

Annual Report and Financial Statements

CAVES OF BARBADOS LTD

Year Ended 31 March 2016
(Expressed in Barbados Dollars)

APPENDIX A

Annual report from Chairman of the Board of Directors

INTRODUCTION.....1

VISION STATEMENT2

MISSION STATEMENT2

OBJECTIVES2

BOARD OF DIRECTORS3

SUB-COMMITTEES OF THE BOARD.....3

MEETINGS OF THE BOARD OF DIRECTORS4

VISITOR ARRIVALS4

OPERATING ACTIVITIES5

HUMAN RESOURCES8

REDEVELOPMENT PROJECT.....8

INTRODUCTION

Historical Background

Harrison's Cave, Barbados' most popular land based visitor attraction, is a natural karst limestone formation featuring a series of subterranean passages, with a gallery of stalactites, stalagmites, lakes, streams and waterfalls. The Cave, located in the parish of St. Thomas, is a property with innate natural heritage value. Harrison's Cave was rediscovered and mapped in 1974 by Ole Sorensen, an engineer and cave adventurer from Denmark. He was assisted by Tony Mason and Allison Thornhill, two young men from Barbados. The speleological explorations and charting paved the way for its development as a show cave during the 1970s and the cave was first opened for exhibition as a visitor attraction on 28 November 1981. By 1996 and 1997, visitors to the Cave had exceeded the initial projections of 100,000 per year, with over 190,000 persons touring the cave annually. Harrison's Cave is the only commercialized subterranean cave in Barbados, and has the distinction of being one of three (3) drive-in caves in the world.

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

In 2006, the Cave was closed for a major re-development project which gave birth to the facility as it is now seen. The objective of the Harrison's Cave Re-development Project was to establish an economically and environmentally sustainable basis for the operation of Harrison's Cave, through the expansion and upgrade of facilities at the site.

The key components of the Re-development Project were civil works and plant upgrades including the retrofitting of the Cave Interpretation Centre, cliff top construction of administration, visitor reception and tram storage facilities, installation of cliff side elevators, acquisition of new trams, upgrading of the environmental management facilities and systems, environmental consultancy services, land acquisition, geo-technical study and road improvement.

New Visitor Experience

The re-developed facility was officially opened in February 2010. The new Harrison's Cave visitor experience begins at the cliff top location overlooking the valley floor where visitors are welcomed at the Visitor's Reception Centre and can purchase tour tickets and enjoy the interpretative exhibits at their leisure.

There are three options for descending from the cliff top to the valley floor; one of the two scenic trails, including our cliff trail or valley trail or one of the three state of the art glass fronted elevators.

On the valley floor, visitors enter the re-developed Cave Interpretation Centre which showcases exhibits as well as interactive displays for adults and children. Before journeying underground, they are able to learn of the history of Barbados and the formation of the Cave during a short video presentation in the multimedia room. Visitors are able to explore the valley floor on completion of the tour with its lush flora or take the self-guided scenic walk. Newly constructed kiosks are also part of the experience, which gives guests a unique shopping experience offering locally produced gifts and souvenirs.

VISION STATEMENT

To be the premier eco-experience in the world.

MISSION STATEMENT

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

OBJECTIVES

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

BOARD OF DIRECTORS

The Members of the Board of Directors were as follows:

- Mr. Steve Alleyne - Chairman
- Dr. Donley Carrington - Deputy Chairman
- Ms. Sophia Catwell - Board Member
- Mr. Olvin Forde - Board Member
- Mr. Villeneuve Greaves - Board Member
- Mr. Wren Miller - Board Member
- Ms. Grace Ramsay - Board Member
- Mrs. Kristin Turton - Board Member
- Mrs. Sondra Willett-Elcock - Board Member
- Mr. Morris Lee - Board Member
- Chief Town Planner or nominee
- Permanent Secretary, Ministry of Tourism and International Transport or nominee
- Director, Natural Heritage Department, or nominee

Mrs. Coleen Phillips-Ashby performed the duties of Recording Secretary until 31 December 2015. Mrs. Ann Williams performed the duties from 1 January 2016.

SUB-COMMITTEES OF THE BOARD

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

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

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

MEETINGS OF THE BOARD OF DIRECTORS

Fifteen (15) Board of Directors' Meetings were held for the financial year April 2015 to March 2016. Of these four (4) were Special Meetings.

Board Members	<i>Meetings Attended</i>
Mr. Steve Alleyne (Chairman)	<i>10</i>
Mr. Donley Carrington (Dep. Chair)	<i>15</i>
Ms. Sophia Catwell	<i>13</i>
Mr. Olvin Forde	<i>14</i>
Mr. Villeneuve Greaves	<i>12</i>
Mr. Wren Miller	<i>15</i>
Ms. Grace Ramsay	<i>15</i>
Mrs. Kristin Turton	<i>11</i>
Ms. Sondra Willett-Elcock	<i>14</i>
Mr. Morris Lee	<i>0</i>
Chief Town Planner or representative	<i>9</i>
Director Natural Heritage Department or representative	<i>11</i>
Permanent Secretary Min. of Tourism or representative	<i>15</i>

The Board of Directors were re-appointed on 13 July 2015 for a two year term with the exception of Mr. Morris Lee.

