



ENTERPRISE
GROWTH FUND
LIMITED

ANNUAL REPORT 2017

“Striking A Balance”



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CORPORATE PROFILE



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.



Guiding Philosophy

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



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.

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, 2017 EGFL's Board of Directors was composed of the 8 members shown.

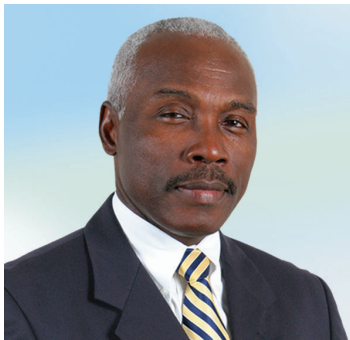
BOARD OF DIRECTORS



Terrence Thornhill
(Chairman)



Richard Matthews
(Deputy Chairman)



Horace Cobham



John Cole



Peter Whitehall



Michael Mayers



Dr. Patricia Downes-Grant



Timothy Simmons

CHAIRMAN'S STATEMENT



The past year has been one of continued challenges for Enterprise Growth Fund Limited (EGFL) as we navigate the difficult path of extending a soft and understanding hand to borrowers experiencing repayment difficulties arising from demanding economic and financial circumstances but also seek to create operational free cash flows to finance the opportunities available to both new and existing borrowers.

For the fiscal year ended March 31, 2017, EGFL made a net profit of \$505,492 continuing an unbroken sequence of 13 years of surpluses. Profitability was down compared to 2016, when net profit of \$1.25 million was recorded resulting mainly from a fifteen month reporting period for 2016 as we changed our year end to accord with Government's financial year end, and mark to market losses incurred by the carrier of our pension fund.

EGFL continued to engage its clients during the fiscal year to assist them in turning around their financial performance. However, these efforts did not produce the same level of favourable results as they did previously owing to the anaemic growth of Barbados' economy.

EGFL sees foreclosure as a last resort approach to debt recovery and we will continue to assist those clients that need to fine-tune their operations and business models in order to become more efficient and competitive.

Economic Review

Barbados' economy grew in 2016, as real output expanded by an estimated 1.6% for the period. This is in contrast to increased output of 0.9% registered in 2015. In line with recent experience, this improvement was driven significantly by the tourism sector, which saw a 6.3% increase in long stay arrivals, led by a 14.1% improvement in the US market.

Unlike 2015 when growth was confined to the traded sector, 2016 saw a recovery within the non-traded sector which expanded by 1.5%. Construction, finance and other services, and transport, storage and communication led the recovery with estimated growth of 2.4%, 2.6% and 1.8% respectively.

There was a marginal increase in the level of prices during 2016 as inflation measured 1.3% year on year as at December. The deflation of 1.1% registered in 2015 was the only decline noted in the last 8 years. The reduction in unemployment seen in the last 2 years continued as the rate for 2016 was provisionally measured at 9.9%, the first measurement under 10.0% since 2009.

International reserves dropped significantly to \$681 million at the end of 2016, from \$927 million at the end of 2015 representing 10.3 and 14 weeks of imports respectively. Although the tourism sector improved, further

decreases in the outlays for fuel imports and fiscal containment measures failed to arrest the slide in foreign reserves.

The slight uptick in economic growth did not increase the demand for loans from the commercial banking sector. Loan portfolios continued to contract with a reduction of 1.5% for the third quarter of 2016. This compares with a 0.6% slide noted for the same period of 2015 and similar contractions during the period 2011 to 2014. Due to the low demand for loans, liquidity in the banking sector increased with the loan to deposit ratio moving from 66.4% in the third quarter of 2015 to 63.0% for the comparable period of 2016.

In the first quarter of 2017 real GDP grew by 2%. Tourism was the main driver of this improvement and expanded by 3.0% over this period. Despite the growth recorded, there continues to be challenges with the implementation of projects which is hindering a robust recovery of the economy.

Continuing high fiscal deficits have constrained economic recovery and foreign reserve levels. To this end, the Government has implemented a series of fiscal adjustment measures and all indications are that more adjustments may be required to bridge the still high deficit, protect foreign reserves, instil confidence and stimulate growth.

Performance Review

Compared to the fifteen months ended March 2016, EGFL and the Funds Under Management recorded a decline in the demand for financing for the twelve months to March 2017. Across the various Funds, approvals and disbursements measured \$11.42 million and \$11.15 million respectively for 2017, compared to \$23.29 million and \$25.25 million for 2016. A shorter operating period and a climate of uncertainty surrounding economic prospects

negatively impacted demand in 2017 when compared to 2016.

After generating comprehensive income of \$243,000 for the fifteen months to March 31, 2016, the financial performance of the Agricultural Development Fund deteriorated, recording a net loss of \$336,000 at March 2017. The loss incurred may be attributed to a 46% decline in revenue, which plummeted from \$1.11 million in 2016 to \$597,000 in 2017. This decrease was occasioned by two factors: first, the reporting period was for twelve months compared to 15 months for the previous year; and secondly, there was a stark increase in the number of delinquent clients and the percentage of non-performing loans in the portfolio. Total expenses increased as well, even though only one expense item, impairment losses, was greater in 2017 than in 2016.

During the fiscal period ended March 31, 2017, two applications for funding were received, and one of these, in the amount of \$850,000, was approved. In 2016, seven applications were received, and three, with a total value of \$510,000, were approved. Loan and equity disbursements recorded for 2016 and 2017 measured \$804,000 and \$742,000, respectively. This brought total disbursements since the Fund's inception, to \$141.54 million. There were no capital injections to the Fund in 2017.

The Energy Smart Fund (ESF) performed creditably, despite a decline in net profit from \$35,000 in 2016 to \$27,000 in 2017. Though the Fund observed reasonable growth in interest income, this was overshadowed by an increase in operating expenses. Notwithstanding these factors, there is still keen interest for energy efficient, renewable energy and energy conservation solutions among Barbadian businesses.

For the financial year ended March 31, 2017, four loans totalling \$4.29 million were approved under the ESF loan facility, in contrast to the six approvals totalling \$5.50 million reported for the prior period. At March 2017, the Loan Facility was essentially committed with \$15.50 million in cumulative disbursements. Additionally, grants, totalling \$40,000, were disbursed from the Technical Assistance Facility to assist applicants with the preparation of feasibility studies and energy audits.

Sustained demand by residential consumers for energy efficient appliances on which cash rebates were offered, resulted in the Pilot Consumer Finance Facility being fully committed in 2017. The two approved retailers for this facility, Unicomer (Barbados) Limited and Massy Stores (Barbados) Limited, each benefitted from grant disbursements of \$500,000 which were allocated to cash rebates under this facility. Similarly, several homeowners took advantage of the Energy Efficient Lighting Distribution Facility which provided free energy saving LED bulbs from Caribbean LED Lighting Inc. A total of \$1.21 million was disbursed through this sub-component of the Fund.

The ESF was fully committed during the period under review and it is believed that the public awareness initiatives of the Fund helped to advance the island's Renewable Energy sector and the associated rise in the demand for and utilisation of renewable energy solutions. Accordingly, this has inspired both commercial enterprises and residential consumers to request that the ESF be extended.

The Industrial, Investment and Employment Fund (IIEF) realised a net profit of \$6,000 in 2017, in contrast to a net loss of \$70,000 reported in the preceding period. This performance was due mainly to a significant reduction in provision for loan losses when compared with 2016. No loan applications were received in

2017 and there were no disbursements. The IIEF will continue to finance those businesses which can compete against imported products and produce products for which imported alternatives are not readily available. Since November 2002 when the IIEF was activated, over \$18 million, comprising loans, equity and lines of credit, has been disbursed from this facility.

There were no capital injections to the Innovation Fund (IF) during the review period and all of its resources were committed at the end of March 2016. No additional approvals or disbursements were made during 2017. The Fund incurred a net loss of \$836,000 as at March 2017, mainly due to a significant provision for impairment of investments. Since inception, the IF has provided capital to non-traditional and innovative areas of business and it is hoped that resources will be found to re-capitalise this Fund to facilitate the financing of new green-field projects.

In contrast to 2016 when \$1.14 million in government receivables was factored by small businesses via the Trade Receivable Liquidity Facility (TRLF), only \$299,000 was factored in the period ended March 2017 through the TRLF. Last year, we anticipated an increase in the use of factoring but this did not occur. Most receivables factored to date were amounts owed by a healthcare institution and it was reported that this institution received additional resources to effectively manage its payables.

Small hoteliers maintained their interest in the funding available from the Small Hotels Investment Fund (SHIF) during 2017, albeit at a lower level. Approvals and disbursements for 2017 were \$3.58 million and \$2.51 million respectively, compared to \$6.97 million and \$5.48 million for 2016. This performance continued despite the Fund registering a net loss of \$942,000 at March 2017, moderately

less than the net-loss of \$1.29 million recorded for 2016. Some operators in the small hotel sector still maintained a positive outlook and this was reflected in their willingness to make investments for the future. The Fund has facilitated these businesses and will continue to do so subject to the availability of resources for lending.

Despite an upswing in long-stay arrivals during the winter season for three successive years, the Tourism Loan Fund (TLF) did not experience any significant demand for loans during the review period. The Fund approved and disbursed one loan totalling \$215,000 for the period in contrast to approvals and disbursements of \$7.01 million and \$3.36 million respectively for 2016. In contrast to 2016 when a healthy profit of \$2.12 million was achieved, the Fund recorded a significant loss of \$288,000 at March 2017. This out-turn was primarily attributable to a \$790,000 loan loss provision for one client, coupled with a substantial decline in interest income during 2017.

Unlike some operatives in the small hotel sector, the dampened economic conditions and related cash flows constraints have tempered the enthusiasm of some clients and potential clients of the TLF for new capital investments. Hence, business owners have generally adopted a more judicious approach with respect to leveraging their balance sheets. Nonetheless, in view of joint private-public sector international promotional efforts, as well as several proposed high-profile tourism and infrastructural projects, confidence within the hospitality sector is expected to rebound over the medium term.

Summary and Financial Outlook for 2017-2018

During the past financial year many of our clients were cautious about investment

decisions and taking on more debt. Hence, funding activity was generally constrained across most Funds. Overall, we observed a substantial reduction in demand for funding from our two tourism Funds, the TLF and SHIF. Approximately \$13.98 million was approved under these two Funds for the period ended March 2016 but this declined to \$3.79 million for the year to March 2017.

However, while economic activity slowed in some sectors during the last reporting period, interest in renewable energy financing compared favourably to 2016. After demand started to wane with falling oil prices, the Fair Trading Commission instituted a feed-in-tariff which de-linked renewable energy credits from oil prices. Investors now have greater certainty about the returns to be achieved by investments in this area. To this end, the Central Bank noted that the renewable energy generating capacity at the end of 2016 had reached 23 megawatts, up from 9.4 megawatts at the end of 2015.

Further incentives are required for this burgeoning sector if the momentum generated thus far is to be maintained. The attractive interest rates available under the ESF played a pivotal role in the uptake of resources and EGFL has had preliminary discussions geared towards establishing a second phase of the ESF. Based on the successful deployment of the initial \$18 million provided to EGFL, the injection of more low-cost financing seems quite plausible. We are hopeful that an agreement for the additional funding can be reached during the upcoming financial year.

Over the last few years, the Central Bank of Barbados has consistently highlighted the significant role some large, tourism related projects can play in catalysing a more sustainable recovery of the local economy. While most commentators accept the cogency

of this assertion, the country's inability to review and approve projects in a timely manner to facilitate prompt implementation, has frustrated investors.

