



**ENTERPRISE
GROWTH FUND**
L I M I T E D

ANNUAL REPORT

2014

"EFFICIENCY - OUR WATCH WORD"



**ENTERPRISE
GROWTH FUND
LIMITED**

ANNUAL REPORT 2014

"Efficiency - Our Watch Word"

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Corporate Profile



**ENTERPRISE
GROWTH FUND
LIMITED**

Mission Statement

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

Guiding Philosophy

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



Board of Directors

The business of Enterprise Growth Fund Limited (EGFL) is conducted under the oversight of the Board of Directors. As of December 31, 2014 EGFL's Board of Directors was composed of the 8 members shown.

Principal Activities

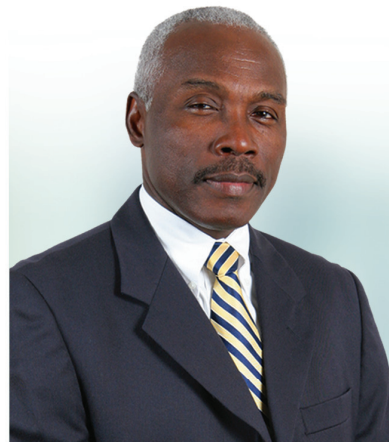
On January 2, 1998 Enterprise Growth Fund Limited (EGFL) commenced operations as a limited liability company to provide venture capital, advisory services and technical assistance to its client companies in the small and medium sized enterprise (SME) sector.

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

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

From Top Left:

**Terrence Thornhill (Chairman),
Richard Matthews (Deputy Chairman),
Timothy Simmons, Horace Cobham,
Dr. Patricia Downes-Grant, John Cole,
Peter Whitehall and Michael Mayers.**



Chairman's Statement

Introduction

Enterprise Growth Fund Limited (EGFL) continued to perform positively during 2014 and recorded a profit of \$746,000. Significantly, this achievement marks eleven unbroken years of profitability and reflects the soundness of our corporate governance and investment policies over the years. This has enabled EGFL to mitigate the impact of the prolonged economic slowdown and has allowed us to retain the position as the number one development finance institution, in Barbados, serving small and medium sized enterprises (SMEs).

Several of our clients are challenged by declining revenues and cash flows and as a consequence, they have struggled to honour their commitments. Those clients with high overheads and significant debt found it more difficult to manage, since they had less flexibility to reduce costs to match decreasing revenues. We will continue to assist these clients wherever possible through technical assistance and debt restructuring.

EGFL also encouraged its clients to explore new strategies and approaches to manage and operate their businesses so as to enhance sustainability and promote growth. Some clients

have successfully shortened their cash cycles by selling directly to consumers instead of to intermediaries. Others have sought to enhance their revenues in the local and export markets by improving their promotional and branding activities, or by offering enhanced products and services by utilising more efficient technology. Therefore, while economic conditions remain challenging, some clients have sought to realign their business models in order to remain competitive.

In 2013, EGFL factored

\$300,000 in receivables owed by government departments and statutory corporations under the Central Bank's Trade Receivables Liquidity Facility. Following this reasonably successful performance EGFL financed a further \$400,000 for the SMEs in 2014. As we continue to sensitise our clients and other operators of the importance of this facility in managing their cash flow, we anticipate that it will be utilised to factor even more receivables in 2015 as businesses become more comfortable with the concept.



Economic Review

The muted performance of the economy continued in 2014, as real growth was estimated at 0.3%. Growth was concentrated in the non-traded sector as the output from the traded sector remained stagnant. Mining and quarrying contributed to the positive performance in the non-traded sector, which expanded by an estimated 21% as a result of an approximate 1% increase in construction activity and greater demand in the export market for quarrying products.

Tourism output expanded by an estimated 1% in 2014, after registering declines in the three previous years. Long stay visitors increased by 1% and there was an increase in the length of stay, compared to 2013. Barbados' most important source market, the UK, saw a 10% increase in arrivals while the US and Canadian markets experienced declines of 3% and 4% respectively. The trend within the regional source market was also negative as arrivals from Trinidad and other Caricom markets decreased by 12% and 9% respectively.

The consolidation measures implemented to reduce the fiscal deficit were reported to be bearing fruit as the fiscal deficit as at December 2014 was \$149 million lower than that of 2013. Furthermore, gross public sector debt at the end of 2014 was estimated to be 107.7% of GDP, which was on par with that of 2013, while interest payments consumed 27.4% of Government revenues, as they did in 2013.

Another benefit of the consolidation programme was a decline in demand for foreign exchange. To this end reserves declined by \$92 million in 2014 compared to a drop of \$313.5 million for 2013. These reserves, which stood at \$1.05 billion at December 31, 2014, represented 14.5 weeks of import cover, compared to \$1.14 billion and 15.6 weeks of import cover for 2013.

Job losses as a result of Government's fiscal consolidation programme were mainly responsible for an increase in the average annual unemployment rate of 12.5% at the end of September 2014 compared to 11.2% at the end of September 2013. Inflationary pressures remained benign and measured 1.7% at the end October 2014.

The appetite for loan financing continued to be weak as the loan to deposit ratio declined slightly from 71.2% at the third quarter of 2013 to 70.3% at the end of third quarter of 2014. Consequently, liquidity remained high. The ratio of non-performing loans within the banking sector has started to increase again, moving from 11.3% at the third quarter, 2013 to 12.2% for the corresponding period of 2014.

Performance Review

The resurgence in approvals and disbursements witnessed in 2013 stalled as the period under review was marked by very limited funding activity. To this end, approvals across EGFL and the Funds Under Management dropped to almost a quarter of that of the prior

year to register \$3.49 million while disbursements, at \$9.78 million, were less than half of the \$23.14 million achieved in 2013. Approvals and disbursements were again concentrated in the renewable energy and tourism sectors.

In contrast to 2013 when the Agricultural Development Fund (ADF) generated comprehensive income of \$184,000, the financial performance of the Fund deteriorated to register a net loss of \$363,000 in 2014. This loss is attributed to loan loss provisions and a 46% decline in revenue. During the period under review, the ADF approved one loan in the amount of \$400,000, compared with six approvals totalling \$701,000 in 2013. Loan disbursements recorded for 2013 and 2014 measured \$501,000 and \$351,000, respectively. During 2014, \$794,000 in grants was disbursed, compared to \$13.61 million in 2013. There were no capital injections to the Fund in 2014.

In view of encouraging demand for the Energy Smart Fund's (ESF) technical assistance and loan facilities in 2013, the Fund witnessed an equally strong performance in 2014. The Smart Fund Technical Committee approved \$217,000 for 13 grants under the Technical Assistance Facility, a creditable increase when compared to the prior period's 7 approvals totalling \$150,000. Additionally, 7 loans totalling \$1.5 million were approved under the ESF.

During the period under review, the two retail partners of the Pilot Consumer Finance Facility commenced offering cash rebates on approved

energy efficient appliances. Consequently, reimbursements totalling \$64,400 were granted under this sub-component by the end of 2014 and EGFL envisions even greater activity within the forthcoming months based on the positive initial response. The Evaluation Committee approved one Smart Fund Partner (SFP) application, thereby increasing the total number of ratified SFPs to eleven.

Though unforeseen circumstances stymied the planned launch of the Energy Efficient Lighting Distribution Facility during 2014, it was officially launched subsequent to the year end. Promotional activities have been initiated to ensure the public is fully aware of the benefits of using energy efficient light bulbs and to stimulate greater usage. The viability of energy efficient and renewable energy solutions has been generally accepted by businesses and households alike. Therefore, as the island seeks to reduce its carbon foot-print and dependency on imported fossil fuels, it is envisioned that the ESF will continue to play a pivotal role in this thrust.

The Industrial, Investment and Employment Fund's (IIEF) financial performance remained below par in 2014, when the Fund registered a marginal net loss of \$14,000 compared to a loss of \$67,000 recorded in 2013. There were no loan approvals during 2014 but \$3,000 was disbursed due to an outstanding commitment, thereby bringing total disbursements from this Fund since inception to \$18.41 million.

During 2014, the Innovation Fund had no approvals but continued

to fund the Prime Minister's Award for Innovation which encourages entrepreneurship in non-traditional fields. The Fund recorded a loss of \$90,000 for 2014 and disbursed \$19,000, based on prior commitments. This Fund has approved 24 projects totalling \$3.87 million since inception in various sectors including the cultural industries, information technology and food processing.

The Small Hotels Investment Fund (SHIF) did not escape the fall-out from the economic climate during 2014. Several clients are still experiencing difficulties in maintaining regular loan payments and as a result, a number of requests for moratoria on payments were received. No new loan applications were forthcoming but disbursements totalled \$960,000 for outstanding commitments. Against this backdrop, the Fund recorded a loss of \$949,000. However, given the product renewal cycle in the industry and the confidence of some operators in the initial signs of a turnaround in the sector, EGFL believes there will be an increase in demand for funding in the periods ahead.

There were no new loan approvals for the Tourism Loan Fund (TLF) mirroring the performance of most of the other Funds under management. However, loan disbursements totalling \$2.0 million were recorded as a result of prior approvals. The financial performance of the TLF during 2014 was commendable, as net income of \$1.21 million was recorded, partly as a result of a change in accounting policy. This compares to a profit of \$360,000 registered in the prior year. A

number of the Fund's clients have expressed optimism following an upswing in occupancy levels during the winter season and it is envisioned that this buoyancy, as noted above, should provide the impetus to re-energise activity within this critical sector.

Summary and Financial Outlook for 2015

Government has reported that implementation of its fiscal consolidation programme has achieved the targets of reducing the fiscal deficit and stemming the decline in foreign reserves. Activity within the private sector however, remained sluggish and generally levels of investments have reduced. Consequently, EGFL and its Funds under Management saw substantially reduced levels of applications, approvals and disbursements during 2014.

In the midst of these challenges there is some ray of hope. After an encouraging start to the adoption of renewable energy and energy efficiency technologies in 2013, the business community remained keenly interested in the ESF's financing options during 2014. As word spreads on the benefits of investing in energy efficiency and photovoltaics, growth in this area should continue once the regulatory framework keeps pace with the requirements of this sector. Attractive financing options, fiscal incentives, foreign exchange savings and abundant sunshine have coalesced to provide the impetus for this nascent sector. The hope is that it can develop into a stable and substantial economic contributor well into the future and the ESF

is primed to play a crucial role in this development.

The generally upbeat mood surrounding the 2014 winter season is a positive sign for the country and EGFL's Funds under Management, particularly the SHIF and the TLF. The increase in tourist arrivals largely stemmed from better economic performance in our main source markets and the hope is that industry players will take advantage of promised tax incentives to provide more competitive offerings in order to expand arrivals and stimulate greater spending.

Once the economic recovery continues to take hold in the metropolitan economies of the North Atlantic and our foreign exchange earning sectors can be competitive, the recovery which the island eagerly awaits should follow. EGFL looks forward to this improvement and to financing the SMEs which stand to benefit from the turnaround.

EGFL'S Community Outreach

As part of our corporate and social responsibility, EGFL is committed to contributing to the development of the communities in which it does business. During the year, we gave financial contributions to a number of organisations to support worthy causes, charitable activities and other initiatives to enhance the wellbeing of our communities.

Our outreach programmes also extended to educational institutions and in this regard we have adopted two schools at the primary and secondary levels in the surrounding districts of our

business operation. We chose St. Mary's Primary School and Ellerslie Secondary School for our adoption initiative. During the year Ellerslie Secondary School was the recipient of a used but efficient and well maintained photocopier. This donation was greatly appreciated by the school which has a roll of 1004 students. In the coming year 2015, we intend to continue to give financial support to St. Mary's Primary School and Ellerslie Secondary School with a view to making a difference in their developmental programmes and activities.

The challenges facing some students to cover university tuition fees have prompted us to establish a scholarship programme. To this end, EGFL has partnered with the University of the West Indies, Cave Hill Campus to create a scholarship programme that will enable two deserving students, who are pursuing studies in Economics and Business Finance, to benefit from \$3,000 each in tuition assistance. In addition to providing financial assistance to subsidise the costs of their undergraduate studies, we have agreed to engage the students in an Internship Program at EGFL during the summer period. In the upcoming year, EGFL will expand its alliance with the University by facilitating a job attachment for a student to undertake a practicum in the partial fulfilment of the requirements for the MSc

Banking and Finance degree. This initiative is expected to commence in the 2015 academic year.

Additionally, in 2015 we also intend to support some of the challenged and special needs students in the community by assisting two challenged students attending the Dereck Smith Vocational Centre. We hope that by extending our community outreach and financial support to the Centre we will provide opportunities and encouragement for students to develop their talents and skills at this institution.

Acknowledgements

I wish to express my gratitude to our clients for their continued support, to my fellow Directors for their wise counsel and to the management and staff for their sterling efforts during 2014.



Terrence A. Thornhill
Chairman

“Efficiency - Our Watch Word”

“An empowered organisation is one in which individuals have the knowledge, skill, desire, and opportunity to personally succeed in a way that leads to collective organisational success.”

Stephen Covey

EGFL is committed to continually making improvements to ensure greater efficiencies and sustainability in our operations through best practices and prudent risk management.