VISITOR ARRIVALS

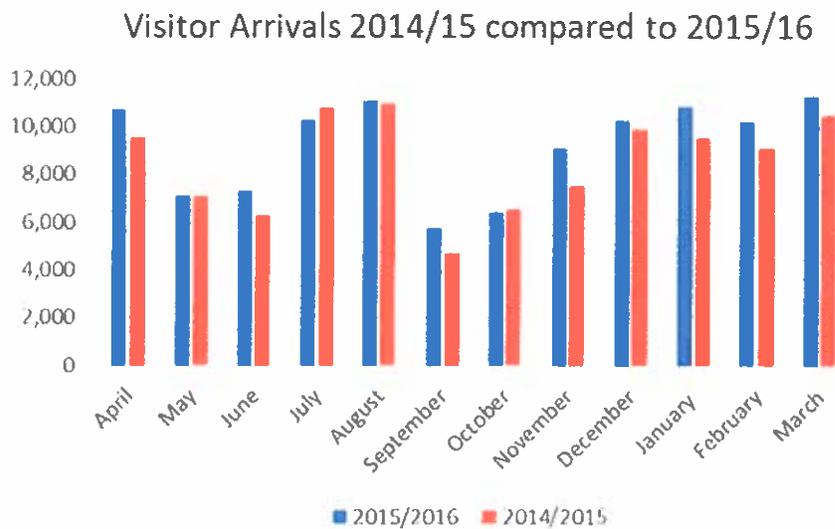
Visitor numbers for the reporting period totalled 110,404 when compared to 2014/15 of 102,627, an increase of 7,777 or 8%. When compared to 2013/14, the increase was 8,656 or 9%. The number of visitors for 2015/2016 however fell behind the budgeted amount of 118,424 by 8,020 persons or 7%.

For seven months of the year, the Cave was able to attract over 10,000 visitors per month. The traditional slow months were May and June and September to November. However, the numbers for these months have shown steady increases when compared to 2013/14 and 2014/15. The table below summarises the visitor statistics for 2015/16 and provides comparative data for 2014/15.

TABLE—VISITOR ARRIVALS – APRIL 2015- MARCH 2016

	2015/2016	2014/2015
<i>April</i>	10,733	9,551
<i>May</i>	7,119	7,108
<i>June</i>	7,376	6,299
<i>July</i>	10,312	10,758
<i>August</i>	11,108	10,981
<i>September</i>	5,781	4,696
<i>October</i>	6,437	6,565
<i>November</i>	9,108	7,522
<i>December</i>	10,299	9,924
<i>January</i>	10,882	9,571
<i>February</i>	10,240	9,130
<i>March</i>	11,009	10,522
TOTAL	110,404	102,627

When compared to the previous year, performance exceeded the corresponding period in all months except July and October which recorded minimal declines. The below bar chart highlights this comparison.



OPERATING ACTIVITIES

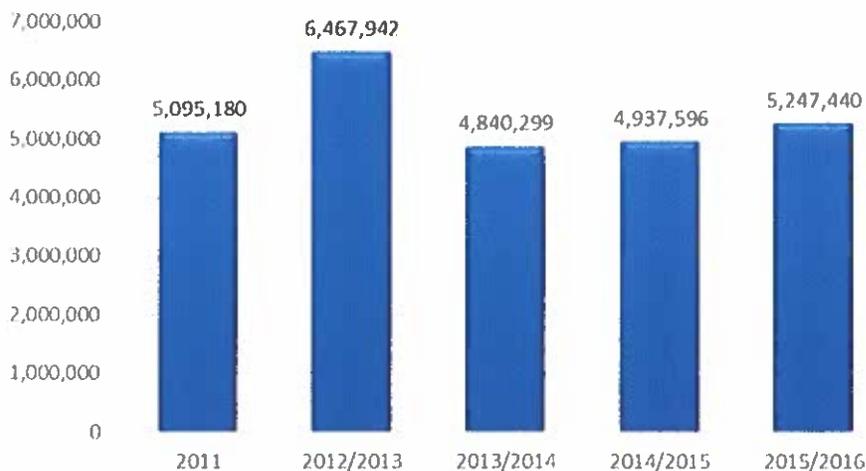
An outstanding component of the redevelopment project, the installation of a gate at the entrance to the cave was started in September with the mechanical phase and was completed in October. Electrical Sales and Services (ESSCO) was contracted to carry-out repairs to the elevators to have them operational for the public’s use.

Finance

During the year, the Cave's revenue, exclusive of the Government Grant, increased by \$312,417 or 6%. This increase was due solely to a positive performance in the collection of entrance fees, since the Souvenir and Gift shop revenue decreased by \$121,364 or by 27% and other income by \$2,573. It should however be noted that Cost of Sales for the Souvenir and gift shop decreased by \$85,653.

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

Revenue 2011 to 2016



**The year 2012/13 represents a 15mth period Jan 2012-Mar 2013*

The Caribbean Development Bank loan balance was reduced from \$38,420,386 in 2014/2015 to \$34,256,292 in 2015/2016. The amount of interest paid on the loan amounted to \$1,572,427 in 2015/2016. During the income year 2015/2016 there was an increase in the Government Grant of \$3,710,583, from \$7,402,809 in 2014/2015 to \$11,113,392. Of this amount the sum of \$1,903,015 was used to offset the loan to the Accountant General at 31 March 2016.