Failure to facilitate speedy project implementation leads to slower economic growth and lower tax revenues for government. Consequently, large fiscal deficits could be generated and debt levels could continue to rise sharply. The country is now deemed to be in a difficult economic position and tough choices may have to be made to correct the structural flaws that have been identified.

While these challenging economic times may lead to reduced lending to our client class in the short to medium term, careful strategic planning and the exploration of better ways of doing business will be our focus in the future. The potential benefits from so doing will result in a more process driven, client focused and more resilient EGFL.

Community Outreach

During the financial year, EGFL has maintained its commitments to its Corporate Social Responsibility. We are pleased with our approach and cumulative efforts thus far in giving back to the communities in our surrounding districts through meaningful financial contributions to support worthy causes and other initiatives for the underprivileged.

We have partnered with the Derrick Smith Vocational Centre, to assist two special needs students who have received sponsorship

with their annual tuition fees. We have also supported the Hope Foundation which serves the broader community in the area of health.

Our efforts to assist UWI students in pursuit of their academic goals continue and we are proud to report that the initial scholarship awardees, Shanika Lynch and David Fitzpatrick, have successfully completed their undergraduate studies in economics and business finance respectively, during the 2016/2017 academic year. Both awardees have expressed their sincere gratitude for the financial assistance provided by EGFL.

It is our hope that our community contributions will enable us to build a stronger corporate image as well as improve our relationships with our stakeholders and other interests in the surrounding communities.

Acknowledgements

I want to thank our clients for their confidence in the institution, my fellow Directors for their wise counsel and dedication; and the management and staff for their unstinting efforts during the 2016/2017 period.



Terrence A. Thornhill
Chairman





“We can be sure that
the greatest hope for
maintaining equilibrium
in the face of any situation
rests within ourselves.”

Francis J. Braceland

Enterprise Growth Fund Limited

Financial Statements
March 31, 2017

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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

Mrs. Avenel Hinkson-Forde
Trinity Law Chambers
First Floor Trident House
Lower Broad Street
Bridgetown
BARBADOS

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.
2nd 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 of Enterprise Growth Fund Limited****Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of Enterprise Growth Fund Limited ("the Company"), which comprise the statement of financial position as at March 31, 2017 the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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



INDEPENDENT AUDITORS' REPORT, Continued

To the Shareholders of Enterprise Growth Fund Limited

Responsibilities of Management and Those Charged with Governance for the Financial Statements, continued

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at:
<http://www.icab.bb/about-icab/auditing/>. This description forms part of our auditors' report.

Other Matter

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

A handwritten signature in blue ink, appearing to be 'KPMG' with a stylized flourish.

Chartered Accountants
Bridgetown, Barbados
July 19, 2017

ENTERPRISE GROWTH FUND LIMITED

Statement of Financial Position



As at March 31, 2017
with comparative figures as at March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>March 31 2017</u>	<u>March 31 2016</u>
Assets			
Cash and short-term deposits	5	\$ 702,683	4,863,401
Accounts receivable and prepayments, net	6	1,004,588	883,852
Loans receivable, net	7	12,011,400	9,417,200
Withholding tax recoverable		140,291	138,850
Other assets	8	61,014	75,485
Investments, net	9	6,806,917	4,660,000
Property, plant and equipment	10	5,332,621	5,463,573
Due from related parties	13	889,774	842,509
Pension asset	14	347,065	544,070
Total Assets		\$ 27,296,353	26,888,940
Liabilities and Shareholders' Equity			
Liabilities			
Accounts payable		\$ 155,812	128,891
Due to related party		-	20,000
Deferred shareholder grant	12	277,410	277,410
Total Liabilities		433,222	426,301
Shareholders' Equity			
Stated capital	15	17,372,109	17,372,109
Other comprehensive loss		(84,975)	190,083
Accumulated surplus		9,575,997	8,900,447
Total Shareholders' Equity		26,863,131	26,462,639
Contingencies	22	-	-
Total Liabilities and Shareholders' Equity		\$ 27,296,353	26,888,940

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 year ended March 31, 2017

with figures for the fifteen month period ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	March 31 <u>2017</u>	March 31 <u>2016</u>
Revenue			
Management fees	17	\$ 2,907,562	3,496,595
Evaluation fees		109,250	66,135
Investment income		635,092	726,841
Interest on short term deposits		232,166	343,780
Other		<u>18,296</u>	<u>18,476</u>
		<u>3,902,366</u>	<u>4,651,827</u>
Expenses			
Operating		2,611,197	3,053,591
Depreciation	10	311,949	384,998
Gain on disposal of assets		(11,654)	(25,245)
Impairment loss (recoveries)	7	205,652	(5,739)
Loans written off		<u>4,672</u>	<u>-</u>
		<u>3,121,816</u>	<u>3,407,605</u>
Net income		780,550	1,244,222
Other Comprehensive (Loss) Gain			
Re-measurement of defined benefit pension plan		<u>(275,058)</u>	<u>5,557</u>
Net income and other comprehensive income		\$ <u>505,492</u>	<u>1,249,779</u>

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Statement of Changes in Shareholders' Equity

For the year ended March 31, 2017

with figures for the fifteen month period ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>Class A Shares</u>	<u>Class B Shares</u>	<u>Other Comprehensive Loss</u>	<u>Accumulated Surplus</u>	<u>Total</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		-	-	5,557	1,244,222	1,249,779
Balances, March 31, 2016	\$	3,500,000	13,872,109	190,083	8,900,447	26,462,639
Dividends paid	15	-	-	-	(105,000)	(105,000)
Net income and Other comprehensive loss		-	-	(275,058)	780,550	505,492
Balances, March 31, 2017	\$	<u>3,500,000</u>	<u>13,872,109</u>	<u>(84,975)</u>	<u>9,575,997</u>	<u>26,863,131</u>

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Statement of Cash Flows

For the year ended March 31, 2017

with figures for the fifteen month period ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	March 31 <u>2017</u>	March 31 <u>2016</u>
Operating Activities			
Net income		\$ 780,550	1,244,222
Adjustments for:			
Interest on short term deposits		(232,166)	(343,780)
Depreciation		311,949	384,998
Gain on disposal of fixed assets		(11,654)	(25,245)
Deferred shareholder-grant		-	1,303
Impairment loss (recoveries)	7	205,652	(5,739)
Re-measurement of defined benefit pension plan		(275,058)	5,557
Loans written off		<u>4,672</u>	<u>-</u>
Operating profit before working capital changes		783,945	1,261,316
(Decrease) increase in accounts receivable and prepayments		(120,736)	350,361
Increase in loans receivable		(2,804,524)	(719,335)
Increase in due from related parties		(47,265)	(10,630)
Increase in accounts payable		26,921	2,923
Decrease in accrued employee benefits		-	(464,397)
Decrease (increase) in pension asset		197,005	(57,905)
(Decrease) increase in due to related party		<u>(20,000)</u>	<u>20,000</u>
		(1,984,654)	382,333
Taxation		(1,441)	2,202
Interest received on short term deposits		<u>246,637</u>	<u>279,093</u>
Net cash (used in) from operating activities		<u>(1,739,458)</u>	<u>663,628</u>
Investing Activities			
Purchase of investments		(2,146,917)	(2,007,006)
Sale of fixed assets		74,875	43,625
Purchase of fixed assets	10	<u>(244,218)</u>	<u>(398,890)</u>
Net cash used in investing activities		<u>(2,316,260)</u>	<u>(2,362,271)</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 in cash and short-term deposits		(4,160,718)	(1,803,643)
Cash and short-term deposits – beginning of year (period)		<u>4,863,401</u>	<u>6,667,044</u>
Cash and short-term deposits – end of year (period)		\$ <u><u>702,683</u></u>	<u><u>4,863,401</u></u>

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2017

(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 19, 2017.

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, 2017

(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

March 31, 2017

(Amounts in Barbados Dollars)

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 is recognised as it accrues 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

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

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 comprising term deposits, which are held to maturity for a period exceeding 90 days, are categorised as held to maturity and carried at cost. The 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, 2017

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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 the 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, 2017

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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>2017</u>	March 31 <u>2016</u>
Cash on hand and at bank	\$ 702,683	1,959,190
Short term deposits	<u>-</u>	<u>2,904,211</u>
	\$ <u>702,683</u>	<u>4,863,401</u>

The applicable interest rates for short term deposits was \$ NIL (March 31, 2016: 2.50% - 3.75%).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

6. Accounts Receivable and Prepayments, net

Accounts receivable and prepayments, net are comprised of:

	March 31 <u>2017</u>	March 31 <u>2016</u>
Accounts receivable	\$ 66,665	69,447
Other receivables, prepayments and loan benefits	<u>970,866</u>	<u>847,348</u>
	\$ 1,037,531	916,795
Less provision for bad debts	<u>(32,943)</u>	<u>(32,943)</u>
Total accounts receivable and prepayments, net	\$ <u>1,004,588</u>	<u>883,852</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, 2017

(Amounts in Barbados Dollars)

7. Loans Receivable, net, continued

The maturity structure of loans receivable, gross, is:

	March 31 <u>2017</u>	March 31 <u>2016</u>
Under 1 year	\$ 1,936,392	2,883,009
1 – 5 years	1,678,008	844,944
Over 5 years	<u>10,204,215</u>	<u>7,290,810</u>
Total loans receivable	\$ 13,818,615	11,018,763
Less loan loss provision:		
Balance at start of year/period	\$ (1,601,563)	(1,607,302)
Impairment (loss) recovery	<u>(205,652)</u>	<u>5,739</u>
Balance at end of year/period	<u>(1,807,215)</u>	<u>(1,601,563)</u>
Total loans receivable, net	\$ <u>12,011,400</u>	<u>9,417,200</u>

Loans receivable carry interest rates of 7.5% to 9.5% per annum at the end of 2017 (March 31, 2016: 7.5% - 9.5% per annum). However, net loans receivable includes the amount of \$2,005,197 (March 31, 2016: \$1,859,505) relating to staff loans. These amounts carry interest rates of 3.0% to 3.63 % per annum (March 31, 2016: 3.0% 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 \$757,141 (March 31, 2016: \$1,087,041).

During the year, there were bond disbursements of \$5,603 relating to fees paid for debt recovery (March 31, 2016: \$2,636) and no principal repayments were received (March 31, 2016: \$ NIL).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

8. Other Assets

Other Assets comprise:

	March 31 <u>2017</u>	March 31 <u>2016</u>
Interest receivable on term deposits	\$ 60,914	75,385
Assets transferred from CRL	<u>100</u>	<u>100</u>
Total	\$ <u>61,014</u>	<u>75,485</u>

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.

9. Investments, net

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

	March 31 <u>2017</u>	March 31 <u>2016</u>
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/treasury bills	<u>6,806,917</u>	<u>4,660,000</u>
Balances, end of year	\$ <u>6,806,917</u>	<u>4,660,000</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 (March 31, 2016 - \$1,382,049).

