	1,134,275	873,179
Professional fees		28,655	32,048
Provision for loan losses		-	9,118
Trustees fees		1,200	3,000
Bank charges		<u>385</u>	<u>195</u>
Total expenses		<u>1,164,515</u>	<u>917,540</u>
Net profit		\$ <u>2,124,389</u>	<u>1,208,716</u>

See accompanying notes to financial statements.

TOURISM LOAN FUND

Statement of Changes in General Fund

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Expressed in Barbados Dollars)

	General Fund	Accumulated Earnings	Total
Balances at December 31, 2013	\$ 30,000,000	3,870,547	33,870,547
Net income for the year	<u>-</u>	<u>1,208,716</u>	<u>1,208,716</u>
Balances at December 31, 2014	\$ 30,000,000	5,079,263	35,079,263
Net income for the period	<u>-</u>	<u>2,124,389</u>	<u>2,124,389</u>
Balances at March 31, 2016	\$ <u>30,000,000</u>	<u>7,203,652</u>	<u>37,203,652</u>

See accompanying notes to financial statements.

TOURISM LOAN FUND

Statement of Cash Flows

For the fifteen month period ended March 31, 2016
with figures for the year ended December 31, 2014

(Expressed in Barbados Dollars)

	<u>Notes</u>	15months <u>2016</u>	1 Year <u>2014</u>
Operating activities			
Net income		\$ 2,124,389	1,208,716
Adjustments for:			
Provision for loan losses		-	9,118
Interest income		(3,288,904)	(2,126,256)
Interest received		<u>3,357,029</u>	<u>1,569,918</u>
Operating profit before working capital changes		2,192,514	661,495
Loans advanced		(4,498,007)	(2,009,903)
Loans repaid		916,467	843,979
Increase in accounts payable		5,778	5,259
Increase in due to related party		12,053	3,195
Decrease in due from related party		<u>-</u>	<u>13,801</u>
Net cash used in operating activities		<u>(1,371,195)</u>	<u>(482,173)</u>
Investing activities			
Purchase of short term investments – net		<u>1,617,360</u>	<u>(101,768)</u>
Net cash provided by (used in) investing activities		<u>1,617,360</u>	<u>(101,768)</u>
Increase (decrease) in cash and cash equivalents during the period/year		246,165	(583,941)
Cash and cash equivalents - beginning of period/year		<u>1,488,861</u>	<u>2,072,802</u>
Cash and cash equivalents - end of period/year		\$ <u>1,735,026</u>	<u>1,488,861</u>

See accompanying notes to financial statements.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

1. Background

The Tourism Loan Fund ("the Fund") was established pursuant to:

- (i) a Trust Deed dated January 26, 2001 between the Central Bank of Barbados and the Trustees and;
- (ii) a Management Agreement dated January 26, 2001 between the Trustees and Enterprise Growth Fund Limited ("the Fund Manager" or "EGFL").

Under the terms of the Trust Deed, the Central Bank of Barbados agreed to transfer \$30 million to the Trustees for the purpose of establishing the Tourism Loan Fund.

The Fund is not a legal entity but functions as a segregated pool of funds and is managed by Enterprise Growth Fund Limited (the "Fund Manager" or "EGFL"). The principal place of business is Enterprise Growth Fund Limited, "Westgate", Monteith Gardens Barbarees Hill, St. Michael. The Investment Committee and the Board of Directors of EGFL are ultimately responsible for the approval and ratification of loans issued by the Fund.

These financial statements were approved by the Trustees of the Fund on August 4, 2016.

2. Basis of Preparation

(a) *Statement of compliance*

The financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB).

(b) *Basis of measurement*

The financial statements are prepared on the historical cost basis except for financial instruments classified as available-for-sale investments.

(c) *Functional and presentation currency*

These financial statements are presented in Barbados dollars, which is the Fund's functional currency. These values have been rounded to the nearest dollar.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

2. Basis of Preparation (Continued)

(d) *Use of estimates and judgements*

The Fund makes estimates and assumptions concerning the future. 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. These accounting estimates will, by definition, seldom equal the related actual results. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Provision for loan losses

The provision for loan losses is estimated using discounted cash flow analysis. The Fund uses its judgment to select assumptions that reflect the expected timing and amount of future payments by customers and where applicable the expected net proceeds on realization of security.

(ii) Fair market value of investments

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Fund has access at the measurement date. The fair value of a liability reflects its non-performance risk.

The Fund values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Fund maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

3. Significant Accounting Policies

The significant accounting policies adopted by the Fund have been applied consistently to all periods presented in these financial statements.

(a) *Revenue recognition*

Interest on deposits

Interest income on deposits is recognised on an accrual basis and represents interest earned on contractual agreements with financial institutions at agreed rates of interest.