Enterprise Growth Fund Limited

Financial Statements
December 31, 2014

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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

Telephone (246) 434 3900
Fax (246) 427 7123
e-Mail info@kpmg.bb

P. O. Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT**To the Shareholders
Enterprise Growth Fund Limited**

We have audited the accompanying financial statements of Enterprise Growth Fund Limited, which comprise the statement of financial position as of December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and the statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Enterprise Growth Fund Limited as at December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Bridgetown, Barbados
May 29, 2015

ENTERPRISE GROWTH FUND LIMITED

Statement of Financial Position


As at December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>Notes</u> | | <u>2014</u> | <u>2013</u> <u>restated</u> | <u>Jan 1, 2013</u> <u>restated</u> |
|---|--------------|-----------|--------------------------|--------------------------------|---------------------------------------|
| Assets | | | | | |
| Cash and short term deposits | 5 | \$ | 6,667,044 | 5,832,519 | 4,640,016 |
| Accounts receivable and prepayments, net | 6 | | 1,234,213 | 765,505 | 289,846 |
| Loans receivable, net | 7 | | 8,692,126 | 9,372,583 | 8,425,257 |
| Withholding tax recoverable | | | 141,052 | 141,052 | 141,052 |
| Other assets | 8 | | 10,798 | 15,283 | 26,351 |
| Investments, net | 9 | | 2,652,994 | 2,578,799 | 4,209,690 |
| Property, plant and equipment | 10 | | 5,468,061 | 5,560,237 | 5,702,620 |
| Due from related parties | 13 | | 831,879 | 820,092 | 861,011 |
| Pension asset | 14 | | <u>486,165</u> | <u>437,553</u> | <u>355,006</u> |
| Total Assets | | \$ | <u>26,184,332</u> | <u>25,523,623</u> | <u>24,650,849</u> |
| Liabilities and Shareholders' Equity | | | | | |
| Liabilities | | | | | |
| Accounts payable | | \$ | 125,968 | 95,750 | 69,752 |
| Accrued employee benefits | 23 | | 464,397 | 423,529 | 362,121 |
| Due to related party | | | - | 13,801 | - |
| Due to Tourism Industry Relief Fund | 18 | | 96,136 | 96,136 | 96,136 |
| Deferred shareholder grant | 12 | | <u>179,971</u> | <u>217,896</u> | <u>278,301</u> |
| Total Liabilities | | | <u>866,472</u> | <u>847,112</u> | <u>806,310</u> |
| Shareholders' Equity | | | | | |
| Stated capital | 15 | | 17,372,109 | 17,372,109 | 17,372,109 |
| Other comprehensive income | | | 184,526 | 193,323 | 154,943 |
| Accumulated surplus | | | <u>7,761,225</u> | <u>7,111,079</u> | <u>6,317,487</u> |
| Total Shareholders' Equity | | | <u>25,317,860</u> | <u>24,676,511</u> | <u>23,844,539</u> |
| Contingencies | 24 | | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Shareholders' Equity | | \$ | <u>26,184,332</u> | <u>25,523,623</u> | <u>24,650,849</u> |

See accompanying notes to the financial statements.

Approved on behalf of the Board:



Chairman



Director

ENTERPRISE GROWTH FUND LIMITED

Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> <u>restated</u> |
|--|--------------|--------------------------|--------------------------------|
| Revenue | | | |
| Management fees | 17 | \$ 2,678,370 | 2,749,068 |
| Evaluation and commitment fees | | 11,660 | 69,140 |
| Investment income | | 639,051 | 553,083 |
| Interest on short term deposits | | 132,850 | 166,279 |
| Other | | <u>13,142</u> | <u>12,568</u> |
| | | <u>3,475,073</u> | <u>3,550,138</u> |
| Expenses | | | |
| Operating | | 2,440,256 | 2,389,431 |
| Depreciation | 10 | 278,128 | 269,606 |
| Gain on disposal of assets | | - | (8,500) |
| Loan provision | 7 | 140,709 | 1,009 |
| Investment recoveries | | <u>(139,166)</u> | <u>-</u> |
| | | <u>2,719,927</u> | <u>2,651,546</u> |
| Net income | | 755,146 | 898,592 |
| Other Comprehensive (Loss)/Income | | | |
| Re-measurement of defined benefit pension plan | | <u>(8,797)</u> | <u>38,380</u> |
| Net income and other comprehensive income | | \$ <u><u>746,349</u></u> | <u><u>936,972</u></u> |

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>Class A Shares</u> | <u>Class B Shares</u> | <u>Other Comprehensive Income</u> | <u>Accumulated Surplus</u> | <u>Total</u> |
|---|--------------|---------------------------|---------------------------|---|--------------------------------|-------------------|
| Balances, December 31, 2012 | \$ | 3,500,000 | 13,872,109 | 154,943 | 6,679,608 | 24,206,660 |
| Prior year adjustment | 23 | - | - | - | (362,121) | (362,121) |
| Balances, January 1, 2013 As restated | | 3,500,000 | 13,872,109 | 154,943 | 6,317,487 | 23,844,539 |
| Dividends paid | 15 | - | - | - | (105,000) | (105,000) |
| Net income and Other comprehensive income As restated | | - | - | 38,380 | 898,592 | 936,972 |
| Balances, December 31, 2013 As restated | \$ | 3,500,000 | 13,872,109 | 193,323 | 7,111,079 | 24,676,511 |
| Dividends paid | 15 | - | - | - | (105,000) | (105,000) |
| Net income and Other comprehensive income | | - | - | (8,797) | 755,146 | 746,349 |
| Balances, December 31, 2014 | \$ | <u>3,500,000</u> | <u>13,872,109</u> | <u>184,526</u> | <u>7,761,225</u> | <u>25,317,860</u> |

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Statement of Cash Flows

For the year ended December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> <u>restated</u> |
|--|--------------|---------------------|--------------------------------|
| Operating Activities | | | |
| Net income | | \$ 746,349 | 936,972 |
| Adjustments for: | | | |
| Interest on short term deposits | | (132,850) | (166,279) |
| Depreciation | | 278,128 | 269,606 |
| Gain on disposal of fixed assets | | - | (8,500) |
| Deferred shareholder-grant | | (37,925) | (60,405) |
| Investment recoveries | | (139,166) | - |
| Loan loss provision | 7 | <u>140,709</u> | <u>1,009</u> |
| Operating profit before working capital changes | | 855,245 | 972,403 |
| Increase in accounts receivable and prepayments | | (468,708) | (475,658) |
| Decrease (increase) in loans receivable | | 539,748 | (948,336) |
| (Increase) decrease in due from related party | | (11,787) | 40,919 |
| Increase in accounts payable | | 30,218 | 25,999 |
| Increase in gratuities payable | | 40,868 | 61,408 |
| Increase in pension asset | | (48,612) | (82,547) |
| (Decrease) increase in due to related party | | <u>(13,801)</u> | <u>13,801</u> |
| Interest received on short term deposits | | <u>923,171</u> | <u>(392,011)</u> |
| | | <u>137,335</u> | <u>177,345</u> |
| Net cash provided by (used in) operating activities | | <u>1,060,506</u> | <u>(214,666)</u> |
| Investing Activities | | | |
| Sale of investments | | 64,971 | 1,630,891 |
| Sale of fixed assets | | - | 8,500 |
| Purchase of fixed assets | 10 | <u>(185,952)</u> | <u>(127,222)</u> |
| Net cash (used in) provided by investing activities | | <u>(120,981)</u> | <u>1,512,169</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> |
| Increase in cash and short term deposits | | 834,525 | 1,192,503 |
| Cash and short term deposits – beginning of year | | <u>5,832,519</u> | <u>4,640,016</u> |
| Cash and short term deposits – end of year | | \$ <u>6,667,044</u> | <u>5,832,519</u> |

See accompanying notes to financial statements.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(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 May 29, 2015.

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

December 31, 2014

(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

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2. Basis of Preparation, continued

(d) Use of estimates and judgements, continued

(iv) Depreciation of property, plant & equipment

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

3. Significant Accounting Policies

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

(a) Accounts receivable, net

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

(b) Revenue recognition

Interest on deposits

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

Income from loans

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

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

Income from management fees

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

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

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

(e) Property, plant and equipment

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

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

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

(f) Deferred shareholder grant

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

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

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(Amounts in Barbados Dollars)

3. Significant Accounting Policies, continued

(g) Pension – defined benefit scheme

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

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

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

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

(h) Operating leases

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

(i) Related parties

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

4. Forthcoming new standards or amendment requirements:

Standards and interpretations adopted

There were no new standards and amendments of standards adopted during the year ended December 31, 2014 which had an impact on the Company.

New Standards and interpretations not yet adopted

- a) IFRS 7 – Financial Instrument Disclosures (Amendments), effective September 30, 2014
- b) IFRS 9 – Financial Instruments Classification and Measurement, effective January 1, 2018
- c) IFRS 15 – Revenue Contracts with Customers, effective January 1, 2017
- d) IAS 24 – Related Party Disclosures, effective July 1, 2014
- e) IAS 32 – Financial Instruments: Disclosures and Presentation, effective January 1, 2015
- f) IAS 39 – Financial Instruments: Recognition and Measurement, effective January 1, 2014

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:

| | <u>2014</u> | <u>2013</u> |
|--------------------------|---------------------|------------------|
| Cash on hand and at bank | \$ 5,206,777 | 2,167,817 |
| Short term deposits | <u>1,460,267</u> | <u>3,664,702</u> |
| | <u>\$ 6,667,044</u> | <u>5,832,519</u> |

The applicable interest rates for the short term deposits range from 1.50% to 4.0% (2013: 1.6% - 3.75%).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

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(Amounts in Barbados Dollars)

6. Accounts Receivable and Prepayments, net

Accounts receivable and prepayments, net are comprised of:

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|----------------|
| Accounts receivable, net | \$ 125,965 | 31,047 |
| Other receivables, prepayments and loan benefits | <u>1,108,248</u> | <u>734,458</u> |
| | <u>\$ 1,234,213</u> | <u>765,505</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

December 31, 2014

(Amounts in Barbados Dollars)

7. Loans Receivable, net, continued

The maturity structure of loans receivable, gross, is:

| | <u>2014</u> | <u>2013</u> |
|-----------------------------|---------------------|--------------------|
| Under 1 year | \$ 1,974,132 | 2,061,964 |
| 1 – 5 years | 2,244,181 | 2,410,861 |
| Over 5 years | <u>6,081,115</u> | <u>6,366,351</u> |
| Total loans receivable | \$ 10,299,428 | 10,839,176 |
| Less loan loss provision: | | |
| Balance at January 1 | \$ (1,466,593) | (1,465,584) |
| Impairment loss | <u>(140,709)</u> | <u>(1,009)</u> |
| Balance at December 31 | <u>(1,607,302)</u> | <u>(1,466,593)</u> |
| Total loans receivable, net | \$ <u>8,692,126</u> | <u>9,372,583</u> |

Loans receivable carry interest rates of 7.5% to 9.5% per annum at the end of 2014 (2013: 7.5% - 9.5% per annum). However, net loans receivable includes the amount of \$1,294,061 (2013: \$1,306,176) relating to staff loans. These amounts carry interest rates of 3% to 3.63% per annum (2013: 3% to 3.63% per annum).

The Company has invested in convertible bonds. These bonds are redeemable and bear interest at annual rates ranging from 8% - 10%. Any unpaid interest can be converted into shares of the borrower at \$1 per share at the option of the Company. These bonds which are reflected in loans receivable, net, amount to \$1,087,041 (2013: \$1,840,302).

During the year, the Company disbursed \$490 (2013: \$3,041) in new bonds and received no principal repayments (2013: \$57,993).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

8. Other Assets

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

| | <u>2014</u> | <u>2013</u> |
|--------------------------------------|------------------|---------------|
| Interest receivable on term deposits | \$ 10,698 | 15,183 |
| Assets transferred from CRL | <u>100</u> | <u>100</u> |
| Total | \$ <u>10,798</u> | <u>15,283</u> |

9. Investments, net

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

| | <u>2014</u> | <u>2013</u> |
|---------------------------------------|---------------------|--------------------|
| Preferred shares | \$ 1,331,451 | 2,713,500 |
| Less: Provision for investment losses | <u>(1,331,451)</u> | <u>(1,470,617)</u> |
| Net investments | - | 1,242,883 |
| Commercial deposits | <u>2,652,994</u> | <u>1,335,916</u> |
| Balances, end of year | \$ <u>2,652,994</u> | <u>2,578,799</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, preference shares totalling \$1,382,049 were redeemed (2013- nil).

Included in investments is an amount of \$2,652,994 (2013: \$1,335,916) representing commercial deposits with a maturity period of greater than 90 days. At the reporting date the effective interest rate range from 1% to 4.0% per annum (2013: 5.875% per annum).

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

10. Property, Plant and Equipment

| Cost | Land & Construction in Progress | Buildings | Vehicles | Furniture | Computer Equipment | Office Equipment | Computer Software | Total |
|---------------------------------|--|------------------|-----------------|------------------|-------------------------------|-----------------------------|------------------------------|--------------|
| Balance at December 31, 2012 | \$ 1,720,980 | 3,324,931 | 448,046 | 560,989 | 114,789 | 77,271 | 300,909 | 6,547,915 |
| Additions | - | - | 82,500 | 5,500 | 22,121 | 17,101 | - | 127,222 |
| Disposals | - | - | (61,386) | - | - | (40,160) | - | (61,386) |
| Balance at December 31, 2013 | \$ 1,720,980 | 3,324,931 | 469,160 | 566,489 | 136,910 | 94,372 | 300,909 | 6,613,751 |
| Additions | - | - | - | 134,821 | 7,740 | 43,391 | - | 185,952 |
| Disposals | - | - | - | - | - | - | - | - |
| Balance at December 31, 2014 | \$ 1,720,980 | 3,324,391 | 469,160 | 701,310 | 144,650 | 137,763 | 300,909 | 6,799,703 |
| Accumulated Depreciation | | | | | | | | |
| Balance at December 31, 2012 | \$ - | 66,499 | 151,885 | 198,063 | 101,484 | 26,455 | 300,909 | 845,295 |
| Depreciation | - | 66,499 | 92,457 | 93,432 | 12,716 | 4,501 | - | 269,605 |
| Disposals | - | - | (61,386) | - | - | - | - | (61,386) |
| Balance at December 31, 2013 | \$ - | 132,998 | 182,956 | 291,495 | 114,200 | 30,956 | 300,909 | 1,053,514 |
| Depreciation | - | 66,498 | 79,690 | 111,798 | 9,683 | 10,459 | - | 278,128 |
| Disposals | - | - | - | - | - | - | - | - |
| Balance at December 31, 2014 | \$ - | 199,496 | 262,646 | 403,293 | 123,883 | 41,415 | 300,909 | 1,331,642 |
| Net Book Value | | | | | | | | |
| At December 31, 2014 | \$ 1,720,980 | 3,125,435 | 206,514 | 298,017 | 20,767 | 96,348 | - | 5,468,061 |
| At December 31, 2013 | \$ 1,720,980 | 3,191,933 | 286,204 | 274,994 | 22,710 | 63,416 | - | 5,560,237 |