Included in investments is an amount of \$6,806,917 (March 31, 2016: \$4,660,000) representing commercial deposits and treasury bills with a maturity period of greater than 90 days. At the reporting date the effective interest rates range from 2.75% to 4.375% per annum (March, 2016: 3.5% to 4.375% per annum).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

10. Property, Plant and Equipment

Cost	Land	Buildings	Vehicles	Furniture	Computer Equipment	Office Equipment	Computer Software	Total
Balance at December 31, 2014	\$ 1,720,980	3,324,931	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	3,324,931	553,721	827,889	148,450	152,039	300,909	7,028,919
Additions	-	-	158,514	42,789	-	42,915	-	244,218
Disposals	-	-	(216,987)	-	-	-	-	(216,987)
Balance at March 31, 2017	\$ 1,720,980	3,324,931	495,248	870,678	148,450	194,954	300,909	7,056,150
Accumulated Depreciation								
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
Depreciation	-	66,499	96,408	123,537	8,128	17,377	-	311,949
Disposals	-	-	(153,766)	-	-	-	-	(153,766)
Balance at March 31, 2017	\$ -	349,118	158,003	690,633	146,749	78,117	300,909	1,723,529
Net Book Value								
At March 31, 2017	\$ 1,720,980	2,975,813	337,245	180,045	1,701	116,837	-	5,332,621
At March 31, 2016	\$ 1,720,980	3,042,312	338,360	260,793	9,829	91,299	-	5,463,573

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2017

(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 2017	March 31 2016
Balance – beginning of year	\$ 277,410	276,107
Interest earned on funds	-	1,303
Balance – end of year	\$ 277,410	277,410

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 2017	March 31 2016
Agricultural Development Fund	\$ 168,744	169,097
Energy Smart Fund	102,302	56,803
Export, Promotion & Marketing Fund	388	176
Industrial Investment and Employment Fund	77,258	82,726
Innovation Fund	34,713	25,255
Small Hotels Investment Fund	267,962	277,717
Tourism Loan Fund	238,407	230,735
	\$ 889,774	842,509

Amounts due from related parties consist 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, 2017

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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 2017	March 31 2016
Statement of Financial Position		
Present value of obligation at end of year	\$ 2,347,670	1,845,441
Minus Fair value of plan assets at end of year	<u>(2,694,735)</u>	<u>(2,389,511)</u>
Asset recognized in the statement of financial position	\$ <u>(347,065)</u>	<u>(544,070)</u>
Current service cost (reduced by Employee contributions)	\$ 79,256	65,856
Net interest on net defined benefit liability	<u>(46,894)</u>	<u>(33,539)</u>
Expense recognized in profit and loss	\$ <u>32,362</u>	<u>32,317</u>
Actuarial loss(gain) on obligation	\$ 104,638	(102,466)
Return on Plan assets excluding interest income	<u>170,420</u>	<u>96,909</u>
Re-measurements recognised in OCI	<u>275,058</u>	<u>(5,557)</u>
	March 31 2017	March 31 2016
Movement in net asset recognized in the statement of financial position		
Net asset at the start of the year	\$ (544,070)	(486,165)
Amount recognized in profit and loss	32,362	32,317
Re-measurements recognised in OCI	275,058	(5,557)
Contributions - Employer	<u>(110,415)</u>	<u>(84,665)</u>
Net asset at the end of the year	\$ <u>(347,065)</u>	<u>(544,070)</u>
	March 31 2017	March 31 2016
Movement in present value of obligation		
Present value of obligation at start of year	\$ 1,845,441	1,268,697
Interest expense	188,390	119,760
Current service cost	209,503	562,886
Less: benefits paid	(302)	(3,436)
Actuarial (gain) loss on obligation	<u>104,638</u>	<u>(102,466)</u>
Present value of obligation at year end	\$ <u>2,347,670</u>	<u>1,845,441</u>

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

14. Defined Benefit Pension Plan, continued

	March 31 <u>2017</u>	March 31 <u>2016</u>
Movement in plan assets		
Fair value of plan assets at start of year	\$ 2,389,511	1,754,862
Actual return on plan assets	64,864	56,390
Contributions paid – total	240,662	581,695
Benefits paid	<u>(302)</u>	<u>(3,436)</u>
Fair value of plan assets at end of year	\$ <u>2,694,735</u>	<u>2,389,511</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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Present Value of the obligation	(2,347,670)	(1,845,441)	(1,268,697)	(1,180,269)	(1,060,330)
Fair value of plan assets	2,694,735	2,389,511	1,754,862	1,617,822	1,415,336
Surplus	347,065	544,070	486,165	437,553	355,006

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	2,269,344	2,431,397
Salary increases	2,412,610	2,285,251

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

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15. Stated Capital

	March 31 <u>2017</u>	March 31 <u>2016</u>
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 (March 31, 2016: \$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 \$118,766 (December 31, 2016: \$779,239).

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 2017	March 31 2016
Agricultural Development Fund	\$ 574,842	717,100
Energy Smart Fund	254,094	201,498
Export, Promotion & Marketing Fund	1,380	7,899
Industrial Investment and Employment Fund	262,238	337,670
Innovation Fund	85,916	110,471
Small Hotels Investment Fund	923,427	1,156,616
Tourism Loan Fund	<u>805,665</u>	<u>965,341</u>
	\$ <u>2,907,562</u>	<u>3,496,595</u>

Amounts receivable related to management fees as at March 31, 2017 and March 31, 2016 were \$889,774 and \$842,509 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

Notes to Financial Statements

March 31, 2017

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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 year ended March 31, 2017, \$96,136 (March 31, 2016: \$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

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

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 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 2017</u>	<u>March 31 2016</u>
Held to maturity investments	\$ 6,806,917	4,660,000
Loans and receivables	12,011,400	9,417,200
Cash and cash equivalents	<u>702,683</u>	<u>4,863,401</u>
Total	\$ <u>19,521,000</u>	<u>18,940,601</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, 2017

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19. Financial Risk Management, continued

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

March 31, 2017				
	Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash Resources \$	702,683	-	-	702,683
Financial investments:				
Held to maturity	6,806,917	-	-	6,806,917
Loans receivable	<u>7,171,997</u>	<u>3,843,986</u>	<u>995,417</u>	<u>12,011,400</u>
	<u>14,681,597</u>	<u>3,843,986</u>	<u>995,417</u>	<u>19,521,000</u>
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>

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, 2017

(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>2017</u>	Impairment <u>2017</u>	Gross <u>2016</u>	Impairment <u>2016</u>
Not past due	\$	-	-	-	-
Past due 0 – 30 days		66,665	-	69,447	-
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>99,675</u>	<u>32,943</u>	<u>102,457</u>	<u>32,943</u>

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

		March 31 <u>2017</u>	March 31 <u>2016</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, 2017

(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 (March 31, 2016 – 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, 2017

(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, 2017, with all other variables held constant. The impact is illustrated and shown in the table below:

	March 31 <u>2017</u>	March 31 <u>2016</u>
Increase/(decrease) of 100 bps		
Impact on comprehensive income +100 bps	\$ 84,679	96,912
Impact on comprehensive income – 100 bps	(84,679)	(96,912)

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, 2017

(Amounts in Barbados Dollars)

19. Financial Risk Management, continued

Financial income and expense

	March 31 <u>2017</u>	March 31 <u>2016</u>
Interest income on unimpaired loans & receivables	\$ 635,092	726,841
Interest income on bank deposits	<u>232,166</u>	<u>343,780</u>
Financial income	867,258	1,070,621
Financial expenses	<u>(210,324)</u>	<u>5,739</u>
Net financial income	\$ <u><u>656,934</u></u>	<u><u>1,076,360</u></u>

Investments

Non-current investments

Held-to-maturity investments	\$ 6,806,917	4,660,000
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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:

	2017 <u>Carrying Value</u>	2017 <u>Fair Value</u>	2016 <u>Carrying Value</u>	2016 <u>Fair Value</u>
Cash and short-term deposits	\$ 702,683	702,683	4,863,401	4,863,401
Accounts receivable & prepayments	1,004,588	1,004,588	883,852	883,852
Loans receivable, net	12,011,400	12,011,400	9,417,200	9,417,200
Preferred shares	-	1,331,451	-	1,331,451
Held to maturity investments	6,806,917	6,806,917	4,660,000	4,660,000
Due from related parties	889,774	889,774	842,509	842,509
Accounts payable	(155,812)	(155,812)	(128,891)	(128,891)
Due to related parties	-	-	(20,000)	(20,000)
Deferred shareholder grant	(277,410)	(277,410)	(277,410)	(277,410)

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

March 31, 2017

(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 2017	March 31 2016
Salaries, directors' fees and benefits	\$ <u>939,981</u>	<u>1,123,439</u>

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, 2017

(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.





“Time and Balance the two most difficult things to have control over, yet they are both the things that we do control.”

Catherine Pulsifer

Agricultural Development Fund

Financial Statements
Year ended March 31, 2017
(with comparatives 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. Lester Brathwaite – Chairman (appointed July 1, 2017)

Mr. Ian Collymore – Chairman (resigned May 8, 2017)

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 year ended March 31, 2017 which show the state of the Fund's affairs.

\$

1. The comprehensive loss for the year was (335,822)

Which is added to the accumulated deficit brought forward of (8,981,682)

Resulting in an accumulated deficit to be carried forward of (9,317,504)

2. The retiring auditors, Skeete, Best & Co., Chartered Accountants, offer themselves for re-appointment.

By Order of the Management Committee



Linda Harris
Secretary
August 9, 2017



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

Opinion

We have audited the financial statements of the **Agricultural Development Fund.**, which comprise the statement of financial position as of March 31, 2017, and the statement of comprehensive loss, statement of changes in fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Independent Auditors' Report...continued**To the Management Committee of the
Agricultural Development Fund*****Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing/>. This description forms part of our auditors' report.

Other Matter

This report is made solely to the Fund's Management Committee, as a body. Our audit work has been undertaken so that we might state to the Fund's Management Committee those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Management Committee as a body, for our audit work, for this report, or for the opinion we have formed.

Akeeta Best & Co.,

Chartered Accountants

Barbados, W.I.
August 9, 2017

Agricultural Development Fund

Statement of Financial Position

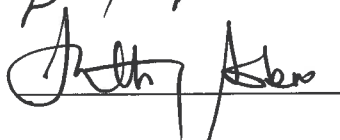
As of March 31, 2017

(expressed in Barbados dollars)

	2017	2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,219,229	2,348,184
Short term investment (Note 4)	1,125,302	1,092,199
Withholding tax refundable (Note 9)	22,714	22,714
Interest receivable	26,771	30,080
Total current assets	3,394,016	3,493,177
Available-for-sale investments (Note 6)	-	-
Revolving lines of credit (Note 7)	3,647	3,647
Loans receivable (Note 8)	9,712,860	10,009,330
Total assets	13,110,523	13,506,154
Liabilities and fund		
Current liabilities		
Accounts payable	28,162	37,595
Due to related parties (Note 5)	555,202	555,578
Total liabilities	583,364	593,173
Fund	12,527,159	12,912,981
Total liabilities and fund	13,110,523	13,506,154

Approved by the Management Committee on August 9, 2017


 Chairman


 Member

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Statement of Changes in Fund

Year ended March 31, 2017

(With comparatives for the fifteen month period January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

	Development Fund \$	Accumulated Deficit \$	Total \$
Balance at January 1, 2015	22,623,851	(9,224,831)	13,399,020
Grants disbursed (Note 10)	(729,188)	-	(729,188)
Net comprehensive income	-	243,149	243,149
Balance at March 31, 2016	21,894,663	(8,981,682)	12,912,981
Grants disbursed (Note 10)	(50,000)	-	(50,000)
Net comprehensive loss	-	(335,822)	(335,822)
Balance at March 31, 2017	21,844,663	(9,317,504)	12,527,159

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Statement of Comprehensive Loss

Year ended March 31, 2017

(With comparatives for the fifteen month period January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

	2017	2016
	\$	\$
Revenue		
Interest on deposits	67,407	102,949
Interest on loans	529,493	1,003,422
	596,900	1,106,371
Expenses		
Bank charges	160	194
Interest	-	2,408
Impairment losses (Note 11)	225,143	(27,697)
Management Committee fees	7,230	7,640
Management fees (Note 5)	675,416	842,593
Professional fees	24,772	38,084
	932,722	863,222
Net comprehensive (loss) income	(335,822)	243,149

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Statement of Cash Flows

Year ended March 31, 2017

(With comparatives for the fifteen month period January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

	2017	2016
	\$	\$
Cash flows from operating activities		
Net comprehensive (loss) income	(335,822)	243,149
Adjustment for:		
Provision for impairment losses	225,143	(27,697)
Operating (loss) profit before working capital changes	(110,679)	215,452
Decrease (increase) in interest receivable	3,309	(9,206)
Loans disbursed	(741,992)	(803,696)
Loans repaid	811,106	791,382
Revolving line of credit repaid	2,213	15,639
Purchase of short term investment	(33,103)	(34,835)
(Decrease) increase in accounts payable	(9,433)	10,481
Decrease in due to related company	(376)	(17,967)
Cash (used in) provided by operations	(78,955)	167,250
Cash flows from financing activities		
Grants disbursed	(50,000)	(729,188)
Net cash used in financing activities	(50,000)	(729,188)
Net decrease in cash and cash equivalents	(128,955)	(561,938)
Cash and cash equivalents - beginning of the year	2,348,184	2,910,122
Cash and cash equivalents - end of the year	2,219,229	2,348,184
Cash and cash equivalents comprise:		
Cash	458,489	624,418
Term deposits (Note 3)	1,760,740	1,723,766
	2,219,229	2,348,184

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(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

a) The following amendments to published standards are mandatory for the Fund's accounting period.

- IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations (effective January 1, 2016)
- IFRS 7 – Financial instruments: Disclosures – (effective January 1, 2016)
- IFRS 12 – Disclosure of Interests in Other Entities (effective January 1, 2016)
- IAS 1 – Presentation of Financial Statements (effective January 1, 2016)

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)
(expressed in Barbados dollars)

2. Significant accounting policies... continued**Summary of significant accounting policies... continued**

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

- IFRS 10 – Consolidated Financial Statements – (effective January 1, 2016)
- IFRS 11 – Joint Arrangements (effective January 1, 2016)
- IFRS 14 – Regulatory Deferral Accounts – (effective January 1, 2016)
- 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 (effective January 1, 2016)
- IAS 34: Interim Financial Reporting – (effective January 1, 2016)
- IAS 38 – Intangible Assets – (effective January 1, 2016)
- IAS 41 – Agriculture – (effective January 1, 2016)

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

- IFRS 9 – Financial instruments (effective January 1, 2018)
- IFRS 12 – Disclosure of Interests in Other Entities (effective January 1, 2017)
- IFRS 15 – Revenue from Contracts with Customers (effective January 1, 2018)
- IAS 7 – Statement of Cash Flows (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 1 – First Time Adoption of IFRS (effective January 1, 2018)
- IFRS 2 – Share-based Payment (effective January 1, 2018)
- IFRS 4 – Insurance Contracts (effective January 1, 2018)
- IFRS 16 – Leases (effective January 1, 2019)
- IFRS 17 – Insurance Contracts (effective January 1, 2021)
- IFRS for SMEs (effective January 1, 2017)
- IAS 12 – Income Taxes (effective January 1, 2017)
- IAS 28 – Investments in Associates and Joint Ventures (effective January 1, 2018)
- IAS 40 – Investment Property (effective January 1, 2018)

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(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

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(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

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(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 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. A loan is classified as non-accrual when repayments are ninety (90) days or more in arrears.

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

Year ended March 31, 2017(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)
(expressed in Barbados dollars)**3. Cash equivalents**

These are time deposits placed with financial institutions.

Financial Institution	Date of Maturity	Interest Rate	Principal \$
2017			
Capita Financial Services Inc.	June 14, 2017	1.75%	<u>1,760,740</u>
2016			
Capita Financial Services Inc.	June 14, 2016	2.50%	<u>1,723,766</u>

4. Short-term investments

This is a time deposit placed with a financial institution.

Financial Institution	Date of Maturity	Interest Rate	Principal \$
2017			
Capita Financial Services Inc.	April 26, 2017	2.50%	<u>1,125,302</u>
			<u>1,125,302</u>
2016			
Capita Financial Services Inc.	April 26, 2016	3.00%	<u>1,092,199</u>
			<u>1,092,199</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 \$675,416 (2016 - \$842,593) were incurred during the year in respect of management fees payable to the Enterprise Growth Fund Limited. At March 31, 2017, the related party balances were as follows:

	2017 \$	2016 \$
Due to Disaster Relief Revolving Fund	(386,481)	(386,481)
Due to Enterprise Growth Fund Limited	<u>(168,721)</u>	<u>(169,097)</u>
	<u>(555,202)</u>	<u>(555,578)</u>

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

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

6. Available-for-sale investments

At year 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. In 2016 the Fund approved a 5 year extension of the redemption date. The Fund's total investment was \$4,000,000 (2016 - \$4,000,000)

Impairment allowance recognised on this investment at year end was \$4,000,000 (2016 - \$4,000,000).

At year 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 shares 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 (these shares were not redeemed at the stipulated date of December 31, 2016); 500,000 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 (2016 - \$3,555,769)

Impairment allowance recognised on this investment at year end was \$3,555,769 (2016 - \$3,555,769).

	2017	2016
	\$	\$
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	
	2017	2016	2017	2016
	%	%	\$	\$
Exclusive Cottons of the Caribbean Inc.	6.5%	6.5%	486,285	488,498
Barbados Agricultural Development & Marketing Corporation	6.5%	6.5%	<u>3,647</u>	<u>3,647</u>
			489,932	492,145
Less: Provision for credit losses			<u>(486,285)</u>	<u>(488,498)</u>
			<u>3,647</u>	<u>3,647</u>

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)
(expressed in Barbados dollars)**7. Revolving lines of credit... continued**

	2017	2016
	\$	\$
Provision for loan losses		
Balance at January 1	488,498	504,136
Decrease in provision	(2,213)	(15,638)
	<u>486,285</u>	<u>488,498</u>
Balance at December 31		

8. Loans receivable

The loans at year end comprised:

	Interest rate		Outstanding balances	
	2017	2016	2017	2016
	%	%	\$	\$
1 year	6.5-7.0	6.5-7.0	6,156,418	6,061,616
2 to 5 years	6.5-7.0	6.5-7.0	2,538,519	2,107,163
Over 5 years and up to 10 years	6.5-8.5	6.5-7.0	5,610,251	6,205,522
Over 10 years and up to 15 years	6.5-7.0	6.5-7.0	-	-
			<u>14,305,187</u>	<u>14,374,301</u>
Less: Provision for loan losses			(4,592,327)	(4,364,971)
			<u>9,712,860</u>	<u>10,009,330</u>

	2017	2016
	\$	\$
Provision for loan losses		
Balance at January 1	4,364,971	4,377,030
Increase (decrease) in provision	227,356	(12,059)
	<u>4,592,327</u>	<u>4,364,971</u>
Balance at December 31		

9. Taxation

	2017	2016
	\$	\$
Balance Sheet:		
Withholding taxes refundable – year of income 2003	<u>22,714</u>	<u>22,714</u>

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

10. Grants disbursed

During the year, the following grants were disbursed:

	2017	2016
	\$	\$
Barbados Agricultural Development and Marketing Corporation	-	729,188
Ministry of Agriculture, Food, Fisheries & Water Resources	50,000	-
	<u>50,000</u>	<u>729,188</u>

11. Impairment losses

This amount is made up as follows: -

	2017	2016
	\$	\$
Decrease in revolving lines of credit provision (note 7)	(2,213)	(15,638)
Increase (decrease) in provision for loan losses (note 8)	227,356	(12,059)
	<u>225,143</u>	<u>(27,697)</u>

12. Commitments

At the year end, the following commitments were outstanding:

	2017	2016
	\$	\$
Loans	774,503	323,983
Grants	-	753,892
	<u>774,503</u>	<u>1,077,875</u>

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

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.

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.

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

13. Financial risk management ...continued

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.

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.

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

13. Financial risk management ...continued

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.

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.

2017			
Segment information	Commercial \$	Developmental \$	Total \$
Total revenue	596,900	-	596,900
Management fees	675,416	-	675,416
Impairment losses - loans	225,144	-	225,144
Impairment losses - equity	-	-	-
Other operating expenses	32,162	-	32,162
Total expenses	932,722	-	932,722
Comprehensive loss	335,822	-	335,822
Current assets	3,394,016	-	3,394,016
Non-current assets	9,716,507	-	9,716,507
Intersegment balances	111,055,316	(111,055,316)	-
Liabilities	583,365	-	583,365
Funds received (disbursed)	125,105,335	(103,260,673)	21,844,662
Accumulated deficit	(1,295,508)	(7,794,640)	(9,317,504)

Agricultural Development Fund

Notes to Financial Statements

Year ended March 31, 2017

(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

14. Segment reporting...continued

Segment information	2016		Total \$
	Commercial \$	Developmental \$	
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
Comprehensive loss	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)

15. Capital management policy

Management's objective is to maintain a strong capital base to support the future development of its business. There were no changes in management's approach to capital management during the financial year.

16. Subsequent events

On June 20, 2017 the Fund was instructed by the Ministry of Agriculture, Food, Fisheries and Water Resource Management to i) redeem the 3,555,769 7% cumulative, redeemable, convertible Class A preferred shares in the West Indies Sugar & Trading Company Limited ("WISTCL") for \$1; and ii) draw up a contract whereby WISTCL will allocate 25% of its future annual profits to the Fund over a period of five (5) years up to a maximum of \$1 million.





Disaster Relief Revolving Fund

Financial Statements
Year ended March 31, 2017
(with comparatives for the fifteen month period
from January 1, 2015 to March 31, 2016)

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**Skeete, Best & Co. Chartered Accountants**

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Barbados, W.I.

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Email: ds.skeetebest@caribsurf.com**Independent Auditors' Report****To the Management Committee of the
Agricultural Development Fund for
Disaster Relief Revolving Fund*****Opinion***

We have audited the financial statements of the **Disaster Relief Revolving Fund.**, which comprise the statement of financial position as of March 31, 2017, and the statement of comprehensive income, statement of changes in fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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


Independent Auditors' Report...continued**To the Management Committee of the
Agricultural Development Fund for
Disaster Relief Revolving Fund*****Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing/>. This description forms part of our auditors' report.

Other Matter

This report is made solely to the Fund's Management Committee, as a body. Our audit work has been undertaken so that we might state to the Fund's Management Committee those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Management Committee as a body, for our audit work, for this report, or for the opinion we have formed.