CBL was able to decrease operating expenses, exclusive of interest expense, employee benefits expense and depreciation by \$468, 481. This was achieved primarily by a reduction in salaries, wages and benefits of \$370, 938 and other general and administrative expenses by \$97,543.

Marketing

Management of CBL has continued to seek to achieve the objectives set out for the organization, through innovative marketing and sales initiatives aimed at driving revenue earning capacity of CBL. CBL derived its revenue mainly from its signature tram tours. Revenue was also generated through our Eco-adventure tours, walk-in tours, retail gift shop, kiosk rentals and event and site rental.

Harrison's Cave played host to the World Association of Flower Arrangers' (WAFA) land Art Floral Exhibit during the year as part of the "Road to Paradise" of Barbados Association of Floral Arrangers Workshop. In addition to the increase in visitors to the attraction for tours, this activity created significant exposure of the venue for hosting alternative events. The contract with Carnival Cruise Lines for the Eco-Adventure Tour was renewed during the year, ensuring continued weekly business from the cruise line.

Environmental Management Plan

Environmental monitoring continued to be a part of the routine activities within the cave environment with data being collected from monitoring stations located at three different locations within the Cave. Operations were impacted on three (3) days due to unfavourable conditions in the Cave as a result of heavy rainfall which resulted in early closure of the Cave.

An Inter-Ministerial Task Force, was established by Cabinet to oversee the geo-physical imaging of Harrison's Cave. The Task Force is currently in the process of developing the Terms of Reference for the conducting of a Geo-Technical Study.

HUMAN RESOURCES

Retirements

Mr. Charles Watson, Messenger/Driver retired on 1 October 2015. Mr. Watson was employed with National Conservation Commission from 5 February 1987 as a temporary Messenger/Driver being later appointed in the position in 1998. Mr. Watson was transferred from the National Conservation Commission to Caves of Barbados Limited effective 1 January 2001. He continued full service with Harrison's Cave until his retirement. During his 31 years of service he excelled in customer service and contributed significantly to the success of the company.

Pension Plan

As at 31 March 2016, the Board continued to work assiduously towards the development of an appropriate pension plan for CBL. The Company is expected to source a pension plan provider in the upcoming financial year. The Company however, was directed by Cabinet decision to participate in a defined benefit pension plan. The pension plan will be funded by payments the Company, taking into account the recommendations of independent qualified actuaries.

At present, the pension plan obligations are funded by the pension plan bank account. The amount in the pension plan bank account at 31 March 2016 was \$3,408,963. During the year 2015/2016 an amount of \$1,111,000 was injected into the pension plan bank account. The pension plan bank account is currently reported in financial statement together with any surplus or deficit in accordance with the actuarial valuation as provided by Eckler.

REDEVELOPMENT PROJECT

Land Acquisition

CBL continues to work with the Ministry of Housing and Lands towards the completion of the land acquisition process.

Approved by the Board of Directors on the 22nd day of May 2018 and signed on its behalf by:



.....

Steve Alleyne

Chairman

APPENDIX B

**Year Ended 31 March 2016
Audited Financial Statements**

CAVES OF BARBADOS LTD

Year ended 31 March 2016

Index to the Financial Statements

	Page
Independent Auditors' Report	1 - 2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 23

Independent auditors' report

To the Shareholder of Caves of Barbados Ltd

We have audited the accompanying financial statements of Caves of Barbados Ltd, which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Independent auditors' report (continued)

To the Shareholder of Caves of Barbados Ltd

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Caves of Barbados Ltd. as at 31 March 2016, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 March 2016. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

22 May 2018

CAVES OF BARBADOS LTD

Statement of Financial Position

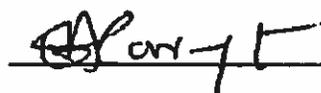
As at 31 March 2016

(expressed in Barbados dollars)

	Notes	2016	2015
Assets			
Current assets			
Cash at bank	4	\$ 3,323,021	\$ 1,374,775
Accounts receivable and prepayments	5	1,694,472	1,834,632
Inventories	6	304,707	331,836
Corporation tax recoverable		11,927	11,927
Amount due from related party	7	<u>5,093</u>	<u>28,458</u>
		5,339,220	3,581,628
Non-current assets			
Net defined benefit asset	16	797,905	-
Property, plant and equipment	8	<u>66,439,115</u>	<u>68,512,712</u>
Total assets		\$ <u>72,576,240</u>	\$ <u>72,094,340</u>
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	10	\$ 460,239	\$ 872,699
Due to shareholder	7	-	1,903,015
Current portion of loans payable	15	4,893,009	4,873,402
Amount due to related party	7	<u>201,237</u>	<u>201,237</u>
		<u>5,554,485</u>	<u>7,850,353</u>
Non-current liabilities			
Loans payable	15	34,256,292	38,420,386
Net defined benefit liability	16	<u>-</u>	<u>432,979</u>
		<u>34,256,292</u>	<u>38,853,365</u>
		<u>39,810,777</u>	<u>46,703,718</u>
Equity			
Share capital – 7,600,000 common shares	11	7,600,000	7,600,000
Subscription shares to be issued	12	27,709,993	27,709,993
Capital contribution by the Government of Barbados	13	4,317,224	4,317,224
Accumulated deficit		<u>(6,861,754)</u>	<u>(14,236,595)</u>
		<u>32,765,463</u>	<u>25,390,622</u>
Total liabilities and equity		\$ <u>72,576,240</u>	\$ <u>72,094,340</u>