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(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

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|----------------|
| Balance – January 1 | \$ 217,896 | 278,301 |
| Disbursements – Website Design | - | (38,050) |
| Disbursements – Marketing, Planning & Evaluation | (45,000) | (25,000) |
| Receipts – Technical Assistance | 5,000 | - |
| Interest earned on funds | <u>2,075</u> | <u>2,645</u> |
| Balance – December 31 | \$ <u>179,971</u> | <u>217,896</u> |

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

13. Due from Related Parties

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|----------------|
| Agricultural Development Fund | \$ 172,489 | 202,980 |
| Energy Smart Fund | 67,693 | - |
| Export, Promotion & Marketing Fund | 4,029 | - |
| Industrial Investment and Employment Fund | 76,229 | 89,322 |
| Innovation Fund | 25,421 | 25,007 |
| Small Hotels Investment Fund | 267,336 | 287,296 |
| Tourism Loan Fund | <u>218,682</u> | <u>215,487</u> |
| | \$ <u>831,879</u> | <u>820,092</u> |

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

Related party transactions

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

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

14. Defined Benefit Pension Plan

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

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|--------------------|
| Statement of Financial Position | | |
| Present value of obligation at end of year | \$ 1,268,697 | 1,180,269 |
| Minus Fair value of plan assets at end of year | <u>(1,754,862)</u> | <u>(1,617,822)</u> |
| Asset recognized in the statement of financial position | \$ <u>(486,165)</u> | <u>(437,553)</u> |
| Current service cost (reduced by Employee contributions) | \$ 58,990 | 63,184 |
| Net interest on net defined benefit liability | <u>(30,448)</u> | <u>(23,840)</u> |
| Expense recognized in profit and loss | \$ <u>28,542</u> | <u>39,344</u> |
| Actuarial gain on obligation | \$ (58,617) | (64,120) |
| Return on Plan assets excluding interest income | <u>67,414</u> | <u>25,740</u> |
| Re-measurements recognised in OCI | <u>8,797</u> | <u>(38,380)</u> |
| | <u>2014</u> | <u>2013</u> |
| Movement in net asset recognized in the statement of financial position | | |
| Net asset at the start of the year | \$ (437,553) | (355,006) |
| Amount recognized in profit and loss | 28,542 | 39,344 |
| Re-measurements recognised in OCI | 8,797 | (38,380) |
| Contributions - Employer | <u>(85,951)</u> | <u>(83,511)</u> |
| Net asset at the end of the year | \$ <u>(486,165)</u> | <u>(437,553)</u> |
| | <u>2014</u> | <u>2013</u> |
| Movement in present value of obligation | | |
| Present value of obligation at start of year | \$ 1,180,269 | 1,060,330 |
| Interest expense | 93,893 | 86,723 |
| Current service cost | 92,792 | 97,384 |
| Less: benefits paid | (39,640) | (48) |
| Actuarial gain loss on obligation | <u>(58,617)</u> | <u>(64,120)</u> |
| Present value of obligation at year end | \$ <u>1,268,697</u> | <u>1,180,269</u> |

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

14. Defined Benefit Pension Plan, continued

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|------------------|
| Movement in plan assets | | |
| Fair value of plan assets at start of year | \$ 1,617,822 | 1,415,336 |
| Actual return on plan assets | 56,927 | 84,823 |
| Contributions paid – total | 119,753 | 117,711 |
| Benefits paid | <u>(39,640)</u> | <u>(48)</u> |
| Fair value of plan assets at end of year | \$ <u>1,754,862</u> | <u>1,617,822</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>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Present Value of the obligation | (1,268,697) | (1,180,269) | (1,060,330) | (953,572) | (846,545) |
| Fair value of plan assets | 1,754,862 | 1,617,822 | 1,415,336 | 1,216,314 | 1,083,487 |
| Surplus | 486,165 | 437,553 | 355,006 | 262,742 | 236,942 |

Sensitivity analysis

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

| | <u>+0.25%</u> | <u>-0.25%</u> |
|------------------|---------------|---------------|
| Discount rate | 1,210,713 | 1,331,034 |
| Salary increases | 1,318,005 | 1,222,038 |

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

15. Stated Capital

| | <u>2014</u> | <u>2013</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 (2013: \$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 \$350,000 (2013: NIL).

ENTERPRISE GROWTH FUND LIMITED

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17. Management Fees

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

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Agricultural Development Fund | \$ 595,093 | 749,803 |
| Energy Smart Fund | 63,579 | 1,896 |
| Export, Promotion & Marketing Fund | 10,859 | 447 |
| Industrial Investment and Employment Fund | 261,569 | 262,050 |
| Innovation Fund | 92,947 | 92,821 |
| Small Hotels Investment Fund | 911,192 | 909,663 |
| Tourism Loan Fund | <u>743,131</u> | <u>732,388</u> |
| | \$ <u>2,678,370</u> | <u>2,749,068</u> |

Amounts receivable related to management fees as at December 31, 2014 and 2013 were \$831,879 and \$807,253 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

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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 financial year 2014 \$96,136 (2013: \$96,136) remains undisbursed.

19. Post Balance Sheet Events

Subsequent to the reporting date, the decision was made by the Board of Directors to change the year-end of the Fund to March 31. This will be effected from March 2016.

20. Financial Risk Management

Introduction and overview

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

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

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

Risk Management Framework

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

Credit risk

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

Loans receivable

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

ENTERPRISE GROWTH FUND LIMITED

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20. Financial Risk Management, continued

Management of credit risk

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

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

Financial investments

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

Exposure to credit risk

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

| | <u>Carrying Amount</u> | |
|------------------------------|------------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Held to maturity investments | \$ 2,652,994 | 1,335,916 |
| Loans and receivables | 8,692,126 | 9,372,583 |
| Cash and cash equivalents | <u>6,667,044</u> | <u>5,832,519</u> |
| Total | \$ <u>18,012,164</u> | <u>16,541,018</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

December 31, 2014

(Amounts in Barbados Dollars)

20. Financial Risk Management, continued

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

| | | 2014 | | | |
|------------------------|----|----------------------------------|------------------------------|--------------------------|-------------------|
| | | Neither Past due Nor impaired | Past due but not impaired | Individually Impaired | Total |
| Cash Resources | \$ | 6,667,044 | - | - | 6,667,044 |
| Financial investments: | | | | | |
| Held to maturity | | 2,652,994 | - | - | 2,652,994 |
| Loans receivable | | <u>3,104,192</u> | <u>5,473,207</u> | <u>114,727</u> | <u>8,692,126</u> |
| | | <u>12,424,230</u> | <u>5,473,207</u> | <u>114,727</u> | <u>18,012,164</u> |

| | | 2013 | | | |
|------------------------|----|----------------------------------|------------------------------|--------------------------|-------------------|
| | | Neither Past due Nor impaired | Past due but not impaired | Individually Impaired | Total |
| Cash resources | \$ | 5,832,519 | - | - | 5,832,519 |
| Financial investments: | | | | | |
| Held to maturity | | 2,578,799 | - | - | 2,578,799 |
| Loans receivable | | <u>3,087,127</u> | <u>6,285,456</u> | <u>-</u> | <u>9,372,583</u> |
| | | <u>11,498,445</u> | <u>6,285,456</u> | <u>-</u> | <u>17,783,901</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

December 31, 2014

(Amounts in Barbados Dollars)

20. 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>2014</u> | Impairment <u>2014</u> | Gross <u>2013</u> | Impairment <u>2013</u> |
|------------------------|----|----------------------|---------------------------|----------------------|---------------------------|
| Not past due | \$ | - | - | - | - |
| Past due 0 – 30 days | | 125,965 | - | 30,985 | - |
| 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>158,975</u> | <u>32,943</u> | <u>63,995</u> | <u>32,943</u> |

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

| | | <u>2014</u> | <u>2013</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> |

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

20. Financial Risk Management, continued

Liquidity risk

Liquidity risk is the risk that the Company 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 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 (2013 – 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

December 31, 2014

(Amounts in Barbados Dollars)

20. 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 December 31, 2014, with all other variables held constant. The impact is illustrated and shown in the table below:

| Increase/(decrease) of 100 bps | | <u>2014</u> | <u>2013</u> |
|--|----|-------------|-------------|
| Impact on comprehensive income +100 bps | \$ | 85,207 | 73,744 |
| Impact on comprehensive income – 100 bps | | (85,207) | (73,744) |

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.

Financial income and expense

| | | <u>2014</u> | <u>2013</u> |
|---|----|-----------------------|-----------------------|
| Interest income on unimpaired loans & receivables | \$ | 639,051 | 553,082 |
| Interest income on bank deposits | | 132,850 | 166,279 |
| Reversal of investment provisions | | <u>139,166</u> | <u>-</u> |
| Financial income | | 911,067 | 719,361 |
| Financial expenses | | <u>(140,709)</u> | <u>(1,009)</u> |
| Net financial income | \$ | <u><u>770,358</u></u> | <u><u>718,352</u></u> |

Investments

Non-current investments

| | | | |
|--------------------------------|----|-----------|-----------|
| Held-to-maturity investments | \$ | 2,652,994 | 1,335,916 |
| Available-for-sale investments | | - | - |

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

21. 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:

| | 2014 | 2014 | 2013 | 2013 |
|-------------------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Carrying Value</u> | <u>Fair Value</u> |
| Cash and short term deposits | \$ 6,667,044 | 6,667,044 | 5,832,519 | 5,832,519 |
| Accounts receivable & prepayments | 1,234,213 | 1,234,213 | 765,505 | 765,505 |
| Loans receivable, net | 8,692,126 | 8,692,126 | 9,372,583 | 9,372,583 |
| Preferred shares | - | 1,331,451 | - | 1,242,883 |
| Held to maturity investments | 2,652,994 | 2,652,994 | 1,335,916 | 1,335,916 |
| Due from related parties | 831,879 | 831,879 | 820,092 | 820,092 |
| Accounts payable | (125,968) | (125,968) | (95,750) | (95,750) |
| Accrued employee benefits | (464,397) | (464,397) | (423,529) | (423,529) |
| Due to related parties | - | - | (13,801) | (13,801) |
| Due to Tourism Industry Relief Fund | (96,136) | (96,136) | (96,136) | (96,136) |

Determination of fair value and fair value hierarchy

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

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

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

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

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

ENTERPRISE GROWTH FUND LIMITED

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

21. Fair Value Disclosure of Financial Instruments, continued

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.

22. Key Management Personnel Compensation

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

| | <u>2014</u> | <u>2013</u> |
|---------------------------------------|-------------------|----------------|
| Salaries, directors fees and benefits | \$ <u>916,887</u> | <u>899,701</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.

23. Prior Year Adjustment

The financial statements for 2013 have been restated to include accrued employee benefits which were not recorded in prior years. This change has resulted in the reduction in accumulated surplus for income years 2013 and 2012 as illustrated below:

| Summary of the prior year accounting impact | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| Prior year adjustment - increase in employee benefits | \$ 61,408 | 362,121 |
| Prior year adjustment – increase in employee benefits liability | (61,408) | (362,121) |
| Prior year adjustment – decrease in accumulated surplus | \$ (61,408) | 362,121 |

The amount of \$40,868 which relates to the financial year ended December 31, 2014 is included in operating expenses.

24. 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.

25. Comparative figures

Certain comparative figures were reclassified to conform with the current year's presentation.

“Improving Energy Efficiency in Agriculture”

“Improving efficiency on the farm is not only a risk reduction strategy, it’s a profitability strategy”
Bill Casady



Agricultural Development Fund

Financial Statements
December 31, 2014

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Agricultural Development Fund

Corporate Information

Management Committee

Mr. Ian Collymore – Chairman

Mr. Lionel Jordan – Deputy Chairman

Mr. Anthony Sobers – Member

A representative of Enterprise Growth Fund Limited – Member

A representative of the Barbados Agricultural Society – Member

Permanent Secretary – Ministry of Finance or his nominee – Member

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

Fund Manager

Enterprise Growth Fund Limited

Secretary

Mrs. Linda Harris

Bankers

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

Auditors

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

Agricultural Development Fund

Management Committee's Report

The Management Committee submits its annual report and the audited financial statements for the year ended December 31, 2014 which show the state of the Fund's affairs.

\$

1. The net comprehensive loss for the year was (363,191)

Which is added to the accumulated deficit brought forward of (8,861,640)

Resulting in an accumulated deficit to be carried forward of (9,224,831)
2. The retiring auditors, Skeete, Best & Co., Chartered Accountants, offer themselves for re-appointment.

By Order of the Management Committee



Linda Harris
Secretary
May 7, 2015



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



Independent Auditors' Report

To the Management Committee of the Agricultural Development Fund

We have audited the accompanying financial statements of the **Agricultural Development Fund**, which comprise the statement of financial position as of December 31, 2014, and the statements of comprehensive loss, changes in fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Agricultural Development Fund** as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Skeete, Best & Co.