Chartered Accountants

Barbados, W.I.
August 9, 2017

Disaster Relief Revolving Fund

Statement of Financial Position

As of March 31, 2017

(expressed in Barbados dollars)

	2017	2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	2,289,541	2,219,937
Due from related party (Note 5)	386,480	386,480
Withholding tax refundable	45,844	45,844
Interest receivable	18	1,071
	<hr/>	<hr/>
Total current assets	2,721,883	2,653,332
Loans receivable (Note 4)	<hr/>	<hr/>
	2,721,883	2,653,332
	<hr/>	<hr/>
Liabilities and fund		
Current liabilities		
Accounts payable	7,097	9,000
	<hr/>	<hr/>
Total liabilities	7,097	9,000
Fund	<hr/>	<hr/>
	2,714,786	2,644,332
	<hr/>	<hr/>
Total liabilities and fund	2,721,883	2,653,332
	<hr/>	<hr/>



Approved by the Management Committee on August 9, 2017

Chairman



Member

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Statement of Changes in Fund

For the year ended March 31, 2017

(With comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

	Disaster Relief Fund \$	Retained Earnings \$	Total \$
Balance at December 31, 2014	2,000,000	574,052	2,574,052
Net income for the year	-	70,280	70,280
Balance at March 31, 2016	2,000,000	644,332	2,644,332
Net income for the year	-	70,454	70,454
Balance at March 31, 2017	2,000,000	714,786	2,714,786

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Statement of Comprehensive Income

For the year ended March 31, 2017

(With comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(expressed in Barbados dollars)

	2017	2016
	\$	\$
Revenue		
Interest on deposits	59,973	81,304
Interest on loans	2,292	2,764
	62,265	84,068
Expenses		
Bank charges	195	244
Provision for loan losses (Note 4)	(15,401)	3,906
Professional fees	7,017	9,638
	(8,189)	13,788
Net income and comprehensive income for the year	70,454	70,280

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Statement of Cash Flows

For the year ended March 31, 2017

(With comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)
(expressed in Barbados dollars)

	2017	2016
	\$	\$
Cash flows from operating activities		
Net income for the year	70,454	70,280
Adjustment for:		
(Reversal) provision for loan losses	(15,401)	3,906
Operating profit before working capital changes	55,053	74,186
Decrease in interest receivable	1,053	16,647
Loans disbursed	-	(16,707)
Loans repaid	15,401	12,799
(Decrease) increase in accounts payable	(1,903)	1,893
Decrease in amounts due from related party	-	14,575
Cash provided by operations	69,604	103,393
Net increase in cash and cash equivalents	69,604	103,393
Cash and cash equivalents - beginning of year	2,219,937	2,116,544
Cash and cash equivalents - end of year	2,289,541	2,219,937
Represented by:		
Cash	102,785	94,199
Term deposits	2,186,756	2,125,738
	2,289,541	2,219,937

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Notes to Financial Statements

Year ended March 31, 2017

(With comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

(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 term deposits.

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

Year ended March 31, 2017(With comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)
(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 income.

3. Cash and cash equivalents

This includes term deposits of \$2,186,756 (2016- \$2,125,738) that were placed with financial institutions for a period of six months. The deposits earn interest at rates of 2.5% per annum (2016 – 3.0%) and mature on September 25, 2017.

Financial Institution	Date of Maturity	Interest rate	Principal 2017 \$	Principal 2016 \$
Capital Financial Services Inc.	September 25, 2017	2.5%	2,186,756	2,125,738
			2,186,756	2,125,738
Cash			102,785	94,199
			<u>2,289,541</u>	<u>2,219,937</u>

4. Loans receivable

Loans receivable are comprised as follows:

	Interest rate 2017	Outstanding balances 2017 \$	Outstanding balances 2016 \$
Loans Receivable	3%	275,614	291,105
Less: Provision for loan losses		<u>(275,614)</u>	<u>(291,105)</u>
Loans Receivable, net		<u>-</u>	<u>-</u>

Disaster Relief Revolving Fund

Notes to Financial Statements

Year ended March 31, 2017

(With comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)
(expressed in Barbados dollars)

4. Loans receivablecontinued

Loans receivable are comprised as follows:

	2017	2016
	\$	\$
Provision for Loan Losses		
Balance at January 1	291,015	287,109
(Decrease) increase in provision	<u>(15,401)</u>	<u>3,906</u>
Balance at March 31, 2017	<u>275,614</u>	<u>291,015</u>

5. Related party transactions

The Fund is administered by the Agricultural Development Fund. At March 31, 2017 the Fund had a balance due from the Agricultural Development Fund of \$386,480 (2016 – \$386,480). 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 \$59,457 (2016 - \$72,720) were incurred during the year 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 year end, the Fund had \$1,381 (2016 – \$1,381) commitments outstanding as follows:

	2017	2016
	\$	\$
Trevor Mayers	<u>1,381</u>	<u>1,381</u>
	<u>1,381</u>	<u>1,381</u>

Disaster Relief Revolving Fund

Notes to Financial Statements

Year ended March 31, 2017

(With comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)
(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 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.



If you had to choose, would you **rather have:**
Higher electricity charges or Lower electricity charges

Energy Smart Fund

Financial Statements
March 31, 2017

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ENERGY SMART FUND

Corporate Information

Trustee

Enterprise Growth Fund Limited

Fund Manager

Enterprise Growth Fund Limited

Bankers

RBC Royal Bank Barbados Limited
Broad Street
Bridgetown
St Michael

Attorneys-at-Law

Mr. Frank Belgrave
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Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT**To the Trustee of Energy Smart Fund***Opinion*

We have audited the financial statements of Energy Smart Fund ("the Fund"), which comprise the statement of financial position as March 31, 2017, the statements of income, changes in fund balance and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent Auditors' Report, continued

To the Trustee of Energy Smart Fund

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing/>. This description forms part of our auditors' report.



Independent Auditors' Report, continued

To the Trustee of Energy Smart Fund

Other Matter

This report is made solely to the Trustee, in accordance with Section 4.2 of the Trust Agreement. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's Trustee, for our audit work, for this report, or for the opinion we have formed.

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

Chartered Accountants
Bridgetown, Barbados
July 19, 2017

ENERGY SMART FUND

Statement of Financial Position

As at March 31, 2017

With comparative figures as at March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
Assets			
Cash		\$ 3,026,069	1,130,269
Loans receivable	4	10,886,266	8,909,804
Prepaid short-term benefits	5	1,741,176	924,328
Interest receivable		47,448	34,780
Other receivable		<u>36,396</u>	<u>29,081</u>
Total Assets		\$ <u>15,737,355</u>	<u>11,028,262</u>
Liabilities and Fund			
Liabilities			
Accounts payable		33,012	38,571
Due to related party		102,302	36,803
Deferred income		<u>21,787</u>	<u>40,983</u>
Total Liabilities		<u>157,101</u>	<u>116,357</u>
Fund			
Contribution		15,340,437	10,699,202
Accumulated surplus		<u>239,817</u>	<u>212,703</u>
Total Fund		<u>15,580,254</u>	<u>10,911,905</u>
Total Liabilities and Fund		\$ <u>15,737,355</u>	<u>11,028,262</u>

See accompanying notes to the financial statements.

Approved on behalf of the Trustee - Enterprise Growth Fund Limited



Director



Director

ENERGY SMART FUND

Statement of Income

For the year ended March 31, 2017
with figures for the fifteen months ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>2017</u>	<u>2016</u>
Revenue		
Interest income	\$ 461,162	318,686
Less: management fees	<u>(288,995)</u>	<u>(192,880)</u>
Net interest income	172,167	125,806
Other income	<u>36,396</u>	<u>30,844</u>
Total Revenue	<u>208,563</u>	<u>156,650</u>
Expenses		
Bank charges	504	431
Short-term benefits expense	150,054	101,232
Professional fees	<u>30,891</u>	<u>20,115</u>
Total Expenses	<u>181,449</u>	<u>121,778</u>
Net income	\$ <u><u>27,114</u></u>	<u><u>34,872</u></u>

See accompanying notes to financial statements.

ENERGY SMART FUND

Statement of Changes in Fund Balance

For the year ended March 31, 2017
with figures for the fifteen months ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>Contribution</u>	<u>Accumulated Surplus</u>	<u>Total</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	6	(1,873,895)	-	(1,873,895)
Income for the period		<u>-</u>	<u>34,872</u>	<u>34,872</u>
Balance at March 31, 2016		\$ 10,699,202	212,703	10,911,905
Transfers from government		5,090,139	-	5,090,139
Technical Assistance grants disbursed	6	(448,904)	-	(448,904)
Income for the year		<u>-</u>	<u>27,114</u>	<u>27,114</u>
Balance at March 31, 2017		\$ <u>15,340,437</u>	<u>239,817</u>	<u>15,580,254</u>

See accompanying notes to financial statements.

ENERGY SMART FUND

Statement of Cash Flows

For the year ended March 31, 2017
with figures for the fifteen months ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>2017</u>	<u>2016</u>
Operating Activities		
Net income	\$ 27,114	34,872
Interest income	(461,162)	(318,686)
Interest received	<u>448,494</u>	<u>299,146</u>
Operating profit before working capital changes	<u>14,446</u>	<u>15,332</u>
(Decrease)/increase in accounts payable	(5,559)	13,896
Increase in loans receivable	(1,976,462)	(4,549,031)
Increase) in prepaid short-term benefits	(816,848)	(527,195)
(Increase) in other receivable	(7,315)	(24,969)
Increase/(decrease) in due to related party	65,499	(30,890)
(Decrease)/increase in deferred income	<u>(19,196)</u>	<u>22,277</u>
Net cash used in operating activities	<u>(2,745,435)</u>	<u>(5,080,580)</u>
Financing Activities		
Technical Assistance grants disbursed	(448,904)	(1,873,895)
Funding from Government	<u>5,090,139</u>	<u>8,033,410</u>
Net cash from financing activities	<u>4,641,235</u>	<u>6,159,515</u>
Increase in cash	1,895,800	1,078,935
Cash – beginning of year/period	<u>1,130,269</u>	<u>51,334</u>
Cash – end of year/period	\$ <u>3,026,069</u>	<u>1,130,269</u>

See accompanying notes to financial statements

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2017

(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 \$18.0 million (2016 – \$12.91 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 issuance by the Trustee on July 19, 2017.

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, 2017

(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, 2017

(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 year ended March 31, 2017.

New Standards and interpretations not yet adopted

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

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

4. Loans receivable

The maximum loan size allowed is \$1,500,000 with a loan 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:

	<u>2017</u>	<u>2016</u>
Over 5 years	\$ <u>10,886,266</u>	\$ <u>8,909,804</u>

5. Prepaid short-term benefits

This amount represents benefits derived from issuing loans to clients at rates below current market rates. These benefits are amortised over the life of the loan.

6. 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, 2017

(Amounts in Barbados Dollars)

6. 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 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.

7. Commitments

Outstanding commitments totalling \$548,211 (March 31, 2016 - \$1.84 million) were reported at the end of the year. These are illustrated as follows:

	<u>2017</u>	<u>2016</u>
Loans	\$ 531,840	\$ 1,637,388
Grants/Rebates	<u>16,371</u>	<u>207,564</u>
Total	<u>548,211</u>	<u>1,844,952</u>

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

7. Commitments, (continued)

<u>Client Name</u>	<u>Facility Type</u>	<u>Approved</u>	<u>Disbursed</u>	<u>Undisbursed</u>
Airline Services Inc.	Loan	\$ 755,735	\$ 755,735	\$ -
Armag Manufacturing Ltd.	Loan	443,461	443,461	-
Bernie's (West Coast)	Loan	130,000	130,000	-
Bico Ltd.	Loan	1,500,000	1,500,000	-
Bico Ltd.	Loan	1,144,477	992,774	151,703
Broome Holdings Inc.	Loan	1,500,000	1,468,362	31,638
Caribbean Homes Ltd.	Loan	490,000	490,000	-
Chickmont Foods Ltd.	Loan	1,500,000	1,500,000	-
Chickmont Foods Ltd.	Loan	1,500,000	1,267,283	232,717
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	942,382	-
Simmons Electrical Co. Ltd	Loan	160,400	160,400	-
Star Chick Ltd.	Loan	1,400,000	1,400,000	-
Transmed Inc.	Loan	425,000	381,494	43,506
Trevor Haynes	Loan	132,983	132,983	-
Unicomer (Barbados) Ltd.	Loan	<u>654,412</u>	<u>654,412</u>	<u>-</u>
Sub-total Loans		<u>16,024,850</u>	<u>15,493,010</u>	<u>531,840</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	25,850	-
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	1,217,711	1,217,711	-
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		1,420,723	1,411,070	9,653

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2017

(Amounts in Barbados Dollars)