Income from loans

Income from loans is recognised on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

All interest accrued during the period has been recorded as income in the financial statements. Provisions for bad debts are recorded for clients in non-accrual status where there is evidence to support the fact that the loan is impaired.

(b) *Short term Investments*

Short term investments comprising term deposits are categorised as held to maturity and are carried at cost.

(c) *Provision for loan losses*

Specific provisions are made on individual loans, where management is of the opinion that collection is doubtful.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

3. Significant Accounting Policies (continued)

(d) *Impairment*

The carrying amounts of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of 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 Income.

(e) *Related parties*

Parties are considered 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 individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

3. Forthcoming new standards or amendment requirements:

Standards and interpretations adopted

There were no new standards and amendments of standards adopted during the period ended March 31, 2016.

New Standards and interpretations not yet adopted

IFRS 9 – Financial Instruments Classification and Measurement, effective January 1, 2018

IFRS 15 – Revenue Contracts with Customers, effective January 1, 2018

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

4. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and call and fixed deposits with original maturity dates of 90 days or less:

	March 31 2016	December 31 2014
	-	
Cash	\$ 1,389,310	610,450
Short term deposits	<u>345,716</u>	<u>878,411</u>
	\$ <u>1,735,026</u>	<u>1,488,861</u>

The applicable interest rates for the short term fixed deposits range from 2.5% - 3.0% (2014: 1.85% - 3.25%).

5. Short Term Investments

These are held to maturity investments with a maturity period of 6 months. At the reporting date the effective interest rate range was 3.0% - 3.4% per annum (December 31, 2014: 1.850% per annum). Short term investments with original maturity dates of 90 days or less have been classified as cash equivalents.

6. Loans Receivable

The Fund's loans are categorised as originating loans and are carried at amortized cost. These loans are secured by mortgage debentures and personal guarantees, and are repayable between eight to eleven years. Interest rates were between 6.5% and 10.5% at the end of 2016 (December 31, 2014: 6.5% and 10.5%)

A loan is considered to be impaired when there is objective evidence that the Fund will not be able to collect all amounts due according to the contractual terms of the loan. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception of the loan.

When a loan is uncollectible, it is written off against the related allowance and subsequent recoveries are credited to the provision for loan losses in the Statement of Profit. The Fund Manager is entitled to receive an incentive payment when the Fund recovers any principal and interest in respect of any loan which may be classified as uncollectible and/or may have been written off the books of the Fund. Such an incentive payment shall be three percent (3%) on the net amounts recovered.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

6. Loans Receivable, (continued)

At March 31, 2016 the maturity profile of loans is as follows:

		Years to maturity			Total 2016	Total 2014
		Up to 1 yr	One to 5 yrs	Over 5 Yrs		
Business Sector	\$	<u>1,889,559</u>	<u>2,624,667</u>	<u>30,488,297</u>	35,002,523	31,420,983
Less allowance for loan losses					<u>(2,684,684)</u>	<u>(2,684,684)</u>
					\$ <u>32,317,839</u>	<u>28,736,299</u>

7. Corporation Tax

Corporation tax has not been provided for in these financial statements since the Fund is exempt from the payment of corporation tax in accordance with Section 56 of the Central Bank of Barbados Act, Cap. 323 C.

8. Capital Contribution

	March 31 2016	December 31 2014
	-	
Capital contribution	\$ <u>30,000,000</u>	<u>30,000,000</u>

The capital contribution represents the original capital of the Fund provided by the Central Bank of Barbados.

9. Due to Related Party

Due to related party consists mainly of management fees charged during the course of the financial period/year in accordance with the provisions of separate agreements between Enterprise Growth Fund Limited (EGFL) and the Trustees of the Fund, using contractual rates.

Amounts included in due to related party represent outstanding management fees due to EGFL at period-end of \$230,735 (December 31, 2014: \$218,682).

These related party transactions are made on terms equivalent to those that prevail in arm's length transactions only if those terms can be substantiated. The amounts due to Enterprise Growth Fund Limited are unsecured, interest free and have no fixed terms of repayment.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

10. Commitments

Loan commitments in respect of undisbursed loans at March 31, 2016 were \$520,582 (December 31, 2014: \$520,582).

11. Financial Risk Management

Introduction and overview

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Fund's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk Management Framework

The Trustees of the Fund have overall responsibility for the establishment and oversight of the Fund's risk management framework. Risk management policies are established to identify and analyse the risks faced by the Fund, in order to set appropriate risk limits and controls, and to monitor risks and the adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

Credit risk

Credit risk is the risk of financial loss if a borrower or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Fund's loans and interest receivable and its investments.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Loans receivable

The Fund's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. A loan provisioning policy has been implemented and all borrowers are categorized according to their credit risk profile. These assessments, which involve ascertaining the clients' ability to service their existing liabilities as well as the value of their securitised assets, are used in order to determine the extent of credit risk.