Chartered Accountants

Barbados, W.I.
May 7, 2015

Agricultural Development Fund
Statement of Financial Position
As of December 31, 2014
(expressed in Barbados dollars)

| | 2014 \$ | 2013 \$ |
|--|-------------------|------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 2,910,122 | 2,606,135 |
| Short term investment (Note 4) | 1,057,364 | 2,089,002 |
| Withholding tax refundable (Note 9) | 22,714 | 22,714 |
| Other receivable | - | 1,849 |
| Due from related party (Note 5) | - | 20,499 |
| Interest receivable | 20,874 | 45,870 |
| Total current assets | 4,011,074 | 4,786,069 |
| Available-for-sale investments (Note 6) | - | - |
| Revolving lines of credit (Note 7) | 3,647 | 3,647 |
| Loans receivable (Note 8) | 9,984,957 | 10,380,252 |
| Total assets | 13,999,678 | 15,169,968 |
| Liabilities and fund | | |
| Current liabilities | | |
| Accounts payable | 27,113 | 26,027 |
| Due to related parties (Note 5) | 573,545 | 588,187 |
| Total liabilities | 600,658 | 614,214 |
| Fund | 13,399,020 | 14,555,754 |
| Total liabilities and fund | 13,999,678 | 15,169,968 |

Approved by the Management Committee on May 7, 2015

 Chairman

 Member

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Statement of Changes in Fund

Year ended December 31, 2014

(expressed in Barbados dollars)

| | Development Fund | Accumulated Deficit | Total |
|-------------------------------------|-----------------------------|--------------------------------|--------------|
| | \$ | \$ | \$ |
| Balance at January 1, 2012 | 33,029,931 | (9,045,195) | 23,984,736 |
| Funds received from Government | 4,000,000 | - | 4,000,000 |
| Grants disbursed (Note 10) | (13,612,537) | - | (13,612,537) |
| Net comprehensive income | - | 183,555 | 183,555 |
| Balance at December 31, 2013 | 23,417,394 | (8,861,640) | 14,555,754 |
| Grants disbursed (Note 10) | (793,543) | - | (793,543) |
| Net comprehensive loss | - | (363,191) | (363,191) |
| Balance at December 31, 2014 | 22,623,851 | (9,224,831) | 13,399,020 |

Agricultural Development Fund

Statement of Comprehensive Loss

Year ended December 31, 2014

(expressed in Barbados dollars)

| | 2014 | 2013 |
|---------------------------------|------------------|-------------|
| | \$ | \$ |
| Revenue | | |
| Interest on deposits | 126,931 | 281,400 |
| Interest on loans | 450,125 | 819,612 |
| | 577,056 | 1,101,012 |
| Less: Interest expense | - | 28,419 |
| | 577,056 | 1,072,593 |
| Expenses | | |
| Bank charges | 290 | 4,293 |
| Impairment losses (Note 11) | 206,000 | (33,334) |
| Management Committee fees | 5,790 | 9,890 |
| Management fees (Note 5) | 699,232 | 881,018 |
| Professional fees | 28,936 | 27,171 |
| | 940,247 | 889,038 |
| Net comprehensive (loss) income | (363,191) | 183,555 |

The accompanying notes form an integral part of these financial statements

Agricultural Development Fund

Statement of Cash Flows

Year ended December 31, 2014

(expressed in Barbados dollars)

| | 2014 | 2013 |
|--|------------------|--------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net comprehensive (loss) income | (363,191) | 183,554 |
| Adjustment for: | | |
| Provision for impairment losses | 206,000 | (33,334) |
| Operating (loss) profit before working capital changes | (157,191) | 150,220 |
| Decrease (increase) in interest receivable | 24,996 | (3,131) |
| Decrease (increase) in other receivable | 1,849 | (1,849) |
| Loans disbursed | (364,847) | (543,433) |
| Loans repaid | 554,142 | 1,228,298 |
| Revolving line of credit repaid | - | 33,528 |
| Sale of available-for-sale investments | - | 33,334 |
| Sale of short-term investment | 1,031,638 | 1,055,753 |
| Purchase of short term investment | - | (2,089,002) |
| Increase in accounts payable | 1,086 | 2,437 |
| Decrease in due from related party | 20,499 | 1,353,026 |
| (Decrease) increase in due to related parties | (14,642) | 370,210 |
| Net cash from operating activities | 1,097,530 | 1,589,391 |
| Cash flows from financing activities | | |
| Loan repaid to Central Bank of Barbados | - | (2,340,000) |
| Loan received from Central Bank of Barbados | - | 819,425 |
| Funds received from Government of Barbados | - | 4,000,000 |
| Grants disbursed | (793,543) | (13,612,537) |
| Net cash used in financing activities | (793,543) | (11,133,112) |
| Net increase (decrease) in cash and cash equivalents | 303,987 | (9,543,721) |
| Cash and cash equivalents - beginning of the year | 2,606,135 | 12,149,856 |
| Cash and cash equivalents- end of the year | 2,910,122 | 2,606,135 |
| Cash and cash equivalents comprise: | | |
| Cash | 690,878 | 460,243 |
| Term deposits (Note 3) | 2,219,244 | 2,145,892 |
| | 2,910,122 | 2,606,135 |

1. Establishment and purpose

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

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

2. Significant accounting policies

Basis of preparation

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

Basis of measurement

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

Use of estimates and judgements

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

Standards, amendments and interpretations effective in 2014

a) The following amendments to published standards are mandatory for the Fund's accounting periods beginning on or after January 1, 2014.

- IFRS 12 Disclosures of Interest in Other Entities (amendment for investment entities) – effective January 1, 2014
- IAS 32 Financial Instruments - Presentation (amendment to the offsetting of assets and liabilities) - effective January 1, 2014
- IAS 36 Impairment of Assets (amendment arising from recoverable amount disclosures for Non-financial assets) - effective January 1, 2014

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

- IFRS 27 – Separate Financial Statements (amendment) - effective January 1, 2014
- IAS 39 – Financial Instruments: Recognition & Measurement (amendments for Novations of derivatives) - effective January 1, 2014

2. Significant accounting policies.....continued

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

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (annual improvements) - effective January 1, 2016
- IFRS 7 – Financial Instruments: Disclosures (annual improvements)- effective January 1, 2016
- IFRS 8 – Operating Segments (aggregation of segments and recognition of segment assets) - effective July 1, 2014
- IFRS 9 – Financial Instruments (Classification and Measurement of financial assets) effective January 1, 2018
- IFRS 12 – Disclosure of Interests in Other Entities (amendments regarding the application of the consolidation exception) - effective January 1, 2016
- IFRS 13 – Fair value Measurement (scope of portfolio exception in paragraph 52) - effective July 1, 2014
- IFRS 15 – Revenue from Contracts with Customers (amendment) - effective January 1, 2017
- IAS 1 – Presentation of Financial Statements (amendments resulting from disclosure initiative) – effective January 1, 2016
- IAS 24 – Related Party Disclosures (annual improvements – management entities) July 1, 2014

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

- IFRS 2 – Share based payment (definition of 'vesting condition') – effective July 1, 2014
- IFRS 3 – Business Combinations (amendment) - effective July 1, 2014)
- IFRS 7 - Financial Instruments: Disclosures (additional hedge accounting) – applies when IFRS 9 is applied
- IFRS 10 – Consolidated Financial Statements (amendment) - effective January 1, 2016
- IFRS 11 – Joint Arrangements – effective January 1, 2016
- IFRS 14 – Regulatory Deferral Accounts - effective January 1, 2016
- IAS 16 – Property, Plant and Equipment - effective July 1, 2014 & January 1, 2016
- IAS 19 – Employee Benefits - effective July 1, 2014 & January 1, 2016
- IAS 27 – Separate Financial Statements - effective January 1, 2016
- IAS 28 – Investments in Associates and Joint Ventures - effective January 1, 2016
- IAS 34 – Interim Financial Reporting - effective January 1, 2016
- IAS 38 – Intangible Assets (amendment) - effective July 1, 2014 & January 1, 2016
- IAS 39 – Financial Instruments: Recognition and Measurement (amendment to continue to apply hedge accounting) – effective when IFRS 9 is applied
- IAS 40 – Investment Property (amendment) effective July 1, 2014
- IAS 41 – Agriculture (amendment to bring Bearer Plants into IAS 16 scope) – effective January 1, 2016

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.

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.

2. Significant accounting policies.....continued

Impairment...continued

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.

i) Calculation of recoverable amount

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

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

ii) Reversals of impairment

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

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

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

Revenue recognition

Loans and investments

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

Grants

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

Agricultural Development Fund
Notes to Financial Statements
Year ended December 31, 2014
(expressed in Barbados dollars)

3. Cash equivalents

This is a term deposit placed with a financial institution.

| Financial Institution | Date of Maturity | Interest Rate | Principal \$ |
|--------------------------------|-------------------------|----------------------|------------------------|
| 2014 | | | |
| Capita Financial Services Inc. | March 15, 2015 | 3.00% | <u>2,219,244</u> |
| 2013 | | | |
| Capita Financial Services Inc. | March 12, 2014 | 3.50% | <u>2,145,892</u> |

4. Short-term investments

This is a term deposit placed with a financial institution.

| Financial Institution | Date of Maturity | Interest Rate | Principal \$ |
|-------------------------------------|-------------------------|----------------------|------------------------|
| 2014 | | | |
| Capita Financial Services Inc. | April 24, 2015 | 3.25% | <u>1,057,364</u> |
| | | | <u>1,057,364</u> |
| 2013 | | | |
| First Citizens Bank (Barbados) Ltd. | January 06, 2014 | 2.30% | 1,070,201 |
| Capita Financial Services Inc. | April 24, 2014 | 3.75% | <u>1,018,801</u> |
| | | | <u>2,089,002</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 \$699,232 (2013 - \$881,018) were incurred during the year in respect of management fees payable to the Enterprise Growth Fund Limited. At December 31, 2014, the related party balances were as follows:

| | 2014 \$ | 2013 \$ |
|---|-------------------|-------------------|
| Due to Disaster Relief Revolving Fund | (401,056) | (385,207) |
| Due to Enterprise Growth Fund Limited | <u>(172,489)</u> | <u>(202,980)</u> |
| | <u>(573,545)</u> | <u>(588,187)</u> |
| Due from Industrial, Investment & Employment Fund | <u>-</u> | <u>20,499</u> |

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

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. The Fund has reserved the right to convert any dividends not paid within twenty-four calendar months of their due date into additional Class A preferred shares at a price of \$1.00 per share. The Fund's total investment was \$4,000,000 (2013 - \$4,000,000)

Impairment allowance recognised on this investment at year end was \$4,000,000 (2013 - \$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; 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 (2013 - \$3,555,769)

Impairment allowance recognised on this investment at year end was \$3,555,769 (2013 - \$3,555,769).

| | 2014 | 2013 |
|--------------------------------|--------------------|--------------------|
| | \$ | \$ |
| 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 | |
|---|----------------------|-------------|----------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | % | % | \$ | \$ |
| Exclusive Cottons of the Caribbean Inc. | 6.5% | 6.5% | 504,136 | 504,136 |
| Barbados Agricultural Development & Marketing Corporation | 6.5% | 6.5% | <u>3,647</u> | <u>3,647</u> |
| | | | 507,783 | 507,783 |
| Less: Provision for credit losses | | | <u>(504,136)</u> | <u>(504,136)</u> |
| | | | <u>3,647</u> | <u>3,647</u> |

Agricultural Development Fund
Notes to Financial Statements
Year ended December 31, 2014
(expressed in Barbados dollars)

8. Loans receivable

The loans at year end comprised:

| | Interest rate | | Outstanding balances | |
|----------------------------------|----------------------|-------------|-----------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | % | % | \$ | \$ |
| 1 year | 6.5-7.0 | 6.5-7.0 | 2,484,244 | 1,305,921 |
| 2 to 5 years | 6.5-8.5 | 6.5-7.0 | 5,558,053 | 978,412 |
| Over 5 years and up to 10 years | 6.5-7.0 | 6.5-7.0 | 4,754,346 | 8,335,513 |
| Over 10 years and up to 15 years | 6.5 | 6.5-7.0 | <u>1,565,344</u> | <u>3,931,436</u> |
| | | | 14,361,987 | 14,551,282 |
| Less: Provision for loan losses | | | <u>(4,377,030)</u> | <u>(4,171,030)</u> |
| | | | <u>9,984,957</u> | <u>10,380,252</u> |
| | | | 2014 | 2013 |
| | | | \$ | \$ |
| Provision for loan losses | | | | |
| Balance at January 1 | | | 4,171,030 | 4,171,030 |
| Increase in provision | | | <u>206,000</u> | <u>-</u> |
| Balance at December 31 | | | <u>4,377,030</u> | <u>4,171,030</u> |

9. Taxation

| | 2014 | 2013 |
|--|---------------|---------------|
| | \$ | \$ |
| Statement of Financial Position: | | |
| Withholding taxes refundable – year of income 2003 | <u>22,714</u> | <u>22,714</u> |

10. Grants disbursed

During the year, the following grants were disbursed:

| | 2014 | 2013 |
|--|----------------|-------------------|
| | \$ | \$ |
| Barbados Agricultural Development and Marketing Corporation | 726,685 | - |
| Barbados Agricultural Management Co. Ltd | - | 6,808,074 |
| Barbados Agricultural Society | 6,000 | 713 |
| Barbados Cane Industry Corporation | 60,858 | 2,910,000 |
| Ministry of Agriculture, Food, Fisheries and Water Resource Management | <u>-</u> | <u>3,893,750</u> |
| | <u>793,543</u> | <u>13,612,537</u> |

11. Impairment losses

This amount is made up as follows: -

| | 2014 | 2013 |
|--|----------------|-----------------|
| | \$ | \$ |
| Decrease in equity provision (note 6) | - | (33,334) |
| Increase in provision for loan losses (note 8) | <u>206,000</u> | <u>-</u> |
| | <u>206,000</u> | <u>(33,334)</u> |

12. Commitments

At the year end, the following commitments were outstanding:

| | 2014 | 2013 |
|--------|------------------|------------------|
| | \$ | \$ |
| Loans | 607,497 | 511,183 |
| Grants | <u>1,818,363</u> | <u>2,545,048</u> |
| | <u>2,425,860</u> | <u>3,056,231</u> |

13. Post statement of financial position event

Subsequent to the financial reporting date, a decision was made by the Management Committee to change the year end of the Fund to March 31. The change will apply to the first accounting period from January 1, 2015 to March 31, 2016.

14. 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.

14. Financial risk management ...continued

b) Credit risk

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

Management of credit risk

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

Impaired loans and securities

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

Past due but not impaired loans

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

Allowances for impairment

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

Write off policy

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

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

14. Financial risk management ...continued

c) Liquidity risk

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

Management of liquidity risk

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

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

d) Market risk

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

Management of market risk

Market risk is measured in accordance with established standards.

e) Exposure to interest rate risk

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

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

f) Operational risk

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

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

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

15. 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.