7. Commitments, (continued)

<u>Client Name</u>	<u>Facility Type</u>	<u>Approved</u>	<u>Disbursed</u>	<u>Undisbursed</u>
Subtotal Grants/Rebates b/f		1,420,723	1,411,070	9,653
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	499,782	218
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 Codrington Trust	T/A Grant	40,000	40,000	-
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	500,000	-
West Haven Ltd.	T/A Grant	9,000	9,000	-
Subtotal Grants/Rebates		<u>2,675,937</u>	<u>2,659,566</u>	<u>16,371</u>
TOTAL		\$ <u>18,700,787</u>	\$ <u>18,152,576</u>	\$ <u>548,211</u>

8. 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, 2017

(Amounts in Barbados Dollars)

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, 2017

(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>	
		<u>2017</u>	<u>2016</u>
Cash	\$	3,026,069	1,130,269
Loans receivable		10,886,266	8,909,804
Other receivable		<u>36,396</u>	<u>29,081</u>
Total	\$	<u>13,948,731</u>	<u>10,069,154</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, 2017

(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 (2016 – 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, 2017

(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 (2016 – 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, 2017

(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, 2017, with all other variables held constant. The impact is illustrated and shown in the table below:

Increase/(decrease) of 100 bps

	<u>2017</u>	<u>2016</u>
Impact on net income +100 bps	\$ 122,977	84,983
Impact on net income – 100 bps	(122,977)	(84,983)

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

	<u>2017</u>	<u>2016</u>
Interest income on deposits	\$ -	10,895
Interest income on loans	<u>461,162</u>	<u>307,791</u>
Financial income	\$ <u>461,162</u>	<u>318,686</u>

ENERGY SMART FUND

Notes to Financial Statements

March 31, 2017

(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:

	2017	2017	2016	2016
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash at bank	\$ 3,026,069	3,026,069	\$ 1,130,269	1,130,269
Loans receivable	10,886,266	10,886,266	8,909,804	8,909,804
Interest receivable	47,448	47,448	34,780	34,780
Other receivable	36,396	36,396	29,081	29,081
Accounts payable	(33,012)	(33,012)	(38,571)	(38,571)
Due to related party	(102,302)	(102,302)	(36,803)	(36,803)

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 or 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, 2017

(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 measured at fair value:

	<u>Level 3</u>	
	<u>2017</u>	<u>2016</u>
Loans receivable	\$ <u>10,886,266</u>	<u>8,909,804</u>



“Striking the balance of efficiency and quality
within the manufacturing sector”

Industrial, Investment and Employment Fund

Financial Statements
March 31, 2017

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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
BARBADOS

Auditors

KPMG
Hastings
Christ Church, BB15154
BARBADOS

**KPMG**

Hastings

Christ Church, BB 15154

Barbados West Indies

Telephone (246) 434-3900

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P. O Box 690C

Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT**To the Trustees of Industrial, Investment and Employment Fund****Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of Industrial, Investment and Employment Fund ("the Fund"), which comprise the statement of financial position as at March 31, 2017 the statements of profit, changes in general fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT, Continued

To the Trustees of Industrial, Investment and Employment Fund

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing/>. This description forms part of our auditors' report.



INDEPENDENT AUDITORS' REPORT, Continued

To the Trustees of Industrial, Investment and Employment Fund

Other Matter

This report is made solely to the Company's trustees, as a body, in accordance with Trustees Act Chapter 250 of the Laws of Barbados. Our audit work has been undertaken so that we might state to the Fund's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

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

Chartered Accountants
Bridgetown, Barbados
August 4, 2017

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Financial Position

As at March 31, 2017
with comparative figures as at March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	<u>March 31</u> <u>2017</u>	<u>March 31</u> <u>2016</u>
Assets			
Cash	5	\$ 589,639	1,801,242
Short term investments	6	4,120,060	2,222,500
Loans, bonds and lines of credit receivable – net	7	3,246,749	4,909,598
Interest receivable, net		24,789	56,281
Withholding tax recoverable		<u>128,838</u>	<u>128,838</u>
Total Assets		\$ <u>8,110,075</u>	<u>9,118,459</u>
Liabilities and General Fund			
Liabilities			
Accounts payable		\$ 17,554	26,445
Due to related party	8	77,358	82,726
Funds held in escrow	11	<u>-</u>	<u>1,000,000</u>
Total liabilities		<u>94,912</u>	<u>1,109,171</u>
General Fund			
Capital contribution		15,000,000	15,000,000
Accumulated deficit		<u>(6,984,837)</u>	<u>(6,990,712)</u>
Total general fund		<u>8,015,163</u>	<u>8,009,288</u>
Total Liabilities and General Fund		\$ <u>8,110,075</u>	<u>9,118,459</u>

See accompanying notes to the financial statements.

Approved on behalf of the Trustees:

.....

Trustee

.....

Trustee

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Profit or Loss

For the year ended March 31, 2017
with figures for the fifteen month period ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>Notes</u>	March 31 <u>2017</u>	March 31 <u>2016</u>
Revenue			
Interest income		\$ <u>375,813</u>	<u>489,228</u>
Expenses			
Management fees		308,229	396,763
Provision for loan losses	7	46,643	136,041
Professional fees		14,660	26,495
Bank charges		<u>406</u>	<u>296</u>
		<u>369,938</u>	<u>559,595</u>
Net profit/(loss)		\$ <u><u>5,875</u></u>	<u><u>(70,367)</u></u>

See accompanying notes to the financial statements.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Changes in General Fund

For the year ended March 31, 2017

with figures for the fifteen month period ended March 31, 2016

(Amounts in Barbados Dollars)

	<u>Contribution</u>	<u>Accumulated Deficit</u>	<u>Total</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	\$ 15,000,000	(6,990,712)	8,009,288
Net profit	<u>-</u>	<u>5,875</u>	<u>5,875</u>
Balances at March 31, 2017	\$ <u>15,000,000</u>	<u>(6,984,837)</u>	<u>8,015,163</u>

See accompanying notes to the financial statements.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Cash Flows

For the year ended March 31, 2017
with figures for the fifteen month period ended March 31, 2016

(Amounts in Barbados Dollars)

	March 31 <u>2017</u>	March 31 <u>2016</u>
Cash flows from operating activities		
Net profit/(loss)	\$ 5,875	(70,367)
Adjustments for:		
Provision for loan losses	46,643	136,041
Interest income	(375,813)	(489,228)
Interest received	<u>407,305</u>	<u>472,723</u>
Operating profit before working capital changes	84,010	49,169
Decrease in loans receivable	1,616,207	758,533
(Decrease)/increase in due to related parties	(5,368)	6,496
(Decrease)/increase in funds held in escrow	(1,000,000)	1,000,000
(Decrease)/increase in accounts payable	<u>(8,892)</u>	<u>5,070</u>
Net cash from operating activities	<u>685,957</u>	<u>1,819,268</u>
Cash flows from investing activities		
Purchase of short term investments	<u>(1,897,560)</u>	<u>(910,036)</u>
Net cash used in investing activities	<u>(1,897,560)</u>	<u>(910,036)</u>
(Decrease)/increase in cash and cash equivalents	(1,211,603)	909,232
Cash and cash equivalents at beginning of period/year	<u>1,801,242</u>	<u>892,010</u>
Cash and cash equivalents at end of period/year	\$ <u>589,639</u>	<u>1,801,242</u>

See accompanying notes to the financial statements

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2017

(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 issuance by the Trustees on xxxxxxxx, 2017 August.

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, 2017

(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, 2017

(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, 2017

(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 Profit or 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, 2017.

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, 2017

(Amounts in Barbados Dollars)

5. Cash

Cash comprises cash at bank:

	March 31 2017	March 31 2016
Cash	\$ 589,639	1,801,242
	<u>\$ 589,639</u>	<u>1,801,242</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 2.50% per annum to 3.51% per annum (March 31, 2016: 3.0% per annum to 3.4% 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 2017	March 31 2016
Loans	\$ 4,778,382	6,395,029
Bonds	200,000	200,000
Revolving lines of credit	<u>1,249,869</u>	<u>1,249,428</u>
	<u>\$ 6,228,251</u>	<u>7,844,457</u>
Less Provision:		
Balance, beginning of period/year	\$ 2,934,859	2,798,818
Increase in provision for loan losses	<u>46,643</u>	<u>136,041</u>
Balance, end of period/year	<u>\$ 2,981,502</u>	<u>2,934,859</u>
Balance, end of period/year	<u>\$ 3,246,749</u>	<u>4,909,598</u>

At March 31, 2017 the maturity profile of loans is as follows:

		Years to maturity			Total	Total
		Up to 1 yr	One to 5 yrs	Over 5 Yrs	2017	2016
Business Sector	\$	<u>2,770,089</u>	<u>311,692</u>	<u>3,146,470</u>	6,228,251	7,844,457
Less allowance for loan losses					<u>(2,981,502)</u>	<u>(2,934,859)</u>
	\$				<u>3,246,749</u>	<u>4,909,598</u>

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2017

(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 2017 (March 31, 2016: 5.5% - 6.5%). The annual interest rate applicable to all bonds was 10% for 2017 (March 31, 2016: 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 Profit or Loss. As at the reporting date, interest not recognised in respect of delinquent loans amounted to \$1,495,230 (March 31, 2016: \$1,432,201).

8. Due to Related Party

	March 31 <u>2017</u>	March 31 <u>2016</u>
Enterprise Growth Fund Limited	\$ <u>77,358</u>	<u>82,726</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 (March 31, 2016: \$ NIL).

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2017

(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. during the financial period ended March 31, 2016. The amount was applied to the client's loan balance during the current financial year.

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, 2017

(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>	
	<u>March 31 2017</u>	<u>March 31 2016</u>
Loans, bonds and lines of credit receivable	\$ 3,246,748	4,909,598
Cash	589,639	1,801,242
Investments	<u>4,120,060</u>	<u>2,222,500</u>
Total	\$ <u>7,956,447</u>	<u>8,933,340</u>

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2017

(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, 2017			
		Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash Resources	\$	589,639	-	-	589,639
Financial investments:					
Held to maturity		4,120,060	-	-	4,120,060
Loans receivable		<u>1,379,617</u>	<u>-</u>	<u>4,848,634</u>	<u>6,228,251</u>
		<u>6,089,316</u>	<u>-</u>	<u>4,848,634</u>	<u>10,937,950</u>
		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>

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2017

(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 (March 31, 2016 – 30 days).

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2017

(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, 2017, with all other variables held constant. The impact is illustrated and shown in the table below:

	March 31 <u>2017</u>	March 31 <u>2016</u>
Increase/(decrease) of 100 bps		
Impact on net profit or loss +100 bps	\$ 51,047	78,474
Impact on net profit or loss – 100 bps	(51,047)	(78,474)

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

March 31, 2017

(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>2017</u>	March 31 <u>2016</u>
Interest income on loans, bonds and lines of credit	\$ 280,759	431,608
Interest income on cash and short term deposits	<u>95,054</u>	<u>57,620</u>
Financial income	\$ <u>375,813</u>	<u>489,228</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, 2017

(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>2017</u> <u>Carrying Value</u>	<u>2017</u> <u>Fair Value</u>	<u>2016</u> <u>Carrying Value</u>	<u>2016</u> <u>Fair Value</u>
Cash	589,639	589,639	1,801,242	1,801,242
Short term investments	4,120,060	4,120,060	2,222,500	2,222,500
Loans, bonds, LOC receivable- net	3,246,748	3,246,748	4,909,598	4,909,598
Interest receivable	24,789	24,789	56,281	56,281
Accounts payable	(17,553)	(17,553)	(26,445)	(26,445)
Due to related party	(77,358)	(77,358)	(82,726)	(82,726)
Funds held in escrow	-	-	(1,000,000)	(1,000,000)

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 (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 Fund 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, 2017

(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.



“We are all different, which is great because we are all unique.
Without diversity life would be very boring.”