Approved by the Board of Directors on 22 May 2018 and signed on its behalf by:

 Director

 Director

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD
Statement of Comprehensive Income
For the Year Ended 31 March 2016
(expressed in Barbados dollars)

	Notes	2016	2015
Revenue			
Entrance fees		\$ 4,918,731	\$ 4,487,523
Shop and bar sales		<u>328,709</u>	<u>450,073</u>
		5,247,440	4,937,596
Cost of sales		<u>(211,046)</u>	<u>(296,699)</u>
Gross profit		5,036,394	4,640,897
Government grants	22	11,113,392	7,402,809
Other income		<u>119,345</u>	<u>116,772</u>
		<u>16,269,131</u>	<u>12,160,478</u>
Expenses			
Salaries, wages and benefits		2,875,235	3,246,173
Other general and administrative expenses	17	1,729,758	1,827,301
Depreciation and amortization	8	2,546,513	2,574,129
Employee benefits expense		(44,730)	(38,099)
Interest and bank charges		<u>1,630,229</u>	<u>1,867,415</u>
		<u>8,737,005</u>	<u>9,476,919</u>
Income for the year before taxation		<u>7,532,126</u>	<u>2,683,559</u>
Taxation		-	-
Income for the year		<u>7,532,126</u>	<u>2,683,559</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit (asset) obligation	16	<u>(157,285)</u>	<u>182,516</u>
Other comprehensive (loss) income for the year		<u>(157,285)</u>	<u>182,516</u>
Total comprehensive income for the year		<u>\$ 7,374,841</u>	<u>\$ 2,866,075</u>

CAVES OF BARBADOS LTD

Statement of Changes in Equity For the Year Ended 31 March 2016 (expressed in Barbados dollars)

	Share capital	Subscription for shares to be issued	Capital contributed by the Government of Barbados	Accumulated deficit	Total
Balance – 31 March 2014	\$ 7,600,000	\$ 27,709,993	\$ 4,317,224	\$ (17,102,670)	\$ 22,524,547
Total comprehensive income for the year	—	—	—	<u>2,866,075</u>	<u>2,866,075</u>
Balances – 31 March 2015	7,600,000	27,709,993	4,317,224	(14,236,595)	25,390,622
Total comprehensive income for the year	—	—	—	<u>7,374,841</u>	<u>7,374,841</u>
Balances – 31 March 2016	\$ 7,600,000	\$ 27,709,993	\$ 4,317,224	\$ (6,861,754)	\$ 32,765,463

CAVES OF BARBADOS LTD

Statement of Cash Flows

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

	Notes	2016	2015
Operating activities			
Income before taxation		\$ 7,532,126	\$ 2,683,559
Adjustments for:			
Interest expense		1,630,229	1,821,350
Depreciation	8	2,546,513	2,574,129
Gain on sale of property and equipment		(25,000)	(1,194)
Defined benefit plan interest and service costs		<u>(1,388,169)</u>	<u>(672,481)</u>
Operating income before working capital changes		10,295,699	6,405,363
Decrease in accounts receivables and prepayments		140,161	7,727
Decrease in inventories		27,129	71,659
Decrease (increase) in due from related party		23,365	(27,290)
(Decrease) increase in accounts payable and accrued expenses		<u>(412,460)</u>	<u>240,761</u>
Cash generated from operations		10,073,894	6,698,220
Interest paid		<u>(930,455)</u>	<u>(1,189,223)</u>
<i>Net cash from operating activities</i>		<u>9,143,439</u>	<u>5,508,997</u>
Investing activities			
Proceeds from sale of property and equipment		25,000	5,398
Purchase of property, plant and equipment	8	<u>(472,916)</u>	<u>(3,123,449)</u>
<i>Net cash used in investing activities</i>		<u>(447,916)</u>	<u>(3,118,051)</u>
Financing activities			
Decrease in due to shareholder		(1,903,015)	-
Loan draw downs (repayments) (net)		<u>(4,844,262)</u>	<u>(2,243,636)</u>
<i>Net cash used in financing activities</i>		<u>(6,747,277)</u>	<u>(2,243,636)</u>
Increase in cash and cash equivalents		1,948,246	147,310
Cash and cash equivalents – beginning of year		<u>1,374,775</u>	<u>1,227,465</u>
Cash and cash equivalents – end of year		\$ <u>3,323,021</u>	\$ <u>1,374,775</u>
Cash and cash equivalents comprise:			
Cash at bank		\$ <u>3,323,021</u>	\$ <u>1,374,775</u>

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

1. Incorporation, ownership and principal activities

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

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

2. Adoption of new and revised International Financial Reporting Standards

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

- IAS 19, Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (for annual periods beginning on or after 1 July 2014)
- IAS 32, Financial Instruments: Presentation. Offsetting financial assets and financial liabilities (annual periods beginning on or after 1 January 2014)
- IAS 36, Impairment of assets: Disclosures. Amendments enhancing recoverable amounts and disclosure for non-financial assets (annual periods beginning on or after 1 January 2014)