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

Agricultural Development Fund
Notes to Financial Statements
Year ended December 31, 2014
(expressed in Barbados dollars)

15. Segment reporting...continued

| 2013 | | | |
|----------------------------|------------------|---------------------|-------------|
| Segment information | Commercial \$ | Developmental \$ | Total \$ |
| Total revenue | 1,101,012 | - | 1,101,012 |
| Management fees | 881,018 | - | 881,018 |
| Impairment losses - loans | - | - | - |
| Impairment losses - equity | (33,334) | - | (33,334) |
| Other operating expenses | 69,773 | - | 69,773 |
| Total expenses | 917,457 | - | 917,457 |
| Net income (loss) | 183,555 | - | 183,555 |
| Current assets | 4,786,069 | - | 4,786,069 |
| Non-current assets | 10,383,899 | - | 10,383,899 |
| Intersegment balances | 109,482,581 | (109,482,581) | - |
| Liabilities | 614,214 | - | 614,216 |
| Funds received (disbursed) | 125,105,335 | (101,687,941) | 23,417,394 |
| Accumulated deficit | (1,067,000) | (7,794,640) | (8,861,640) |

Disaster Relief Revolving Fund

Financial Statements
December 31, 2014

| | |
|--|---------|
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Independent Auditors' Report

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

We have audited the accompanying financial statements of the **Disaster Relief Revolving Fund**, which comprise the statement of financial position as of December 31, 2014 and the statements of comprehensive income, changes in fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Disaster Relief Revolving Fund** as of December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Skeete, Best & Co.,

Chartered Accountants

Barbados, W.I.
May 7, 2015

Disaster Relief Revolving Fund
Statement of Financial Position
As of December 31, 2014
(expressed in Barbados dollars)

| | 2014 | 2013 |
|------------------------------------|------------------|-------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (Note 3) | 2,116,544 | 2,026,138 |
| Due from related party (Note 5) | 401,055 | 385,206 |
| Withholding tax refundable | 45,844 | 45,844 |
| Interest receivable | 17,718 | 20,909 |
| | <hr/> | <hr/> |
| Total current assets | 2,581,161 | 2,478,097 |
| Loans receivable (Note 4) | - | - |
| | <hr/> | <hr/> |
| | 2,581,161 | 2,478,097 |
| | <hr/> | <hr/> |
| Liabilities and fund | | |
| Current liabilities | | |
| Accounts payable | 7,109 | 6,522 |
| | <hr/> | <hr/> |
| Total liabilities | 7,109 | 6,522 |
| | <hr/> | <hr/> |
| Fund | 2,574,052 | 2,471,575 |
| | <hr/> | <hr/> |
| Total liabilities and fund | 2,581,161 | 2,478,097 |
| | <hr/> | <hr/> |

Approved by the Management Committee on May 7, 2015

 Chairman

 Member

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund
Statement of Changes in Fund
Year ended December 31, 2014
(expressed in Barbados dollars)

| | Disaster Relief Fund \$ | Retained Earnings \$ | Total \$ |
|-------------------------------------|--|-------------------------------------|---------------------|
| Balance at January 1, 2013 | 2,000,000 | 324,584 | 2,324,584 |
| Net income | - | 146,991 | 146,991 |
| Balance at December 31, 2013 | 2,000,000 | 471,575 | 2,471,575 |
| Net income | - | 102,477 | 102,477 |
| Balance at December 31, 2014 | 2,000,000 | 574,052 | 2,574,052 |

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund
Statement of Comprehensive Income
Year ended December 31, 2014
(expressed in Barbados dollars)

| | 2014 | 2013 |
|------------------------------------|-----------------|-------------|
| | \$ | \$ |
| Revenue | | |
| Interest on deposits | 75,543 | 90,474 |
| Interest on loans | 5,272 | 7,744 |
| | 80,815 | 98,218 |
| Expenses | | |
| Bank charges | 152 | - |
| Provision for loan losses (Note 4) | (29,570) | (55,642) |
| Professional fees | 7,756 | 6,869 |
| | (21,662) | (48,773) |
| Net income | 102,477 | 146,991 |

The accompanying notes form an integral part of these financial statements

Disaster Relief Revolving Fund

Statement of Cash Flows

Year ended December 31, 2014

(expressed in Barbados dollars)

| | 2014 | 2013 |
|---|------------------|-------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net income | 102,477 | 146,991 |
| Adjustment for: | | |
| Provision for loan losses | (29,570) | (55,642) |
| Operating profit before working capital changes | 72,907 | 91,349 |
| Decrease in interest receivable | 3,191 | 69 |
| Loans repaid | 29,570 | 55,642 |
| Increase in accounts payable | 587 | 295 |
| Increase in amounts due from related party | (15,849) | (385,206) |
| Decrease in amounts due to related party | - | (271,525) |
| Cash provided by (used in) generated from operations | 90,406 | (509,376) |
| Net increase (decrease) increase in cash and cash equivalents | 90,406 | (509,376) |
| Cash and cash equivalents - beginning of year | 2,026,138 | 2,535,514 |
| Cash and cash equivalents - end of year | 2,116,544 | 2,026,138 |
| Represented by: | | |
| Cash | 88,581 | 76,923 |
| Term deposits | 2,027,963 | 1,949,215 |
| | 2,116,544 | 2,026,138 |

The accompanying notes form an integral part of these financial statements

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 statement of comprehensive income 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 comprehensive income.

Taxation

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

2. Significant accounting policies ...continued

Loans receivable and allowances for loan losses

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

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

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

3. Cash and cash equivalents

This includes term deposits of \$2,027,963 (2013 - \$1,949,215) that were placed with financial institutions for a period of six months. The deposits earn interest at rates of 3.25% per annum (2013 – 4%) and mature on March 25, 2015.

| Financial Institution | Date of Maturity | Interest rate | Principal 2014 \$ | Principal 2013 \$ |
|--------------------------------|-------------------------|----------------------|----------------------------------|----------------------------------|
| Capita Financial Services Inc. | March 25, 2015 | 3.25% | 2,027,963 | 1,949,215 |
| Cash | | | 88,581 | 76,923 |
| | | | <u>2,116,544</u> | <u>2,026,138</u> |

4. Loans receivable

Loans receivable are comprised as follows:

| | Interest Rate | Outstanding balances 2014 \$ | 2013 \$ |
|----------------------------------|----------------------|---|--------------------|
| Loans Receivable | 3% | 287,109 | 316,679 |
| Less: Provision for loan losses | | <u>(287,109)</u> | <u>(316,679)</u> |
| Loans Receivable, net | | <u>-</u> | <u>-</u> |
| Provision for Loan Losses | | | |
| Balance at January 1 | | 316,679 | 372,321 |
| Decrease in provision | | <u>(29,570)</u> | <u>(55,642)</u> |
| Balance at December 31 | | <u>287,109</u> | <u>316,679</u> |

5. Related party transactions

The Fund is administered by the Agricultural Development Fund. At December 31, 2014 the Fund had a balance due from the Agricultural Development Fund of \$401,055 (2013 – \$385,206). 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 \$62,052 (2013 - \$59,495) 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 \$6,588 (2013 – \$12,579) commitments outstanding as follows:

| | 2014 | 2013 |
|-----------------|--------------|---------------|
| | \$ | \$ |
| Kelvin Phillips | - | 5,991 |
| Trevor Mayers | 6,588 | 6,588 |
| | <u>6,588</u> | <u>12,579</u> |

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 from 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 commercial banks' prime rate. The Fund therefore can exert some measure of control over its exposure to interest rate risk, and so the risk is not considered to be significant.

7. Financial risk management...continued

Credit risk

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

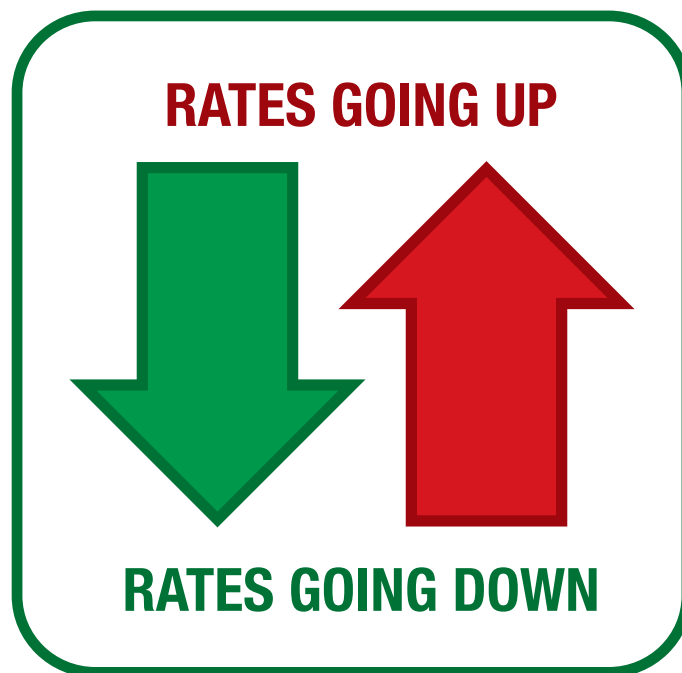
Liquidity risk

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

“Greater Access to Financing for Energy Solutions”

There is increased awareness about our consumption of non renewable energy resources and our carbon footprint. Access to low cost loans from the Energy Smart Fund allows companies to implement energy efficiency and renewable energy technologies while preserving our natural heritage.

YOU HAVE
The Power to Choose



Energy Smart Fund

Financial Statements December 31, 2014

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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
Veritas Chambers
Pine Hill
St. Michael
BARBADOS

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

KPMG
Hastings
Christ Church
BARBADOS
BB15154



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Christ Church, BB15154
Barbados

Telephone (246) 434-3900
Fax (246) 427-7123
e-Mail info@kpmg.bb

P.O. Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Trustee of Energy Smart Fund

We have audited the accompanying financial statements of Energy Smart Fund, which comprise the statement of financial position as at December 31, 2014, the statement of income, statement of changes in fund balance and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Energy Smart Fund as at December 31, 2014 its financial performance and its cash flows for the year ended December 31, 2014 in accordance with International Financial Reporting Standards.

Chartered Accountants
Bridgetown, Barbados
April 16, 2015

ENERGY SMART FUND

Statement of Financial Position


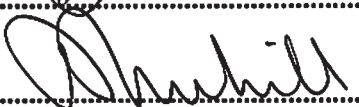
As at December 31, 2014

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> |
|-----------------------------------|--------------|----------------------------|-------------------------|
| Assets | | | |
| Cash and cash equivalents | 4 | \$ 51,334 | 3,506,786 |
| Loans receivable | 5 | 4,360,773 | 618,721 |
| Prepaid short-term benefits | | 397,133 | - |
| Interest receivable | | 15,240 | 3,774 |
| Other receivable | | <u>4,112</u> | <u>7,342</u> |
| Total Assets | | \$ <u>4,828,592</u> | <u>4,136,623</u> |
| Liabilities and Fund | | | |
| Liabilities | | | |
| Accounts payable | | \$ 24,675 | 20,000 |
| Due to related party | | 67,693 | - |
| Deferred income | | <u>18,706</u> | <u>-</u> |
| Total Liabilities | | <u>111,074</u> | <u>20,000</u> |
| Fund | | | |
| Contribution | | 4,539,687 | 3,962,924 |
| Accumulated surplus | | <u>177,831</u> | <u>153,699</u> |
| Total Fund | | <u>4,717,518</u> | <u>4,116,623</u> |
| Total Liabilities and Fund | | \$ <u>4,828,592</u> | <u>4,136,623</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 December 31, 2014

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> |
|-----------------------------|--------------|-----------------|---------------|
| Revenue | | | |
| Interest income | \$ | 118,646 | 83,126 |
| Less: Management fees | | <u>(67,693)</u> | <u>-</u> |
| Net interest income | | <u>50,953</u> | <u>83,126</u> |
| Expenses | | | |
| Bank charges | | 211 | 148 |
| Short-term benefits expense | | 9,537 | - |
| Professional fees | | <u>17,073</u> | <u>22,338</u> |
| | | <u>26,821</u> | <u>22,486</u> |
| Net income | \$ | <u>24,132</u> | <u>60,640</u> |

See accompanying notes to financial statements.

ENERGY SMART FUND

Statement of Changes in Fund Balance

For the year ended December 31, 2014

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>Contribution</u> | <u>Accumulated Surplus</u> | <u>Total</u> |
|---------------------------------------|--------------|---------------------|--------------------------------|------------------|
| Balance at December 31, 2012 | | \$ 4,000,000 | 93,059 | 4,093,059 |
| Technical Assistance grants disbursed | 6 | (37,076) | - | (37,076) |
| Income for the year | | <u>-</u> | <u>60,640</u> | <u>60,640</u> |
| Balance at December 31, 2013 | | \$ 3,962,924 | 153,699 | 4,116,623 |
| Transfers to government | | (1,369,624) | - | (1,369,624) |
| Transfers from government | | 2,246,075 | - | 2,246,075 |
| Technical Assistance grants disbursed | 6 | (299,688) | - | (299,688) |
| Income for the year | | <u>-</u> | <u>24,132</u> | <u>24,132</u> |
| Balance at December 31, 2014 | | \$ <u>4,539,687</u> | <u>177,831</u> | <u>4,717,518</u> |

See accompanying notes to financial statements.