Management of credit risk

The Fund employs a range of policies and practices to mitigate credit risk relating to loans receivable, by the taking of security whose value approximates to the quantum of funds advanced. The principal collateral types for loans are:

- Mortgages over residential/commercial properties
- Charges over business assets/bill of sale
- Personal guarantees
- Hypothecation of deposit balances

Financial investments

The Fund limits its exposure to credit risk by investing only in reputable financial institutions and Government of Barbados securities. Government securities are generally invested over a period longer than that of term deposits with other financial institutions. The Fund has documented investment policies in place which act as a guide to the management of credit risk on investments.

Exposure to credit risk

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

		<u>Carrying Amount</u>	
		March 31 <u>2016</u>	December 31 <u>2014</u>
Loans receivable	\$	32,317,839	28,736,299
Short term investments		<u>2,773,471</u>	<u>4,390,831</u>
Total	\$	<u>35,091,310</u>	<u>33,127,130</u>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Credit quality by class of financial assets

Loans Receivable

The credit quality of loans and advances is managed through the prudent underwriting principles established by management.

Cash and balances with financial institutions

The credit quality of financial institutions holding the Fund's cash resources is assessed by the level of credit worthiness and by comparison to other financial institutions. The Fund only places its cash resources with reputable financial institutions.

The tables below show the credit quality analysis of financial assets:

March 31, 2016				
	Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash resources \$	1,735,026	-	-	1,735,026
Financial investments:				
Held to maturity	2,773,471	-	-	2,773,471
Loans receivable	<u>17,684,096</u>	<u>9,255,860</u>	<u>8,062,567</u>	<u>35,002,523</u>
	<u>22,192,593</u>	<u>9,255,860</u>	<u>8,062,567</u>	<u>39,511,020</u>

December 31, 2014				
	Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash Resources \$	1,488,861	-	-	1,488,861
Financial investments:				
Held to maturity	4,390,831	-	-	4,390,831
Loans receivable	<u>6,281,587</u>	<u>13,821,068</u>	<u>11,318,328</u>	<u>31,420,983</u>
	<u>12,161,279</u>	<u>13,821,068</u>	<u>11,318,328</u>	<u>37,300,675</u>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Impairment Assessment

Impaired loans and securities

Impaired loans and securities are loans and securities for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loans/securities agreement(s).

Past due but not impaired loans

These comprise loans and securities where contractual interest or principal payments are past due but management believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed.

Allowances for impairment

Management monitors the aging and credit quality of each loan facility extended through the monthly preparation of a delinquency report. Allowances are established on a per loan basis as set in the Company's Loan Provisioning Policy.

Concentration of credit risk

Concentration of credit risk exists if a number of borrowers 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 the concentration is unusual or provides undue risks.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations from its financial liabilities.

Management of Liquidity Risk

Management's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. This has been facilitated by using a computerised management system which tracks the quantum of funds available for lending and other expenditure.

Analysis of financial liabilities

The financial liabilities of the Fund, based on their earliest possible contractual maturity, are due within 30 days (December 31, 2014 – 30 days).

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on investment.

Management of Market Risk

Frequent reviews and monitoring of cash resources are conducted by management in order to minimize instances of market risk in accordance with the Fund's Short Term Investment Policy. Further considerations are made relating to the level of concentration of resources in financial institutions.

Exposure to currency risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates when an investor has exposure to foreign currency or in foreign-currency-traded investments. The Fund had no significant exposure to currency risk at the end of the financial period/year.

Exposure to interest rate risk

Interest rate risk is the risk of loss from the fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. It arises when there is a mismatch between the interest-bearing assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period.

An interest rate sensitivity analysis was performed to determine the impact on total loss of reasonable possible changes in interest rates prevailing at March 31, 2016, with all other variables held constant. The impact is illustrated and shown in the table below:

Increase (decrease) of 100 bps

	March 31 <u>2016</u>	December 31 <u>2014</u>
Impact on comprehensive income +100 bps	\$ 332,850	200,940
Impact on comprehensive income – 100 bps	(332,850)	(200,940)

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes, associated with the Fund's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Fund's operations and are faced by all business entities.

The objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Fund's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is delegated to the trustees of the Fund. Key policies and procedures used in managing operating risk involve segregation of duties, delegation of authority and financial and managerial reporting. Mitigation of operating risk is supported by a well defined organisational structure that segregates operational and administrative functions. Additionally, quarterly reviews are undertaken by the trustees of the Fund.