Standards issued but not yet effective

- IFRS 7, Financial Instruments. Amendments resulting from September 2014 annual improvements to IFRSs (annual periods beginning on or after 1 January 2016)
- IFRS 9, Financial Instruments. Classification and Measurement (annual periods beginning on or after 1 January 2018)
- IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (for annual periods beginning on or after 1 January 2016)
- IFRS 14 – Regulatory Deferral Accounts (for annual periods beginning on or after 1 January 2016)
- IFRS 15 – Revenue from Contracts with Customers (for annual periods beginning on or after 1 January 2018)
- IFRS 16, Leases (for annual periods beginning on or after 1 January 2019)
- IAS 1 – Disclosure Initiative – Amendments to IAS 1 (for annual periods beginning on or after 1 January 2016)
- IAS 7, Statements of Cash Flows. Amendments as result of the disclosure initiative (annual period beginning on or after 1 January 2017)
- IAS 12, Income Taxes, Amendments regarding the recognition of deferred tax assets for unrealised losses (annual periods beginning on or after 1 January 2017)
- IAS 16 and IAS 38, Property, Plant and Equipment and Intangibles, Amendments regarding the clarification of acceptable methods of depreciation and amortisation (annual periods beginning on or after 1 January 2016)
- IAS 19, Employee Benefits, Amendments resulting from September 2014 annual improvements to IFRSs (annual periods beginning on or after 1 January 2016)
- IAS 23, Borrowing Costs – Amendments resulting from annual improvements 2015-2017 Cycle (annual periods beginning on or after 1 January 2019)

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

3. Significant accounting policies

Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB). The financial statements have been prepared on the historical cost basis except for the revaluation of certain items of property, plant and equipment. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of measurement

These financial statements are expressed in Barbados dollars.

Going concern

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

Financial instruments

Financial assets

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

Impairment

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

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Inventories

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

Property, plant and equipment

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

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in comprehensive income in the period in which they are incurred.

Revenue recognition

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Taxation

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

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

Foreign currency

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

Related parties

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

Government grants

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

Defined benefit plan

As at 31 March 2016, there was no formal pension plan in existence at the Company. The Company will source a pension plan provider in the upcoming financial years.

The Company plans to participate in a defined benefit pension plan. The pension plan is to be funded by payments from the Company, taking into account the recommendations of independent qualified actuaries.

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Defined benefit plan (continued)

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

Provisions

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

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

Impairment of non-financial assets

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

Critical accounting judgments, estimates and assumptions

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

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

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

Key sources of estimation uncertainty

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Key sources of estimation uncertainty (continued)

Useful lives and impairment of property, plant and equipment

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

Employee benefits

As disclosed in Note 16, the Company has a defined benefit asset. The calculation of defined benefit expenses and obligations requires significant judgment as the recognition is dependent on discount rates, expected rates of returns on assets and various actuarial assumptions such as the healthcare cost trend rates, projected salary increases, retirement age and mortality and termination rates. Due to the long-term nature of these plans, such estimates and assumptions are subject to inherent risks and uncertainties. For the pension and other post-employment plans, the discount rate is determined by reference to market yields on government securities. Since the discount rate is based on currently available yields and involves management's assessment of market liquidity, it is only a proxy of future yields. Management judgment is also required in estimating the expected rate of return on assets because of possible changes to the asset allocation and the inherent risks in predicting future investment returns. The expected rate of return on assets is a weighted average of expected long-term asset return by asset class and is selected from a range of possible future asset returns. Actuarial assumption, set in accordance with current practices in the respective country of the plan, may differ from actuarial experience as country specific statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits, obligations and expenses that are recognised.

4. Cash and cash equivalents

	2016	2015
Petty cash	\$ 9,405	\$ 9,805
Republic Bank (Barbados) Limited – Payroll account	284,025	85,026
Republic Bank (Barbados) Limited – Current account	<u>6,438,554</u>	<u>3,313,989</u>
	6,731,984	3,408,820
Funds designated for pension benefits	<u>(3,408,963)</u>	<u>(2,034,045)</u>
	<u>\$ 3,323,021</u>	<u>\$ 1,374,775</u>

Cash and cash equivalents includes a balance of \$5,515,725 (2015 - \$2,391,540) which earns interest at 0.00% to 0.15% (2015 - 0.00% to 0.15%) per annum. The Directors have restricted the use of this balance to financing the redevelopment costs of Harrison's Cave (Note 19) and for funds to pay pension benefits. The funds designated for pension benefits amount to \$3,408,963 (2015 - \$2,034,045).

5. Accounts receivable and prepayments

	2016	2015
Trade accounts receivable	\$ 275,527	\$ 506,039
Other receivables	1,296,535	1,264,209
Prepayments	<u>122,410</u>	<u>64,384</u>
	<u>\$ 1,694,472</u>	<u>\$ 1,834,632</u>

Other receivables include an amount of \$1,254,455 (2015 - \$1,254,455) relating to VAT refunds. The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. The Company has assessed the collectability of its trade receivables and has concluded that no allowance for doubtful debts is necessary.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2016

(expressed in Barbados dollars)

5. Accounts receivable and prepayments (continued)

Of the trade receivables balance at the end of the year, \$308,591 (2015 - \$506,039) amounts of \$199,281 (2015 - \$64,895) and \$NIL (2015 - \$319,371), are due from two of the Company's largest customers. There are no other customers who represent more than 25% of the total balance of trade receivables.