ENERGY SMART FUND

Statement of Cash Flows

For the year ended December 31, 2014

(Amounts in Barbados Dollars)

| | <u>2014</u> | <u>2013</u> |
|--|-------------------------|-------------------------|
| Operating Activities | | |
| Net income | \$ 24,132 | 60,640 |
| Interest income | (118,646) | (83,126) |
| Interest received | <u>107,180</u> | <u>83,187</u> |
| Operating profit before working capital changes | 12,666 | 60,701 |
| Increase in accounts payable | 4,675 | 10,000 |
| Increase in loans receivable | (3,742,052) | (618,721) |
| Increase in prepaid short-term benefits | (397,133) | - |
| Decrease (increase) in other receivable | 3,230 | (7,342) |
| Increase in due to related party | 67,693 | - |
| Increase in other deferred income | <u>18,706</u> | <u>-</u> |
| Net cash used in operating activities | <u>(4,032,215)</u> | <u>(555,362)</u> |
| Financing Activities | | |
| Technical Assistance grants disbursed | (299,688) | (37,076) |
| Transfer to Government | (1,369,624) | - |
| Funding from Government | <u>2,246,075</u> | <u>-</u> |
| Net cash from (used in) investing activities | <u>576,763</u> | <u>(37,076)</u> |
| Decrease in cash and cash equivalents | (3,455,452) | (592,438) |
| Cash and cash equivalents – beginning of year | <u>3,506,786</u> | <u>4,099,224</u> |
| Cash and cash equivalents – end of year | \$ <u><u>51,334</u></u> | <u><u>3,506,786</u></u> |
| Cash and cash equivalents comprise: | | |
| Cash | 4 \$ 51,334 | 989,723 |
| Short term deposits | 4 <u>-</u> | <u>2,517,063</u> |
| | \$ <u><u>51,334</u></u> | <u><u>3,506,786</u></u> |

See accompanying notes to financial statements

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(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-tier 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 \$4.88 million has been received to date.

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

The financial statements were authorised for issue by the Trustee on April 16, 2015.

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 and cash equivalents

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

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(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

December 31, 2014

(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 EE Retrofit and 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

Except for the changes below, the Fund has consistently applied the accounting policies set out in Note (2) to all periods presented in these financial statements. The following new standards and amendments of standards have been adopted, including any consequential amendments to other standards, with a date of initial application as specified below. These are illustrated below:

a) IFRS 13 - Fair value Measurement, effective January 1, 2013

Notwithstanding the above, these changes have no significant impact on the measurements of the Fund's assets and liabilities.

New Standards and interpretations not yet adopted

- a) IFRS 7 – Financial Instrument Disclosures (Amendment): Offsetting, effective September 30, 2014
- b) IFRS 9 – Financial Instruments Classification and measurement, effective January 1, 2018
- c) IFRS 15 – Revenue from Contracts with Customers, effective January 1, 2017
- d) IAS 24 – Related Party Disclosures, effective July 1, 2014
- e) IAS 32 – Financial Instruments: Disclosure and Presentation, effective January 1, 2015
- f) IAS 39 – Financial Instruments: Recognition and Measurement, effective January 1, 2015

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

4. Cash and Cash Equivalents

| | <u>2014</u> | <u>2013</u> |
|---------------------|------------------|------------------|
| Cash | \$ 51,334 | 989,723 |
| Short term deposits | <u>-</u> | <u>2,517,063</u> |
| | \$ <u>51,334</u> | <u>3,506,786</u> |

Short term deposits consist primarily of fixed deposits with interest rates of 2.0% per annum.

5. Loans receivable

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

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

The maturity structure of loans receivable is:

| | <u>2014</u> | <u>2013</u> |
|--------------|---------------------|----------------|
| Over 5 years | \$ <u>4,360,773</u> | <u>618,721</u> |

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

December 31, 2014

(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 \$400,000.

Energy Efficiency Lighting Distribution Facility

This facility provides grant funding for selected retailers to purchase EE Lights, and distribute them for to their customers based on a voucher system. The maximum size of a grant to any selected retailer is \$500,000. There were no disbursements for the current year.

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. There were no disbursements for the current year.

7. Commitments

Outstanding commitments totalling \$2.46 million (2013 - \$4.79 million) were reported at the end of the year. These are illustrated as follows:

| | <u>2014</u> | <u>2013</u> |
|----------------|------------------|------------------|
| Loans | \$ 1,664,549 | 4,721,279 |
| Grants/Rebates | <u>800,410</u> | <u>66,223</u> |
| Total | <u>2,464,959</u> | <u>4,787,502</u> |

| <u>Client Name</u> | <u>Facility Type</u> | <u>Approved</u> | <u>Disbursed</u> | <u>Undisbursed</u> |
|-----------------------------|----------------------|------------------|------------------|--------------------|
| Airline Services Inc. | Loan | \$ 800,000 | 339,909 | 460,091 |
| Bernie's (West Coast) | Loan | 130,000 | - | 130,000 |
| Bico Ltd. | Loan | 1,500,000 | 1,500,000 | - |
| Broome Holdings Inc. | Loan | 1,500,000 | 1,468,362 | 31,638 |
| Hinds Transport Serv. Ltd. | Loan | 300,000 | 243,830 | 56,170 |
| Island Holdings Inc. | Loan | 440,000 | 440,000 | - |
| Krysnatash Investments Ltd. | Loan | 70,000 | 2,703 | 67,297 |
| Mahabir's Agencies | Loan | 76,000 | 4,374 | 71,626 |
| New Dawn Inc. | Loan | 180,000 | 174,369 | 5,631 |
| Simmons Electrical Co. Ltd | Loan | 160,400 | 160,400 | - |
| Transmed Inc. | Loan | 425,000 | 264,392 | 160,608 |
| Trevor Haynes | Loan | 163,000 | 76,054 | 86,946 |
| Unicomer (Barbados) Ltd. | Loan | <u>737,313</u> | <u>142,771</u> | <u>594,542</u> |
| Sub-total Loans c/f | | <u>6,481,713</u> | <u>4,817,164</u> | <u>1,664,549</u> |

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

7. Commitments, (continued)

| Sub-total Loans b/f | | \$ <u>6,481,713</u> | <u>4,817,164</u> | <u>1,664,549</u> |
|--|------------|---------------------|------------------|------------------|
| Airline Services Inc. | T/A Grant | \$ 11,600 | 11,600 | - |
| Animal Flower Cave Tours | T/A Grant | 2,862 | 859 | 2,003 |
| Armag Manufacturing Ltd. | T/A Grant | 25,850 | 23,970 | 1,880 |
| Atlantic Computers Ltd. | T/A Grant | 2,000 | - | 2,000 |
| B'dos Investment & Development Corporation | T/A Grant | 40,000 | 40,000 | - |
| Bico Ltd. | T/A Grant | 18,000 | 18,000 | - |
| Carters & Co. Ltd | T/A Grant | 8,500 | 2,550 | 5,950 |
| Chickmont Foods Ltd | T/A Grant | 18,000 | 5,400 | 12,600 |
| 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 | 7,050 | 7,050 | - |
| Massy Stores | PCF Rebate | 400,000 | 64,401 | 335,599 |
| Harris Holdings Ltd. | T/A Grant | 9,000 | 2,700 | 6,300 |
| Island Holdings Inc. | T/A Grant | 6,500 | 6,500 | - |
| Krysnatash Investments Ltd. | T/A Grant | 4,700 | 4,700 | - |
| Lenstec (B'dos) Inc. | T/A Grant | 37,013 | 37,013 | - |
| Morgan Lewis Co. Ltd | T/A Grant | 21,150 | 19,505 | 1,645 |
| Queen's Laundry Ltd. | T/A Grant | 24,675 | 24,675 | - |
| RDT Holdings Inc. | T/A Grant | 21,150 | 12,514 | 8,636 |
| Shorelinez Inc. | T/A Grant | 16,450 | 16,450 | - |
| Sugar Hill Property Owners | T/A Grant | 12,338 | 12,338 | - |
| The Nature Group Inc. | T/A Grant | 7,638 | 2,291 | 5,347 |
| Transmed Inc. | T/A Grant | 6,500 | - | 6,500 |
| Trevor Haynes | T/A Grant | 2,700 | 2,700 | - |
| Unicomer (Barbados) Ltd. | T/A Grant | 400,000 | - | 400,000 |
| West Haven Ltd. | T/A Grant | <u>9,000</u> | <u>2,700</u> | <u>6,300</u> |
| Subtotal Grants/Rebates | | <u>1,137,176</u> | <u>336,766</u> | <u>800,410</u> |
| TOTAL | | \$ <u>7,618,889</u> | <u>5,153,930</u> | <u>2,464,959</u> |

8. Corporation tax

The Energy Smart Fund (ESF) 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

December 31, 2014

(Amounts in Barbados Dollars)

9. Post Balance Sheet Events

Subsequent to the reporting date, the Government of Barbados transferred the amount of \$2.46 million, under instructions from the Inter-American Development Bank (IADB) to the Fund. This advance represented amounts fully justified for re-payment during 2014.

Subsequent to the reporting date, the decision was made by the Trustees of the Fund to change the year-end of the Fund to March 31. This will be effected from March 2016.

10. 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

December 31, 2014

(Amounts in Barbados Dollars)

10. 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>2014</u> | <u>2013</u> |
| Cash and short term deposits | \$ 51,334 | 3,506,786 |
| Loans receivable | 4,360,773 | 618,721 |
| Accounts receivable | <u>4,112</u> | <u>7,342</u> |
| Total | \$ <u>4,416,219</u> | <u>4,132,849</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.

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

10. Financial Risk Management, (continued)

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 (2013 – 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 Company's performance to developments affecting a particular industry or geographical location. Management does not believe that the concentration is unusual or provides undue risks.

Liquidity risk

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

Management of Liquidity Risk

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

Analysis of financial liabilities

The financial liabilities of the Fund, based on their earliest possible contractual maturity, are due within 30 days (2013 – 30 days).

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

10. 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 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 December 31, 2014, with all other variables held constant. The impact is illustrated and shown in the table below:

| Increase/(decrease) of 100 bps | | <u>2014</u> | <u>2013</u> |
|--|----|--------------------|--------------------|
| Impact on comprehensive income +100 bps | \$ | 28,807 | 528 |
| Impact on comprehensive income – 100 bps | | (28,807) | (528) |

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.

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

10. Financial Risk Management, (continued)

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>2014</u> | <u>2013</u> |
|--|-------------------|---------------|
| Interest income on short term deposits | \$ 10,620 | 81,145 |
| Interest income on loans | <u>108,026</u> | <u>1,981</u> |
| Financial income | \$ <u>118,646</u> | <u>83,126</u> |

11. 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:

| | <u>2014</u> | <u>2014</u> | <u>2013</u> | <u>2013</u> |
|----------------------|-----------------------|-------------------|-----------------------|-------------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Carrying Value</u> | <u>Fair Value</u> |
| Cash and | | | | |
| cash equivalents | \$ 51,334 | 51,334 | 3,506,786 | 3,506,786 |
| Loans receivable | 4,360,773 | 4,757,906 | 618,721 | 618,721 |
| Interest receivable | 15,240 | 15,240 | 3,774 | 3,774 |
| Other receivable | 4,112 | 4,112 | 7,342 | 7,342 |
| Accounts payable | (24,675) | (24,675) | (20,000) | (20,000) |
| Due to related party | (67,693) | (67,693) | - | - |

ENERGY SMART FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

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

Capital Management Policy

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

| | <u>Level 3</u> | |
|------------------|---------------------|----------------|
| | <u>2014</u> | <u>2013</u> |
| Loans receivable | \$ <u>4,360,773</u> | <u>618,721</u> |

“Progress through Energy Efficiency in Manufacturing”

*“Great things are not done by impulse,
but by a series of small things brought together”
Vincent Van Gogh*



Industrial, Investment and Employment Fund

Financial Statements
December 31, 2014

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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

First Citizens (Barbados) Limited
Lower 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

Telephone (246) 434 3900
Fax (246) 427 7123
e-Mail info@kpmg.bb

P. O. Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Trustees of Industrial, Investment and Employment Fund

We have audited the accompanying financial statements of Industrial, Investment and Employment Fund, which comprise the statement of financial position as of December 31, 2014, the statement of loss, changes in general fund and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Industrial, Investment and Employment Fund as of December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Bridgetown, Barbados
May 21, 2015

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Financial Position

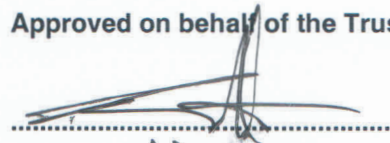
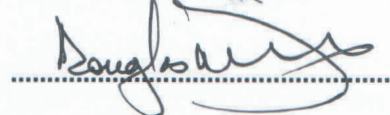
As at December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> |
|---|--------------|----------------------------|-------------------------|
| Assets | | | |
| Cash | 5 | \$ 892,010 | 321,416 |
| Short term investments | 6 | 1,312,464 | 1,284,241 |
| Loans, bonds and lines of credit receivable – net | 7 | 5,804,172 | 6,486,358 |
| Interest receivable, net | | 39,775 | 38,932 |
| Withholding tax recoverable | | <u>128,838</u> | <u>128,838</u> |
| Total Assets | | \$ <u>8,177,259</u> | <u>8,259,785</u> |
| Liabilities and General Fund | | | |
| Liabilities | | | |
| Accounts payable | | \$ 21,375 | 15,704 |
| Deferred income | | - | 40,922 |
| Due to related parties | 8 | <u>76,229</u> | <u>109,821</u> |
| Total liabilities | | <u>97,604</u> | <u>166,447</u> |
| General Fund | | | |
| Capital contribution | | 15,000,000 | 15,000,000 |
| Accumulated deficit | | <u>(6,920,345)</u> | <u>(6,906,662)</u> |
| Total general fund | | <u>8,079,655</u> | <u>8,093,338</u> |
| Total Liabilities and General Fund | | \$ <u>8,177,259</u> | <u>8,259,785</u> |

See accompanying notes to the financial statements.

Approved on behalf of the Trustees:


.....

.....