Catherine Pulsifer

Innovation Fund

Financial Statements
Year ended March 31, 2017
(with comparatives 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

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 year ended March 31, 2017 which show the state of the Fund's affairs.

		\$
1.	The net loss for the year was	836,197
	To which is added accumulated deficit brought forward of	<u>2,876,036</u>
	Leaving an accumulated deficit to be carried forward of	<u>3,712,233</u>
2.	The retiring auditors, Skeete, Best & Co., Chartered Accountants, offer themselves for re-appointment.	

By Order of the Trustees



Trustee
June 13, 2017



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 Shareholders 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, 2017, and the statements of comprehensive loss, changes in fund and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Independent Auditors' Report...continued**To the Shareholders of
The Innovation Fund*****Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing/>. This description forms part of our auditors' report.

Other Matter

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

Skeele, Best & Co

Chartered Accountants

Barbados, W.I.
June 13, 2017

The Innovation Fund

Statement of Financial Position


As of March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

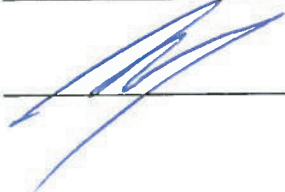
	2017 \$	2016 \$
Assets		
Current assets		
Cash and cash equivalents (Note 3)	172,306	744,067
Interest receivable	1,323	2,968
Withholding tax recoverable	13,651	13,651
Total current assets	187,280	760,686
Investments (Note 4)	659,045	912,147
Total assets	846,325	1,672,833
Liabilities and fund		
Current liabilities		
Accounts payable and accruals	8,742	8,511
Due to related party (Note 5)	34,713	25,255
Total liabilities	43,455	33,766
Fund	802,870	1,639,067
Total liabilities and fund	846,325	1,672,833

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

Approved by the Trustees on June 13, 2017



Trustee



Trustee

The Innovation Fund

Statement of Changes in Fund

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

	Share Capital \$	Accumulated Deficit \$	Total \$
Balance at December 31, 2014	4,555,103	(2,761,921)	1,793,182
Grants disbursed	(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
Net loss for the year	-	(836,197)	(836,197)
Balance at March 31, 2017	4,515,103	(3,712,233)	802,870

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

The Innovation Fund

Statement of Comprehensive Loss

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

	2017	2016
	\$	\$
Revenue		
Interest income	16,190	24,367
Expenses		
Bank charges	190	229
Increase in provision for impairment of investments	744,502	-
Management fees	100,952	129,803
Professional fees	6,743	8,450
	852,387	138,482
Net loss and total comprehensive loss for the year	(836,197)	(114,115)

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

The Innovation Fund

Statement of Cash Flows

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

	2017	2016
	\$	\$
Cash flows from operating activities		
Net loss for the year/period	(836,197)	(114,115)
Adjustment for:		
Increase in provision for impairment of investments	744,502	-
Operating loss before working capital adjustments:	(91,695)	(114,115)
Decrease in interest receivable	1,645	533
Increase in accounts payable and accruals	231	1,937
Increase (decrease) in due to related party	9,458	(166)
Net cash used in operating activities	(80,361)	(111,811)
Cash flows from investing activities		
Purchase of investments - Treasury Bills	(491,400)	-
Cash flows from financing activities		
Grants disbursed - competition expenses	-	(40,000)
Net decrease in cash and cash equivalents	(571,761)	(151,811)
Cash and cash equivalents - beginning of year	744,067	895,878
Cash and cash equivalents - end of year (Note 3)	172,306	744,067

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

The Innovation Fund

Notes to Financial Statements

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(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

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

3. Cash and cash equivalents

Term deposits with CAPITA Financial Services Inc.

	Date of Maturity	Interest Rate	2017	2016
			\$	\$
Term Deposit		2.50%	-	700,928
			-	700,928
Current account				
Cash at bank – RBC Royal Bank (Barbados) Limited			172,306	43,139
			<u>172,306</u>	<u>744,067</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.
- e) 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

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

4. Investments ...continued

- f) 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.
- g) 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.
- h) 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 8% cumulative, redeemable, Class A preferred shares at \$1 per share in the following company:

- a) 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.

The Fund has invested in 10% cumulative, redeemable, Class A preferred shares at \$2 per share in the following company and have been fully provided for in the financial statements.

- 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 and have been fully provided for in the financial statements.

- 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

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

4. Investments ... continued

At year end, the Fund has approved investments totalling \$3,859,632. Approximately \$2,283,211 of this total has been disbursed to date. The investment balances are listed as follows:

	2017	2016
	\$	\$
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>
Government Treasury Bill	<u>491,400</u>	<u>-</u>
	<u>2,676,596</u>	<u>2,185,196</u>
Less: 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)
Coral Isle Food Products Ltd.	(241,720)	-
Harewood's Tropical Foods Inc.	(2,782)	-
Country Style Woodwork Inc.	(250,000)	-
Gold Coast Records Inc.	(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>(2,017,551)</u>	<u>(1,273,049)</u>
	<u>659,045</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. Coral Isle Food Products Ltd., Harewood's Tropical Foods Inc., Country Style Woodwork Inc., Gold Coast Records Inc., Hit For Six Inc., Melange Productions Inc. and Smart Tie Inc.

The Innovation Fund

Notes to Financial Statements

Year ended March 31, 2017**(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)**

(expressed in Barbados dollars)

5. Due to related party

At March 31, 2017, there was an amount of \$34,713 (2016 – \$25,255) 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 \$100,952 (2016 - \$129,803) were incurred during the year 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.

	2017	2016
	\$	\$
Coral Isle Food Products Ltd.	49,629	17,684
Country Style Woodwork Inc.	3,986	3,983
iLand Guide	-	60,000
	<u>53,615</u>	<u>81,667</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.

	2017	2016
	\$	\$
Grants disbursed – competition expenses	<u>-</u>	<u>40,000</u>

The Innovation Fund

Notes to Financial Statements

Year ended March 31, 2017
(with comparatives for the fifteen month period from January 1, 2015 to March 31, 2016)

 (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 has divested its fixed interest rate securities during the year 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 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, 2017.

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.



"Life is defined more by its contrasts than its samenesses;
Life is defined more by its risks than the many securities."

Mary Anne Radmacher

Small Hotels Investment Fund

Auditors' Report and Financial Statements
For the year ended March 31, 2017

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SMALL HOTELS INVESTMENT FUND

CORPORATE INFORMATION

Investment Committee

Mrs Celia Pollard-Jones	- 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 Omar Allahar	- 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

Opinion

We have audited the financial statements of **Small Hotels Investment Fund**, which comprise the Statement of Financial Position as at March 31, 2017, and the Statement of Comprehensive Loss, Statement of Changes in Fund and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Topaz Consulting Inc.

Chartered Accountants
September 5, 2017
Bridgetown, Barbados

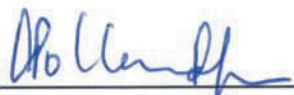
**SMALL HOTELS INVESTMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017**

(Expressed in Barbados Dollars)

	NOTES	2017 \$	2016 \$
ASSETS			
Interest receivable		99,860	68,964
Loans receivable, net	(4)	38,015,210	36,930,368
Withholding tax recoverable		128,860	128,860
Cash & short term deposits	(3)	1,429,653	1,897,321
Short term investments	(8)	2,769,926	3,480,526
		<u>42,443,509</u>	<u>42,506,039</u>
TOTAL ASSETS		<u>42,443,509</u>	<u>42,506,039</u>
FUND AND LIABILITIES			
FUND			
Capital Contributions	(9)	13,537,234	13,564,920
Accumulated losses		<u>(8,715,107)</u>	<u>(7,773,390)</u>
		<u>4,822,127</u>	<u>5,791,530</u>
LIABILITIES			
Loan payable	(7)	28,000,000	28,000,000
Interest payable		9,338,661	8,422,410
Accounts payable	(5)	282,721	292,099
		<u>37,621,382</u>	<u>36,714,509</u>
TOTAL FUND AND LIABILITIES		<u>42,443,509</u>	<u>42,506,039</u>

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

Approved by the Investment Committee on August 17, 2017

Member 

Member 

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED MARCH 31, 2017**

(Expressed in Barbados Dollars)

	NOTES	2017 \$	Fifteen months ended Mar-2016 \$
<u>INCOME</u>			
Interest income		<u>1,120,545</u>	<u>1,375,177</u>
<u>EXPENSES</u>			
Management fees	(5)	1,085,028	1,359,024
Interest expense		916,251	1,114,442
Professional fees		60,704	191,760
Bank charges		<u>279</u>	<u>294</u>
		<u>2,062,262</u>	<u>2,665,520</u>
NET (LOSS) FOR THE YEAR		<u><u>(941,717)</u></u>	<u><u>(1,290,343)</u></u>

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

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED MARCH 31, 2017**

	<i>(Expressed in Barbados Dollars)</i>		
NOTES	Capital Contribution \$	Accumulated Losses \$	Total \$
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	13,564,920	(7,773,390)	5,791,530
Grants Disbursed	(27,686)	-	(27,686)
Net Loss for the year	-	(941,717)	(941,717)
Balances as at March 31, 2017	<u>13,537,234</u>	<u>(8,715,107)</u>	<u>4,822,127</u>

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

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017**

(Expressed in Barbados Dollars)

	2017 \$	Fifteen months ended Mar-2016 \$
<u>Cash Flows from Operating Activities</u>		
Net (loss) for the period	(941,717)	(1,290,343)
<i>Adjustment for:</i>		
Interest income	(1,120,545)	(1,375,177)
<i>Deficit before Working Capital Changes</i>	(2,062,262)	(2,665,520)
<u>Working Capital Changes:</u>		
(Increase) in loans receivable	(1,084,842)	(3,998,706)
Increase in interest payable	916,251	1,114,442
(Decrease) increase in accounts payable	(9,378)	12,953
<i>Cash (used in) Operations</i>	(2,240,231)	(5,536,831)
<i>Net cash (used in) Operating Activities</i>	(2,240,231)	(5,536,831)
<u>Cash Flows from Investing Activities</u>		
Net purchase/(redemption) of short term investments	710,600	(136,151)
<i>Net cash provided by (used in) Investing Activities</i>	710,600	(136,151)
<u>Cash Flows from Financing Activities</u>		
Interest received	1,089,649	1,367,238
Government contribution	-	750,000
Grants disbursed	(27,686)	-
<i>Net cash provided by Financing Activities</i>	1,061,963	2,117,238
(Decrease) in cash	(467,668)	(3,555,744)
Cash - beginning of year	1,897,321	5,453,065
Cash - end of year	1,429,653	1,897,321
<u>Cash and Cash Equivalents:</u>		
Short term deposits	-	1,043,420
Cash at bank	1,429,653	853,901
	1,429,653	1,897,321

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

(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 August 17, 2017.

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 year ended March 31, 2017 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 YEAR ENDED MARCH 31, 2017**

(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 had instructed all government-owned entities and statutory corporations to amend their financial year-ends to March 31st, to align with the government fiscal period. This transition was made during the previous period resulting in those financial statements being prepared for the fifteen-month period ended March 31st, 2016. Therefore, the previous year figures presented are not entirely comparable to the current year.