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

Age of receivables that are past due but not impaired

	2016	2015
30-60 days	\$ 760	\$ 65,243
60-90 days	1,873	684
Over 90 days	<u>51,727</u>	<u>84,178</u>
Total	\$ <u>54,360</u>	\$ <u>150,105</u>

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The Company has NIL (2014 - NIL) impaired trade receivables.

6. Inventories

	2016	2015
Shop inventory	\$ 270,955	\$ 298,084
Spare parts	<u>33,752</u>	<u>33,752</u>
	\$ <u>304,707</u>	\$ <u>331,836</u>

7. Amounts due from (to) related party

Due from related party

	2016	2015
Barbados Tourism Authority	\$ <u>5,093</u>	\$ <u>28,458</u>

Due to related parties

National Conservation Commission	\$ <u>201,237</u>	\$ <u>201,237</u>
Due to Shareholder	\$ _____	\$ <u>1,903,015</u>

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

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2016

(expressed in Barbados dollars)

8. Property, plant and equipment

2016	Cost	Accumulated depreciation	Net book value
Computer equipment			
Balances - 31 March 2015	312,511	(270,923)	41,588
Additions	7,955	-	7,955
Depreciation	-	(31,701)	(31,701)
Balances - 31 March 2016	<u>320,466</u>	<u>(302,624)</u>	<u>17,842</u>
Fixtures and fittings			
Balances - 31 March 2015	790,248	(689,494)	100,754
Additions	14,012	-	14,012
Depreciation	-	(48,219)	(48,219)
Balances - 31 March 2016	<u>804,260</u>	<u>(737,713)</u>	<u>66,547</u>
Motor Vehicles			
Balances - 31 March 2015	232,676	(180,957)	51,719
Additions	-	-	-
Disposal	(69,451)	69,451	-
Depreciation	-	(18,254)	(18,254)
Balances - 31 March 2016	<u>163,225</u>	<u>(129,760)</u>	<u>33,465</u>
Trams			
Balances - 31 March 2015	8,948,219	(7,006,482)	1,941,737
Additions	-	-	-
Depreciation	-	(812,830)	(812,830)
Balances - 31 March 2016	<u>8,948,219</u>	<u>(7,819,312)</u>	<u>1,128,907</u>
Leasehold land			
Balances - 31 March 2015	6,094,268	-	6,094,268
Additions	-	-	-
Depreciation	-	-	-
Balances - 31 March 2016	<u>6,094,268</u>	<u>-</u>	<u>6,094,268</u>
Leasehold buildings			
Balances - 31 March 2015	50,378,912	(5,125,568)	45,253,344
Additions	5,200	-	5,200
Depreciation	-	(1,007,635)	(1,007,635)
Balances - 31 March 2016	<u>50,384,112</u>	<u>(6,133,203)</u>	<u>44,250,909</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2016

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

	Cost	Accumulated depreciation	Net book value
Plant and machinery			
Balances – 31 March 2015	13,027,757	(3,607,678)	9,420,079
Additions	39,681	-	39,681
Disposals	-	-	-
Depreciation	-	(626,924)	(626,924)
Balances – 31 March 2016	<u>13,067,438</u>	<u>(4,234,602)</u>	<u>8,832,836</u>
Software			
Balances – 31 March 2015	203,233	(196,623)	6,610
Additions	-	-	-
Depreciation	-	(950)	(950)
Balances – 31 March 2016	<u>203,233</u>	<u>(197,573)</u>	<u>5,660</u>
Capital work-in progress			
Balances – 31 March 2015	5,602,613	-	5,602,613
Additions Completed	406,068	-	406,068
Balances – 31 March 2016	<u>6,008,681</u>	<u>-</u>	<u>6,008,681</u>
Summary			
Balances – 31 March 2015	85,590,437	(17,077,725)	68,512,712
Additions	472,916	-	472,916
Disposal	(69,451)	69,451	-
Depreciation	-	(2,546,513)	(2,546,513)
Balances – 31 March 2016	<u>85,993,902</u>	<u>(19,554,787)</u>	<u>66,439,115</u>
2015			
	Cost	Accumulated depreciation	Net book value
Computer equipment			
Balances – 31 March 2014	302,481	(261,149)	41,332
Additions	10,030	-	10,030
Depreciation	-	(9,774)	(9,774)
Balances – 31 March 2015	<u>312,511</u>	<u>(270,923)</u>	<u>41,588</u>
Fixtures and fittings			
Balances – 31 March 2014	775,389	(615,730)	159,659
Additions	14,859	-	14,859
Depreciation	-	(73,764)	(73,764)
Balances – 31 March 2015	<u>790,248</u>	<u>(689,494)</u>	<u>100,754</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2016