Trustee

Trustee

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Loss

For the year ended December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> |
|---------------------------|--------------|---------------------------|------------------------|
| Revenue | | | |
| Interest income | | \$ <u>337,927</u> | <u>339,186</u> |
| Expenses | | | |
| Management fees | | 307,343 | 307,909 |
| Provision for loan losses | 7 | 22,196 | 79,396 |
| Professional fees | | 21,956 | 18,394 |
| Bank charges | | <u>115</u> | <u>58</u> |
| | | <u>351,610</u> | <u>405,757</u> |
| Net loss | | \$ <u><u>(13,683)</u></u> | <u><u>(66,571)</u></u> |

See accompanying notes to the financial statements.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Changes in General Fund

For the year ended December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>Contribution</u> | Accumulated <u>Deficit</u> | <u>Total</u> |
|-------------------------------|----------------------|-------------------------------|------------------|
| Balances at December 31, 2012 | \$ 15,000,000 | (6,840,091) | 8,159,909 |
| Net loss | <u>-</u> | <u>(66,571)</u> | <u>(66,571)</u> |
| Balances at December 31, 2013 | \$ 15,000,000 | (6,906,662) | 8,093,338 |
| Net loss | <u>-</u> | <u>(13,683)</u> | <u>(13,683)</u> |
| Balances at December 31, 2014 | \$ <u>15,000,000</u> | <u>(6,920,345)</u> | <u>8,079,655</u> |

See accompanying notes to the financial statements.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Statement of Cash Flows

For the year ended December 31, 2014
with comparative figures for 2013

(Amounts in Barbados Dollars)

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|--------------------|
| Cash flows from operating activities | | |
| Net loss | \$ (13,683) | (66,571) |
| Adjustments for: | | |
| Provision for loan losses | 22,196 | 79,396 |
| Interest income | (337,927) | (339,186) |
| Interest received | <u>337,084</u> | <u>326,558</u> |
| Operating profit before working capital changes | 7,670 | 197 |
| Decrease (increase) in loans receivable | 659,990 | (1,429,162) |
| (Decrease) increase due to related parties | (33,592) | 6,811 |
| (Decrease) increase in deferred income | (40,922) | 40,922 |
| Increase (decrease) in accounts payable | <u>5,671</u> | <u>(3,044)</u> |
| Net cash from (used in) operating activities | <u>598,817</u> | <u>(1,384,276)</u> |
| Cash flows from investing activities | | |
| (Purchase) sale of short term investments | <u>(28,223)</u> | <u>712,802</u> |
| Net cash (used in) from investing activities | <u>(28,223)</u> | <u>712,802</u> |
| Increase (decrease) in cash and cash equivalents | 570,594 | (671,474) |
| Cash and cash equivalents at beginning of year | <u>321,416</u> | <u>992,890</u> |
| Cash and cash equivalents at end of year | \$ <u>892,010</u> | <u>321,416</u> |

See accompanying notes to the financial statements

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

1. Incorporation and Principal Activities

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

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

The financial statements were authorised for issue by the Trustees on May 21, 2015.

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

December 31, 2014

(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

December 31, 2014

(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 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 an individual loan, where management is of the opinion that full collection is doubtful.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

3. Significant Accounting Policies, (continued)

(d) Impairment

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

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

(e) Related parties

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

4. Forthcoming new standards or amendment requirements:

Standards and interpretations adopted

There were no new standards and amendments of standards adopted during the year ended December 31, 2014.

New Standards and interpretations not yet adopted

- a) IFRS 7 – Financial Instrument Disclosures (Amendments), effective September 30, 2014
- b) IFRS 9 – Financial Instruments Classification and Measurement, effective January 1, 2018
- c) IFRS 15 – Revenue Contracts with Customers, effective January 1, 2017
- d) IAS 24 – Related Party Disclosures, effective July 1, 2014
- e) IAS 32 – Financial Instruments: Disclosures and Presentation, effective January 1, 2015
- f) IAS 39 – Financial Instruments: Recognition and Measurement, effective January 1, 2014

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(Amounts in Barbados Dollars)

5. Cash

Cash comprise cash at bank:

| | <u>2014</u> | <u>2013</u> |
|------|-------------------|----------------|
| Cash | \$ <u>892,010</u> | <u>321,416</u> |
| | \$ <u>892,010</u> | <u>321,416</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 1.80% per annum to 1.85% per annum (2013: 2.3% per annum). Short term investments with original maturity dates of 90 days or less have been classified as cash equivalents.

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

| | <u>2014</u> | <u>2013</u> |
|---------------------------------------|---------------------|------------------|
| Loans | \$ 7,153,632 | 7,816,580 |
| Bonds | 200,000 | 200,000 |
| Revolving lines of credit | <u>1,249,358</u> | <u>1,246,400</u> |
| | \$ <u>8,602,990</u> | <u>9,262,980</u> |
| Less Provision: | | |
| Balance, beginning of year | \$ 2,776,622 | 2,697,226 |
| Increase in provision for loan losses | <u>22,196</u> | <u>79,396</u> |
| | \$ <u>2,798,818</u> | <u>2,776,622</u> |
| Balance, end of year | \$ <u>5,804,172</u> | <u>6,486,358</u> |

At December 31, 2014 the maturity profile of loans is as follows:

| | | <u>Years to maturity</u> | | | | |
|--------------------------------|----|-----------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | <u>Up to</u> <u>1 yr</u> | <u>One to</u> <u>5 yrs</u> | <u>Over</u> <u>5 Yrs</u> | <u>Total</u> <u>2014</u> | <u>Total</u> <u>2013</u> |
| Business Sector | \$ | <u>3,177,116</u> | <u>780,744</u> | <u>4,645,130</u> | 8,602,990 | 9,262,980 |
| Less allowance for loan losses | | | | | <u>(2,798,818)</u> | <u>(2,776,622)</u> |
| | \$ | | | | <u>5,804,172</u> | <u>6,486,358</u> |

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(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 5.50% - 6.5% at the end of 2014 (2013: 5.50% - 6.50%). The annual interest rate applicable to all bonds was 10% for 2014 (2013: 10%).

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

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

When a loan/bond is uncollectible, it is written off against the related allowance and subsequent recoveries are credited to the provision for loan losses in the Statement of Loss. As at the reporting date, interest not recognised in respect of delinquent loans amounted to \$1,291,432 (2013: \$1,086,302).

8. Due to Related Parties

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|------------------|----------------|
| Enterprise Growth Fund Limited | \$ 76,229 | 89,322 |
| Agricultural Development Fund | <u>-</u> | <u>20,499</u> |
| | \$ <u>76,229</u> | <u>109,821</u> |

Due to related parties 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 (2013: \$ NIL).

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(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. Post Balance Sheet Events

Subsequent to the reporting date, the decision was made by the Trustees to change the year-end of the Fund to March 31. This will be effected from March 2016.

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

December 31, 2014

(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>2014</u> | <u>2013</u> |
| Loans, bonds and lines of credit receivable | \$ 5,804,172 | 6,486,358 |
| Cash | 892,010 | 321,416 |
| Investments | <u>1,312,464</u> | <u>1,284,241</u> |
| Total | \$ <u>8,008,646</u> | <u>8,092,015</u> |

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(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:

| | | 2014 | | | |
|------------------------|----|---|-------------------------------------|---------------------------------|-------------------|
| | | Neither Past due <u>Nor impaired</u> | Past due but <u>not impaired</u> | Individually <u>Impaired</u> | <u>Total</u> |
| Cash Resources | \$ | 892,010 | - | - | 892,010 |
| Financial investments: | | | | | |
| Held to maturity | | 1,312,464 | - | - | 1,312,464 |
| Loans receivable | | <u>2,587,660</u> | <u>3,163,432</u> | <u>2,851,898</u> | <u>8,602,990</u> |
| | | <u>4,792,134</u> | <u>3,163,432</u> | <u>2,851,898</u> | <u>10,807,464</u> |
| | | 2013 | | | |
| | | Neither Past due <u>Nor impaired</u> | Past due but <u>not impaired</u> | Individually <u>Impaired</u> | <u>Total</u> |
| Cash resources | \$ | 321,416 | - | - | 321,416 |
| Financial investments: | | | | | |
| Held to maturity | | 1,284,241 | - | - | 1,284,241 |
| Loans receivable | | <u>5,226,027</u> | <u>1,207,250</u> | <u>2,829,703</u> | <u>9,262,980</u> |
| | | <u>6,831,684</u> | <u>1,207,250</u> | <u>2,829,703</u> | <u>10,868,637</u> |

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(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 (2013 – 30 days).

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(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 December 31, 2014, with all other variables held constant. The impact is illustrated and shown in the table below:

| Increase/(decrease) of 100 bps | | <u>2014</u> | <u>2013</u> |
|--|----|--------------------|--------------------|
| Impact on comprehensive income +100 bps | \$ | 58,573 | 61,670 |
| Impact on comprehensive income – 100 bps | | (58,573) | (61,670) |

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(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

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|----------------|
| Interest income on loans, bonds and lines of credit | \$ 296,855 | 298,526 |
| Interest income on cash and short term deposits | <u>25,299</u> | <u>40,660</u> |
| Financial income | \$ <u>322,154</u> | <u>339,186</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

December 31, 2014

(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>2014</u> | <u>2014</u> | <u>2013</u> | <u>2013</u> |
|-----------------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | <u>Carrying Value</u> | <u>Fair Value</u> | <u>Carrying Value</u> | <u>Fair Value</u> |
| Cash and cash equivalents | 892,010 | 892,010 | 321,416 | 321,416 |
| Investments | 1,312,464 | 1,312,464 | 1,284,241 | 1,284,241 |
| Loans, bonds, LOC receivable- net | 5,804,172 | 5,804,172 | 6,486,358 | 6,486,358 |
| Interest receivable | 39,775 | 39,775 | 38,932 | 38,932 |
| Accounts payable | (21,375) | (21,375) | (15,704) | (15,704) |
| Due to related parties | - | - | (109,821) | (109,821) |

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.

INDUSTRIAL, INVESTMENT AND EMPLOYMENT FUND

Notes to Financial Statements

December 31, 2014

(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 year.

“Innovation and Efficiency - Think Differently!”

“Do not go where the path may lead, go instead where there is no path and leave a trail.”

Ralph Waldo Emerson



Innovation Fund

Financial Statements December 31, 2014

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The Innovation Fund

Corporate Information

Board of Trustees

Mr. Wayne Alleyne – Trustee

Mrs. Sandra Husbands-Nurubakari – Trustee

Mr. Richard Cozier – Trustee

Mrs. Norma Holder – Trustee

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 December 31, 2014 which show the state of the Fund's affairs.

| | | |
|----|--|------------------|
| | | \$ |
| 1. | The net loss for the year was | 88,690 |
| | To which is added accumulated deficit brought forward of | <u>2,673,231</u> |
| | Leaving an accumulated deficit to be carried forward of | <u>2,761,921</u> |
| 2. | The retiring auditors, Skeete, Best & Co., Chartered Accountants, offer themselves for re-appointment. | |

By Order of the Trustees



Trustee
April 22, 2015



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



Independent Auditors' Report

To the Trustees of The Innovation Fund

We have audited the accompanying financial statements of **The Innovation Fund**, which comprise the statement of financial position as of December 31, 2014 and the statements of comprehensive loss, changes in fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Innovation Fund**, as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Skeete, Best & Co

Chartered Accountants

Barbados, W.I.
April 22, 2015

The Innovation Fund
Statement of Financial Position
As of December 31, 2014
(expressed in Barbados dollars)

| | 2014 | 2013 |
|------------------------------------|------------------|-------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (Note 3) | 895,878 | 908,851 |
| Interest receivable | 3,501 | 5,634 |
| Withholding tax recoverable | 13,651 | 13,651 |
| | <hr/> | <hr/> |
| Total current assets | 913,030 | 928,136 |
| Investments (Note 4) | 912,147 | 892,837 |
| | <hr/> | <hr/> |
| Total assets | 1,825,177 | 1,820,973 |
| | <hr/> | <hr/> |
| Liabilities and fund | | |
| Current liabilities | | |
| Accounts payable and accruals | 6,574 | 8,224 |
| Due to related party (Note 5) | 25,421 | 25,007 |
| | <hr/> | <hr/> |
| Total liabilities | 31,995 | 33,231 |
| | <hr/> | <hr/> |
| Fund | 1,793,182 | 1,787,742 |
| | <hr/> | <hr/> |
| Total liabilities and fund | 1,825,177 | 1,820,973 |
| | <hr/> | <hr/> |

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

Approved by the Trustees on April 22, 2015

 _____ Trustee

 _____ Trustee

The Innovation Fund
Statement of Changes in Fund
Year ended December 31, 2014
(expressed in Barbados dollars)

| | Innovation Fund \$ | Accumulated Deficit \$ | Total \$ |
|--|-----------------------------------|---------------------------------------|---------------------|
| Balance at December 31, 2012 | 4,503,121 | (2,588,568) | 1,914,553 |
| Grants disbursed - competition expenses (Note 7) | (42,148) | - | (42,148) |
| Net loss for the year | - | (84,663) | (84,663) |
| Balance at December 31, 2013 | 4,460,973 | (2,673,231) | 1,787,742 |
| Grants disbursed - competition expenses (Note 7) | (155,870) | - | (155,870) |
| Transfer from Export, Promotion & Marketing Fund | 250,000 | - | 250,000 |
| Net loss for the year | - | (88,690) | (88,690) |
| Balance at December 31, 2014 | 4,555,103 | (2,761,921) | 1,793,182 |

The Innovation Fund

Statement of Comprehensive Loss

Year ended December 31, 2014

(expressed in Barbados dollars)

| | 2014 | 2013 |
|--|-----------------|-------------|
| | \$ | \$ |
| Revenue | | |
| Interest income | 28,729 | 36,677 |
| Other income | 1,409 | - |
| | 30,138 | 36,677 |
| Expenses | | |
| Bank charges | 186 | 76 |
| Investment committee fees and meeting expenses | 3,150 | 6,700 |
| Management fees | 109,212 | 109,064 |
| Professional fees | 6,280 | 5,500 |
| | 118,828 | 121,340 |
| Net loss and total comprehensive loss for the year | (88,690) | (84,663) |