NOTE: 3 CASH AND SHORT TERM DEPOSITS

	2017	2016
	\$	\$
Cash	1,429,653	853,901
Short term deposits	-	1,043,420
	<u>1,429,653</u>	<u>1,897,321</u>

Short term deposits consist primarily of fixed deposits with interest rates at 2.5% (2016: 0.6% to 3.4%) per annum. These deposits have a maturity period of thirty days or less.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

(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 (2016: 5% per annum). Some 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:

	2017	2016
	\$	\$
Under 1 year	163,925	322,744
1 - 5 years	1,517,697	1,551,790
Over 5 years	39,786,070	38,508,316
	<u>41,467,692</u>	<u>40,382,850</u>
Total loans receivable, gross, carried forward		
Less loan loss provision:		
Balance as at April 1, 2016	3,452,482	3,452,482
Increase in provision	-	-
	<u>3,452,482</u>	<u>3,452,482</u>
Balance as at March 31, 2017		
	<u>38,015,210</u>	<u>36,930,368</u>
Total loans receivable, net		

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 \$267,962 and \$277,718 as at March 31, 2017 and March 31, 2016 respectively.

NOTE: 6 COMMITMENTS

At the balance sheet date, there were outstanding commitments totalling \$2.83 million (2016 - \$1.62 million).

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017**

(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 0.6% - 3.40% (2016: 0.6% - 3.75%) 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, no funds were received from the Government of Barbados in order to finance the lending activities of the Small Hotels Refurbishment Scheme. Capital contribution at March 31, 2017 remained at \$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 YEAR ENDED MARCH 31, 2017**

(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	
	2017	2016
	\$	\$
Loans receivable	38,015,210	36,930,368
Cash & short term deposits	1,429,653	1,897,321
Short term investments	2,769,926	3,480,526
Total	42,214,789	42,308,215

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 YEAR ENDED MARCH 31, 2017**

(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 YEAR ENDED MARCH 31, 2017**

(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

	2017	Fifteen months ended Mar-2016
	\$	\$
Interest income on unimpaired held-to maturity investments	1,018,187	1,075,796
Interest income on bank deposits	102,358	299,381
Financial Income	<u>1,120,545</u>	<u>1,375,177</u>
Financial Expenses	916,251	1,114,442
Net Finance Costs	<u>204,294</u>	<u>260,735</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.



“Building and sustaining a thriving tourism industry”

Tourism Loan Fund

Financial Statements
March 31, 2017

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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
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 Tourism Loan Fund****Report on the Audit of the Financial Statements*****Opinion***

We have audited the financial statements of Tourism Loan Fund ("the Fund"), which comprise the statement of financial position as at March 31, 2017 the statements of loss, changes in general fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion



INDEPENDENT AUDITORS' REPORT, Continued

To the Trustees of Tourism Loan Fund

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditors' responsibilities for the audit of the financial statements is located at the Institute of Chartered Accountants of Barbados' website at: <http://www.icab.bb/about-icab/auditing/>. This description forms part of our auditors' report.



INDEPENDENT AUDITORS' REPORT, Continued

To the Trustees of Tourism Loan Fund

Other Matter

This report is made solely to the Company's shareholders, as a body, in accordance with Trustees Act Chapter 250 of the Laws of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive script.

Chartered Accountants
Bridgetown, Barbados
July 28, 2017

TOURISM LOAN FUND

Statement of Financial Position

As at March 31, 2017


With comparative figures as at March 31, 2016


(Expressed in Barbados Dollars)

	<u>Notes</u>	<u>March 31</u> <u>2017</u>	<u>March 31</u> <u>2016</u>
Assets			
Cash and cash equivalents	5	\$ 1,793,050	1,735,026
Short term investments	6	3,856,804	2,773,471
Interest receivable, net		<u>558,560</u>	<u>636,653</u>
Total current assets		<u>6,208,414</u>	<u>5,145,150</u>
Loans receivable, net	7	<u>30,972,391</u>	<u>32,317,839</u>
Total Assets		<u>\$ 37,180,805</u>	<u>37,462,989</u>
Liabilities and General Fund			
Liabilities:			
Accounts payable and accrued liabilities		\$ 26,812	28,602
Due to related party	10	<u>238,407</u>	<u>230,735</u>
Total Liabilities		<u>265,219</u>	<u>259,337</u>
General Fund:			
Capital contribution	9	30,000,000	30,000,000
Accumulated earnings		<u>6,915,586</u>	<u>7,203,652</u>
Total General Fund		<u>36,915,586</u>	<u>37,203,652</u>
Total Liabilities and General Fund		<u>\$ 37,180,805</u>	<u>37,462,989</u>

See accompanying notes to financial statements.

Approved on behalf of the Trustees:

 Trustee

 Trustee

TOURISM LOAN FUND

Statement of Loss

For the year ended March 31, 2017
with figures for the fifteen months ended March 31, 2016

(Expressed in Barbados Dollars)

	<u>Notes</u>	March 31 <u>2017</u>	March 31 <u>2016</u>
Income			
Interest on short term investments		\$ 122,635	134,781
Interest on loans		<u>1,351,083</u>	<u>3,154,123</u>
Total income		<u>1,473,718</u>	<u>3,288,904</u>
Expenses			
Management fees	10	946,657	1,134,275
Professional fees		22,993	28,655
Provision for loan losses		790,000	-
Trustees fees		1,800	1,200
Bank charges		<u>334</u>	<u>385</u>
Total expenses		<u>1,761,784</u>	<u>1,164,515</u>
Net (loss) profit		\$ <u>(288,066)</u>	<u>2,124,389</u>

See accompanying notes to financial statements.

TOURISM LOAN FUND

Statement of Changes in General Fund

For the year ended March 31, 2017
with figures for the fifteen months ended March 31, 2016

(Expressed in Barbados Dollars)

	General Fund	Accumulated Earnings	Total
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	\$ 30,000,000	7,203,652	37,203,652
Net loss for the year	<u>-</u>	<u>(288,066)</u>	<u>(288,066)</u>
Balances at March 31, 2017	\$ <u>30,000,000</u>	<u>6,915,586</u>	<u>36,915,586</u>

See accompanying notes to financial statements.

TOURISM LOAN FUND

Statement of Cash Flows

For the year ended March 31, 2017
with figures for the fifteen months ended March 31, 2016

(Expressed in Barbados Dollars)

	<u>Notes</u>	<u>March 31 2017</u>	<u>March 31 2016</u>
Operating activities			
Net loss	\$	(288,066)	2,124,389
Adjustments for:			
Provision for loan losses		790,000	-
Interest income		(1,473,718)	(3,288,904)
Interest received		<u>1,551,811</u>	<u>3,357,029</u>
Operating profit before working capital changes		580,027	2,192,514
Loans advanced		(9,973)	(4,498,007)
Loans repaid		565,421	916,467
Increase in accounts payable		(1,790)	5,778
Increase in due to related party		<u>7,672</u>	<u>12,053</u>
Net cash provided by (used in) operating activities		<u>1,141,357</u>	<u>(1,371,195)</u>
Investing activities			
(Purchase) sale of short term investments – net		<u>(1,083,333)</u>	<u>1,617,360</u>
Net cash (used in) provided by investing activities		<u>(1,083,333)</u>	<u>1,617,360</u>
Increase in cash and cash equivalents during the year/period		58,024	246,165
Cash and cash equivalents - beginning of year/period		<u>1,735,026</u>	<u>1,488,861</u>
Cash and cash equivalents - end of year/period	\$	<u><u>1,793,050</u></u>	<u><u>1,735,026</u></u>

See accompanying notes to financial statements.

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(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 July 28, 2017.

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, 2017

(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, 2017

(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, 2017

(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.

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, 2017.

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, 2017

(Expressed in Barbados Dollars)

5. 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 <u>2017</u>	March 31 <u>2016</u>
-		
Cash	\$ 1,439,251	1,389,310
Short term deposits	<u>353,799</u>	<u>345,716</u>
	\$ <u>1,793,050</u>	<u>1,735,026</u>

The applicable interest rate for the short term fixed deposits was 1.75% (2016: 2.5% - 3.0%).

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 2.5% - 3.4% per annum (March 31, 2016: 3.0%- 3.4% per annum). Short term investments with original maturity dates of 90 days or less have been classified as cash equivalents.

7. 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 (March 31, 2016: 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, 2017

(Expressed in Barbados Dollars)

7. Loans Receivable, (continued)

At March 31, 2017, the maturity profile of loans is as follows:

		Years to maturity			Total 2017	Total 2016
		Up to 1 yr	One to 5 yrs	Over 5 Yrs		
Business Sector	\$	<u>1,889,559</u>	<u>2,624,668</u>	<u>29,932,848</u>	34,447,075	35,002,523
Less allowance for loan losses					<u>(3,474,684)</u>	<u>(2,684,684)</u>
					\$ <u>30,972,391</u>	<u>32,317,839</u>

8. 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.

9. Capital Contribution

	March 31 2017	March 31 2016
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.

10. Due to Related Party

Due to related party consists mainly of management fees charged during the course of the financial year/period 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 year end of \$238,407 (March 31, 2016: \$230,735).

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, 2017

(Expressed in Barbados Dollars)

11. Commitments

Loan commitments in respect of undisbursed loans at March 31, 2017 were \$725,609 (March 31, 2016: \$520,582).

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.

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, 2017

(Expressed in Barbados Dollars)

12. 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>2017</u>	March 31 <u>2016</u>
Loans receivable	\$	30,972,391	32,317,839
Short term investments		<u>3,856,804</u>	<u>2,773,471</u>
Total	\$	<u>34,829,195</u>	<u>35,091,310</u>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(Expressed 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, 2017				
	Neither Past due Nor impaired	Past due but not impaired	Individually Impaired	Total
Cash Resources \$	1,793,050	-	-	1,793,050
Financial investments:				
Held to maturity	3,856,804	-	-	3,856,804
Loans receivable	<u>14,539,837</u>	<u>11,844,671</u>	<u>8,062,567</u>	<u>34,447,075</u>
	<u>20,189,691</u>	<u>11,844,671</u>	<u>8,062,567</u>	<u>40,096,929</u>

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>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(Expressed 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

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 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 (March 31, 2016 – 30 days).

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(Expressed 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 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>2017</u>	March 31 <u>2016</u>
Impact on comprehensive income +100 bps	\$ 217,169	332,850
Impact on comprehensive income – 100 bps	(217,169)	(332,850)

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(Expressed 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 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>2017</u>	March 31 <u>2016</u>
Interest income on loans	\$ 1,351,083	3,154,123
Interest income on cash and cash equivalents	<u>122,635</u>	<u>134,781</u>
Financial income	\$ 1,473,718	3,288,904
Financial expenses	<u>(790,000)</u>	<u>-</u>
Net financial income	\$ <u>683,718</u>	<u>3,288,904</u>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(Expressed in Barbados Dollars)

13. 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>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	Carrying	Fair	Carrying	Fair
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Cash and cash equivalents	\$ 1,793,050	1,793,050	1,735,026	1,735,026
Short term investments	3,856,804	3,856,804	2,773,471	2,773,471
Loans receivable, net	30,972,391	30,972,391	32,317,839	32,317,839
Interest receivable	558,560	558,560	636,653	636,653
Accounts payable	(26,812)	(26,812)	(28,602)	(28,602)
Due to related party	(238,407)	(238,407)	(230,735)	(230,735)

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(Expressed in Barbados Dollars)

13. Fair value disclosure of financial instruments, (Continued)

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 (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 Fund 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>2017</u>	March 31 <u>2016</u>
Loans receivable, net	\$ <u>30,972,391</u>	<u>32,317,839</u>

TOURISM LOAN FUND

Notes to Financial Statements

March 31, 2017

(Expressed 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.

SECTION 2

Auditors' Report to the

TRUSTEES OF TOURISM LOAN FUND

March 31, 2017

**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 year ended March 31, 2017 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 year ended March 31, 2017:

- (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, 2017.
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 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 be 'KPMG' in a stylized, cursive script.

Chartered Accountants
Bridgetown, Barbados
July 28, 2017



ENTERPRISE
GROWTH FUND
LIMITED

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