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2015	Cost	Accumulated depreciation	Net book value
Motor Vehicles			
Balances – 31 March 2014	232,676	(159,147)	73,529
Additions	-	-	-
Depreciation	-	(21,810)	(21,810)
Balances – 31 March 2015	<u>232,676</u>	<u>(180,957)</u>	<u>51,719</u>
Trams			
Balances – 31 March 2014	8,926,270	(6,193,652)	2,732,618
Additions	21,949	-	21,949
Depreciation	-	(812,830)	(812,830)
Balances – 31 March 2015	<u>8,948,219</u>	<u>(7,006,482)</u>	<u>1,941,737</u>
Leasehold land			
Balances – 31 March 2014	6,094,268	-	6,094,268
Additions	-	-	-
Depreciation	-	-	-
Balances – 31 March 2015	<u>6,094,268</u>	<u>-</u>	<u>6,094,268</u>
Leasehold buildings			
Balances – 31 March 2014	50,356,732	(4,118,125)	46,238,607
Additions	22,180	-	22,180
Depreciation	-	(1,007,443)	(1,007,443)
Balances – 31 March 2015	<u>50,378,912</u>	<u>(5,125,568)</u>	<u>45,253,344</u>
Plant and machinery			
Balances – 31 March 2014	12,812,387	(2,973,169)	9,839,218
Additions	219,574	-	219,574
Disposals	(4,204)	-	(4,204)
Depreciation	-	(634,509)	(634,509)
Balances – 31 March 2015	<u>13,027,757</u>	<u>(3,607,678)</u>	<u>9,420,079</u>
Software			
Balances – 31 March 2014	203,233	(182,624)	20,609
Additions	-	-	-
Depreciation	-	(13,999)	(13,999)
Balances – 31 March 2015	<u>203,233</u>	<u>(196,623)</u>	<u>6,610</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2016

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2015	Cost	Accumulated depreciation	Net book value
Capital work-in progress			
Balances – 31 March 2014	2,767,756	-	2,767,756
Additions	2,853,879	-	2,853,879
Completed	<u>(19,022)</u>	<u>-</u>	<u>(19,022)</u>
Balances – 31 March 2015	<u>5,602,613</u>	<u>-</u>	<u>5,602,613</u>
Summary			
Balances – 31 March 2014	82,471,192	(14,503,596)	67,967,596
Additions	3,123,449	-	3,123,449
Disposal	(4,204)	-	(4,204)
Depreciation	<u>-</u>	<u>(2,574,129)</u>	<u>(2,574,129)</u>
Balances – 31 March 2015	<u>85,590,437</u>	<u>(17,077,725)</u>	<u>68,512,712</u>

9. Bank overdraft

The Company has a bank overdraft facility of \$ NIL (2015 – \$ NIL) which is secured by a Letter of Comfort from the Ministry of Finance and Economic Affairs in the amount of \$3,000,000, guaranteeing repayment of the overdraft plus interest accrued thereon. The overdraft is subject to interest of 8.7% at 31 March 2016.

10. Accounts payable and accrued expenses

	2016	2015
Trade creditors	\$ 152,607	\$ 271,720
Accrued expenses	<u>307,632</u>	<u>600,979</u>
	<u>\$ 460,239</u>	<u>\$ 872,699</u>

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

11. Share capital

Authorized:

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

Issued and outstanding

	2016	2015
7,600,000 common shares, issued and fully paid	\$ <u>7,600,000</u>	\$ <u>7,600,000</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

12. Subscription for shares to be issued

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

13. Capital contributed by the Government of Barbados

This amount represents the value of \$5,485,224 placed on the net assets of the former Caves Authority and Parks and Beaches Commission, which were transferred to the National Conservation Commission on 1 April 1982 and subsequently to the Caves of Barbados Ltd on 1 April 1999.

14. Taxation and tax losses

	2016	2015
Taxation expense:		
Provision for current year's corporation tax	\$ _____	\$ _____

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

	2016	2015
Income before taxation	\$ <u>7,532,126</u>	\$ <u>2,683,559</u>
Taxed at tax rate of 25% (2015 - 25%)	1,883,032	670,890
Tax effect of allowable expenses	(3,082)	(13,320)
Tax effect of expenses not deductible for tax purposes	636,628	643,532
Tax effect of losses utilized	<u>(2,516,578)</u>	<u>(1,301,102)</u>
	_____	_____

There are tax losses of \$12,607,397 (2015 - \$15,123,975) which have not yet been agreed with the Commissioner of Inland revenue, but are not in dispute. The losses if not utilized, will expire as follows:

Year	Amount	Expiry date
2008	2,418,023	2017
2009	2,955,416	2018
2010	6,491,549	2019
2011	742,409	2020

The deferred tax asset in respect of the losses which amount to \$3,151,849 (2015 - \$3,780,994) at the current rate of tax has not been recognized in the financial statements due to the uncertainty that sufficient taxable profits will be available to allow the asset to be recovered.

15. Loans payable

	2016	2015
Caribbean Development Bank		
Current portion	\$ 4,893,009	\$ 4,873,402
Long-term portion	<u>34,256,292</u>	<u>38,420,386</u>
	<u>\$ 39,149,301</u>	<u>\$ 43,293,788</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

15. Loans payable (continued)

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

During the year, interest of \$1,572,427 (2015 - \$1,867,415) was incurred.

Cash at bank includes a balance of \$2,132,182 (2015 - \$357,485) which has been designated to fund redevelopment expenditure (refer to Notes 4 and 19).