Financial income

	15months <u>2016</u>	1 Year <u>2014</u>
Interest income on loans	\$ 3,154,123	2,005,464
Interest income on cash and cash equivalents	<u>134,781</u>	<u>120,792</u>
Financial income	\$ 3,288,904	2,126,256
Financial expenses	<u>-</u>	<u>(9,118)</u>
Net financial income	\$ <u><u>3,288,904</u></u>	<u><u>2,117,138</u></u>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

12. Fair values disclosure of financial instruments

Fair value amounts represent the approximate values at which financial instruments could be exchanged in current transactions between willing parties. There is no available trading market for these financial instruments and therefore, it is not possible to determine independently the estimated fair values. The fair values of financial instruments are considered to approximate their book values.

Fair value of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

	<u>2016</u>	<u>2016</u>	<u>2014</u>	<u>2014</u>
	Carrying	Fair	Carrying	Fair
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Cash and cash equivalents	\$ 1,735,026	1,735,026	1,488,861	1,488,861
Short term investments	2,773,471	2,773,471	4,390,831	4,390,831
Loans receivable, net	32,317,839	32,317,839	28,736,299	28,736,299
Interest receivable	636,653	636,653	704,778	704,778
Accounts payable	(28,602)	(28,602)	(22,824)	(22,824)
Due to related party	(230,735)	(230,735)	(218,682)	(218,682)

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

12. Fair value disclosure of financial instruments, (Continued)

Determination of fair value and fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The following table presents the Fund's financial instruments that are measured at fair value:

	<u>Level 3</u>	
	March 31 <u>2016</u>	December 31 <u>2014</u>
Loans receivable, net	\$ <u>32,317,839</u>	<u>28,736,299</u>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2016

(Expressed in Barbados Dollars)

13. Capital Management Policy

Management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. There were no changes in management's approach to capital management during the period.

14. Change in financial year end

The Government of Barbados has instructed all government-owned entities and statutory corporations to amend their financial year-ends to March 31, to align with the Government's fiscal period. As a result these financial statements have been prepared for the fifteen-month period ended March 31, 2016.

Auditors' Report to the

TRUSTEES OF TOURISM LOAN FUND

March 31, 2016

**KPMG**

Hastings

Christ Church, BB 15154

Barbados West Indies

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Fax (246) 427-7123

P. O Box 690C

Bridgetown, Barbados

Auditors' Report to the Trustees of the Tourism Loan Fund

In connection with our examination of the financial statements of the Tourism Loan Fund for the fifteen month period ended March 31, 2016 we ascertained that the relevant guidelines of the Policy and Operations Statement have been complied with. Our examination was made in accordance with International Standards on Auditing and included such tests of accounting and other records, as we considered necessary in the circumstances.

We report that in our opinion, for the period ended March 31, 2016:

- (1) the Manager of the Tourism Loan Fund in respect of the Policy and Operations Statement:

- (A) has complied with the following guidelines:

Section 3 (2)	Loan Repayment Periods
Section 3 (3)	Moratoria
Section 3 (4)	Interest Rates
Section 3 (7)	Loan Restrictions
Section 4	Evaluation and Approval Procedures The Investment Committee fulfills the role of the Portfolio Investment Committee as stipulated in Section 7.
Section 5	Collateral and Security for Loans
Section 6	Loan Write-Offs and Recovery Procedures No write-offs of loans were made during the period ended March 31, 2016.
Section 7	Financial and Operational Policies

Section 8 (i) Management and Reporting in that:
The audited financial statements will be submitted within one hundred and twenty days following the period-end.

Section 8 (ii) The Manager of the Tourism Loan Fund shall provide to the Trustees summary quarterly reports and semi-annual reviews of all loans in the Fund's portfolio.

(B) has not complied with the following guidelines:

Section 2 Eligibility and Nature of Projects
A loan has been granted to repay the existing debt owing to third party creditors of the borrowers.

Section 3 (5) Loan Repayments
Some clients have not made the required repayments of principal and interest on a monthly basis.

(2) During the course of our examination, the following guidelines were not applicable:

Section 9 Relations with the Central Bank of Barbados
A request was not made by the Central Bank of Barbados for relevant information, documentation, and accounting records pertaining to loans in the Tourism Loan Fund's portfolio.



SECTION 2

Section 10

Conflicts of Interest

There were no loans granted to enterprises in which the Enterprise Growth Fund Limited, as manager, or its directors or officers had an interest. As such there was no need for disclosure in the presentation of a loan proposal.

A handwritten signature in black ink, appearing to read 'KPMG' in a stylized, cursive script.

Chartered Accountants
Bridgetown, Barbados
August 4, 2016



ENTERPRISE
GROWTH FUND
L I M I T E D

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