16. Defined benefit plan

As at 31 March 2016, there was no formal pension plan in existence at Caves of Barbados Ltd. Caves of Barbados Ltd. will source a pension plan provider in the upcoming years.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2016 by Eckler Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Year/Period ending 31 March	2016	2015
Discount rate	7.75% per annum	7.75% per annum
Future promotional salary increase	2.50% per annum	2.50% per annum
Future inflationary salary increases	4.25% per annum	4.25% per annum
Future increases in the NIS ceiling for earnings	4.25% per annum	4.25% per annum
Future increases in pensions	3.75% per annum	3.75% per annum
Mortality	UP94 at 2016 with Projection Scale AA	
Termination of active members	1% at all ages under 40 and 0.5% at ages between 40 and 50	

Year/Period ending 31 March	2016	2015
Early retirement for active employees	5% of eligible employees each year between early retirement age and the year prior to retirement age with the remaining employees retiring at normal retirement age	
Early retirement for terminated employees	100% at earliest age	
Future expenses	Nil	

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

	2016	2015
	\$	\$
Losses arising from experience	(53,631)	(255,733)
Expected return on plan assets	210,916	128,263
Actual return on plan assets	-	(55,046)
Total	<u>157,285</u>	<u>(182,516)</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2016

(expressed in Barbados dollars)

16. Defined benefit plan (continued)

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

	2016	2015
	\$	\$
Present value of funded defined benefit obligation	(2,611,058)	(2,467,024)
Fair value of plan assets	<u>3,408,963</u>	<u>2,034,045</u>
Net defined benefit asset (liability)	<u>797,905</u>	<u>(432,979)</u>
Changes in the present value of defined benefit obligation		
	2016	2015
	\$	\$
At the beginning of year	2,467,024	2,618,976
Current service cost	99,520	105,321
Interest cost	195,148	203,199
Actuarial (gains) losses	(53,631)	(255,733)
Benefit payments	<u>(97,003)</u>	<u>(204,739)</u>
	<u>2,611,058</u>	<u>2,467,024</u>
Changes in the fair value of plan assets		
	2016	2015
	\$	\$
At the beginning of year	2,034,045	1,331,000
Employee contributions	-	55,045
Employer contributions	1,471,921	852,739
Benefit payments	<u>(97,003)</u>	<u>(204,739)</u>
Plan assets at fair value at the end of the period	<u>3,408,963</u>	<u>2,034,045</u>
Net benefit expense recognized in comprehensive income		
	2016	2015
	\$	\$
Current service cost	99,520	105,321
Interest costs	195,148	203,199
Expected return on plan assets	<u>(210,916)</u>	<u>(128,262)</u>
	<u>83,752</u>	<u>180,258</u>
Statement of other comprehensive income		
	2016	2015
	\$	\$
Gain (loss) from experience	(53,631)	(255,733)
Expected return on plan assets	210,916	128,262
Actual return on plan assets	<u>-</u>	<u>(55,045)</u>
	<u>157,285</u>	<u>(182,516)</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2016

(expressed in Barbados dollars)

16. Defined benefit plan (continued)

Impact of changes in significant actuarial assumption

	2016	2015
	\$	\$
Base IAS 19 Results	2,611,058	2,467,024
Reduce discount rate by 1% p.a	3,052,750	2,887,201
Increase discount rate by 1% p.a.	2,255,100	2,129,023
Reduce salary increase by 0.5% p.a	2,363,302	2,227,266
Increase salary increase by 0.5% p.a	2,902,554	2,755,053
Increase average life expectancy by 1 year	2,655,581	2,500,395

17. Other general and administrative expenses

	2016	2015
	\$	\$
Ceremonial/special events	2,987	18,031
Seminars/conferences/training	213	337
Utilities	252,305	338,026
Insurance	406,848	464,232
Office expenses	59,075	76,247
Equipment rental	4,710	6,028
Repairs and maintenance	260,241	167,485
Security	328,384	306,450
Advertising	100,821	59,685
Other expenses	91,601	147,123
Professional fees	106,452	129,566
Board members' expenses	57,250	68,400
Membership fees	40,925	38,098
Board expenses	17,946	7,593
	<u>1,729,758</u>	<u>1,827,301</u>

18. Key management compensation

	2016	2015
	\$	\$
Retirement benefit costs	118,722	39,521
Short-term benefits	142,326	200,271
Total	<u>261,048</u>	<u>239,792</u>

19. The redevelopment of Harrison's Cave

The Company is redeveloping Harrison's Cave at an estimated cost of \$84,849,000. At 31 March 2016, expenditure of \$6,008,681 (2015 - \$5,602,613) has been incurred with respect to this development (Note 8). It is a condition of the loan agreement that the Shareholder will provide additional capital in connection with the redevelopment project.

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

20. Financial risk management objectives and policies

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

Market risk

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

Interest rate risk

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

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

Foreign currency risk

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

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

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

Credit risk

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2016

(expressed in Barbados dollars)

20. Financial risk management objectives and policies (continued)

Credit risk (continued)

Trade receivables

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

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

Financial instruments and cash deposits

Credit risk from balances with banks is managed by management in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2016 and 2015 is the carrying amounts as illustrated in Note 4.

Liquidity risk

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

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

Capital risk management

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

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

21. Fair value

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

22. Government grants

The Company receives subventions from the Government of Barbados to assist with the payment of operational expenses. During the period, the Company received \$11,113,392 (2015- \$7,402,809).