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

The Innovation Fund

Statement of Cash Flows

Year ended December 31, 2014

(expressed in Barbados dollars)

| | 2014 | 2013 |
|--|------------------|-------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Net loss for the year | (88,690) | (84,663) |
| Operating loss before working capital adjustments: | (88,690) | (84,663) |
| Decrease in interest receivable | 2,133 | 1,472 |
| Decrease in accounts payable and accruals | (1,650) | (3,422) |
| Increase (decrease) in due to related party | 414 | (1,571) |
| Net cash used in operating activities | (87,793) | (88,184) |
| Cash flows from investing activities | | |
| Purchase of investments | (19,310) | (84,609) |
| Cash flows from financing activities | | |
| Grants disbursed - competition expenses | (155,870) | (42,148) |
| Transfer from Export, Promotion & Marketing Fund | 250,000 | - |
| Net cash from (used in) financing activities | 94,130 | (42,148) |
| Net decrease in cash and cash equivalents | (12,973) | (214,941) |
| Cash and cash equivalents - beginning of year | 908,851 | 1,123,792 |
| Cash and cash equivalents - end of year (Note 3) | 895,878 | 908,851 |

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

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 December 31, 2014
(expressed in Barbados dollars)

3. Cash and cash equivalents

Term deposits

There are term deposits held with CAPITA Financial Services Inc. The terms are set out hereunder.

| | Date of Maturity | Interest Rate | 2014 \$ | 2013 \$ |
|--|-------------------------|----------------------|-------------------|-------------------|
| Term Deposit | January 29, 2015 | 3.00% | 676,028 | - |
| Term Deposit | January 29, 2014 | 3.75% | - | 870,508 |
| | | | 676,028 | 870,508 |
| Current account | | | | |
| Cash at bank – RBC Royal Bank (Barbados) Limited | | | 219,850 | 38,343 |
| | | | <u>895,878</u> | <u>908,851</u> |

4. Investments

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

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

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

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

4. Investments...continued

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

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

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

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

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

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

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

The Innovation Fund

Notes to Financial Statements

Year ended December 31, 2014

(expressed in Barbados dollars)

4. Investments... continued

At year end, the Fund had approved investments totalling \$3,869,035. Approximately \$2,247,234 of this total has been disbursed to date. The investment balances are listed as follows:

| | 2014 | 2013 |
|--|--------------------|--------------------|
| | \$ | \$ |
| 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 | 36,707 |
| 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>2,165,886</u> |
| Less: provision for impairment of investments: | | |
| Abus Technology Inc. | (200,000) | (200,000) |
| Advanced Energy Systems | (82,449) | (82,449) |
| Ajeland Investments Inc. | (249,600) | (249,600) |
| Birds Eye Music Inc. | (250,000) | (250,000) |
| Hit For Six Inc. | (250,000) | (250,000) |
| Melange Productions Inc. | (210,000) | (210,000) |
| Smart Tie Inc. | (31,000) | (31,000) |
| | <u>(1,273,049)</u> | <u>(1,273,049)</u> |
| | <u>912,147</u> | <u>892,837</u> |

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

The Innovation Fund
Notes to Financial Statements
Year ended December 31, 2014
(expressed in Barbados dollars)

5. Due to related party

At December 31, 2014, there was an amount of \$25,421 (2013 – \$25,007) 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 \$109,212 (2013 - \$109,064) 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.

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| Coral Isle Food Products Ltd. | 49,629 | 49,629 |
| Country Style Woodwork Inc. | 3,983 | 23,293 |
| iLand Guide | 60,000 | 60,000 |
| Harewood's Tropical Foods Inc. (formerly Pato Tropi-Foods) | <u>177,218</u> | <u>177,218</u> |
| | <u>290,830</u> | <u>310,140</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.

| | 2014 | 2013 |
|---|----------------|---------------|
| | \$ | \$ |
| Grants disbursed – competition expenses | <u>155,870</u> | <u>42,148</u> |

8. Financial risk management

Fair value of financial assets and liabilities

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

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

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

- b) Equity Investments

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

Interest rate risk

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

Credit risk

The amount of the Fund's exposure to credit risk is indicated by the carrying amount of its financial assets. These include cash, term deposits and interest receivable from these deposits, all of which are placed with a reputable bank and financial institution. All of the deposits were held with one financial institution at December 31, 2013.

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.

“Improving Operational Efficiency and Competitiveness”

Small hoteliers have taken a major step towards energy efficiency in their accommodation facilities. Efficient use of resources and implementation of green energy solutions will contribute to lower operational costs and improved competitiveness.



Small Hotels Investment Fund

Financial Statements
December 31, 2014

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SMALL HOTELS INVESTMENT FUND

CORPORATE INFORMATION

Investment Committee

| | |
|--------------------------|---|
| Ms Shelley Carrington | - Chairman and representative of Ministry of Tourism (<i>resigned effective Dec 31, 2014</i>) |
| Mrs. Donna Cadogan | - Chairman and representative of Ministry of Tourism (<i>started effective Jan 1, 2015</i>) |
| Miss Debbie-Anne Jemmott | - Representative of Enterprise Growth Fund Limited |
| Mr Timothy Simmons | - Representative of Enterprise Growth Fund Limited |
| Ms Renee Coppin | - Representative of Small Hotels of Barbados Inc |
| Mr Denis Tull | - 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

First Citizens Investment Services (Barbados) Limited
Warrens
St. Michael

Auditors

Francina Downey & Co
Chartered Accountants
Medford Complex
Whitehall
St Michael
BARBADOS

INDEPENDENT AUDITORS' REPORT

To the Investment Committee of Small Hotels Investment Fund

We have audited the accompanying financial statements of the **Small Hotels Investment Fund**, which comprise the Statement of Financial Position as at December 31, 2014, and the Statement of Comprehensive Loss, Statement of Changes in Fund and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Small Hotels Investment Fund** as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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



Chartered Accountants
May 22, 2015
Bridgetown, Barbados

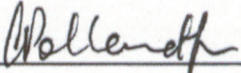
**SMALL HOTELS INVESTMENT FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014**

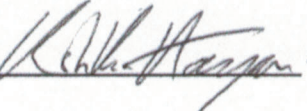
(Expressed in Barbados Dollars)

| | NOTES | 2014 \$ | 2013 \$ |
|-----------------------------------|-------|--------------------------|--------------------------|
| ASSETS | | | |
| Interest receivable | | 61,025 | 97,384 |
| Loans receivable, net | (4) | 32,931,662 | 32,721,417 |
| Withholding tax recoverable | | 128,860 | 317,008 |
| Cash & short term deposits | (3) | 5,453,065 | 6,087,350 |
| Short term investments | (8) | 3,344,375 | 2,807,547 |
| | | <u>41,918,987</u> | <u>42,030,706</u> |
| TOTAL ASSETS | | <u>41,918,987</u> | <u>42,030,706</u> |
| FUND AND LIABILITIES | | | |
| FUND | | | |
| Capital Contributions | (9) | 12,814,920 | 12,824,339 |
| Accumulated losses | | <u>(6,483,047)</u> | <u>(5,534,286)</u> |
| | | <u>6,331,873</u> | <u>7,290,053</u> |
| LIABILITIES | | | |
| Loan payable | (7) | 28,000,000 | 28,000,000 |
| Interest payable | | 7,307,968 | 6,441,548 |
| Accounts payable | (5) | 279,146 | 299,105 |
| | | <u>35,587,114</u> | <u>34,740,653</u> |
| TOTAL FUND AND LIABILITIES | | <u>41,918,987</u> | <u>42,030,706</u> |

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

Approved by the Investment Committee on 22 / 05, 2015:

Member 

Member 

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Expressed in Barbados Dollars)

| | NOTES | 2014 \$ | 2013 \$ |
|--------------------------------|------------|-------------------------|-------------------------|
| <u>INCOME</u> | | | |
| Interest income | | <u>1,186,989</u> | <u>1,151,611</u> |
| <u>EXPENSES</u> | | | |
| Management fees | (5) | 1,070,651 | 1,068,853 |
| Interest expense | | 866,420 | 845,159 |
| Professional fees | | 10,412 | 10,340 |
| Bank charges | | 119 | 145 |
| Provision for loan losses | (2e) & (4) | <u>-</u> | <u>137,467</u> |
| | | <u>1,947,602</u> | <u>2,061,964</u> |
| NET OPERATING LOSS | | (760,613) | (910,353) |
| <u>OTHER EXPENSES</u> | | | |
| Withholding tax | | <u>(188,148)</u> | <u>-</u> |
| NET (LOSS) FOR THE YEAR | | <u>(948,761)</u> | <u>(910,353)</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 DECEMBER 31, 2014**

(Expressed in Barbados Dollars)

| NOTES | Capital Contribution \$ | Accumulated Losses \$ | Total \$ |
|---|-------------------------------|-----------------------------|-------------------------|
| Balances as at December 31, 2012 | 9,359,920 | (4,623,933) | 4,735,987 |
| Contribution from Government | 3,651,000 | - | 3,651,000 |
| Grants disbursed | (186,581) | - | (186,581) |
| Net Loss for the year | - | (910,353) | <u>(910,353)</u> |
| Balances as at December 31, 2013 | 12,824,339 | (5,534,286) | 7,290,053 |
| Grants disbursed | (9,419) | - | (9,419) |
| Net Loss for the year | - | (948,761) | <u>(948,761)</u> |
| Balances as at December 31, 2014 | <u>12,814,920</u> | <u>(6,483,047)</u> | <u>6,331,873</u> |

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

**SMALL HOTELS INVESTMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Expressed in Barbados Dollars)

| | 2014 | 2013 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| <u>Cash Flows from Operating Activities</u> | | |
| Net loss for the year | (948,761) | (910,353) |
| <i>Adjustments for:</i> | | |
| Interest income | (1,186,989) | (1,151,611) |
| Provision for loan losses | - | 137,467 |
| <i>Deficit before Working Capital Changes</i> | <u>(2,135,750)</u> | <u>(1,924,497)</u> |
| <i>Working Capital Changes:</i> | | |
| (Increase) in loans receivable | (210,245) | (2,808,855) |
| Decrease in withholding tax recoverable | 188,148 | - |
| Increase in interest payable | 866,420 | 845,159 |
| (Decrease) in due to related party | - | (1,102,000) |
| (Decrease) / increase in accounts payable | (19,959) | 3,311 |
| <i>Cash used in Operations</i> | <u>(1,311,386)</u> | <u>(4,986,882)</u> |
| <i>Net cash used in Operating Activities</i> | <u>(1,311,386)</u> | <u>(4,986,882)</u> |
| <u>Cash Flows from Investing Activities</u> | | |
| Purchase of short term investments | (536,828) | (87,069) |
| <i>Net cash used in Investing Activities</i> | <u>(536,828)</u> | <u>(87,069)</u> |
| <u>Cash Flows from Financing Activities</u> | | |
| Interest received | 1,223,348 | 1,138,954 |
| Government contribution | - | 3,651,000 |
| Grants disbursed | (9,419) | (186,581) |
| <i>Net cash provided by Financing Activities</i> | <u>1,213,929</u> | <u>4,603,373</u> |
| Decrease in cash | (634,285) | (470,578) |
| Cash - beginning of year | 6,087,350 | 6,557,928 |
| Cash - end of year | <u><u>5,453,065</u></u> | <u><u>6,087,350</u></u> |
| <u>Cash and Cash Equivalents:</u> | | |
| Short term deposits | 5,006,875 | 4,847,080 |
| Cash at bank | 446,190 | 1,240,270 |
| | <u><u>5,453,065</u></u> | <u><u>6,087,350</u></u> |

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(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 authorised for issue by the members on May 22, 2015.

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 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) 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 December 31, 2014 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 DECEMBER 31, 2014**

(Expressed in Barbados Dollars)

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

(d) Loans receivable

Interest income from loans is recognised 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 recognised 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 recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised 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. In previous years the SHIF has applied to the Ministry of Finance and Economic Affairs for waiver of corporation and withholding taxes and in 2006 the Ministry communicated to the SHIF that the waiver was granted for 2003 to 2007.

The Ministry also informed the SHIF that a decision had been taken to amend the Income Tax Act Cap 73, to exempt from tax, funds provided by Government and used for purposes of promoting the development of sectors of the economy. As a result no corporation tax has been calculated for the current year.

NOTE: 3 CASH AND SHORT TERM DEPOSITS

| | 2014 | 2013 |
|---------------------|------------------|------------------|
| | \$ | \$ |
| Cash | 446,190 | 1,240,270 |
| Short term deposits | 5,006,875 | 4,847,080 |
| | <u>5,453,065</u> | <u>6,087,350</u> |

Short term deposits consist primarily of fixed deposits with interest rates at 1.00% to 3.75% (2013: 1.60%-3.75%) per annum. These deposits have a maturity period of ninety days or less.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(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 capitalisation 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 capitalised during the moratorium period.

The loans receivable bear interest at 5% per annum (2013: 5% per annum). The loans are subject to the moratorium of interest and principal payments for a period of five (5) years.

The maturity structure of loans receivable, gross, is:

| | 2014 | 2013 |
|--|-------------|-------------|
| | \$ | \$ |
| Under 1 year | 224,814 | 224,814 |
| 1 - 5 years | 1,554,663 | 7,007,257 |
| Over 5 years | 34,604,666 | 28,941,828 |
| | <hr/> | <hr/> |
| Total loans receivable, gross, carried forward | 36,384,143 | 36,173,899 |
| Less loan loss provision: | | |
| Balance as at January 1 | 3,452,482 | 3,315,015 |
| Increase in provision | - | 137,467 |
| | <hr/> | <hr/> |
| Balance as at December 31 | 3,452,482 | 3,452,482 |
| | <hr/> | <hr/> |
| Total loans receivable, net | 32,931,661 | 32,721,417 |
| | <hr/> | <hr/> |

In the previous years the Fund made a provision for loan loss for Villa Investments Inc., Tourism Services Ltd 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 \$287,296 and \$283,982 as at December 31, 2014 and 2013 respectively.

NOTE: 6 *COMMITMENTS*

At the balance sheet date, there were no outstanding commitments (2013 - \$NIL).

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(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 authorised 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 2.00% to 3.00% (2013: 2.60% - 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 (2013: \$3.65M) from the Government of Barbados in order to finance the lending activities of the Small Hotels Refurbishment Scheme. A grant of \$196,000 to Debtor Co. Ltd was approved in 2013, of which \$186,581 was disbursed in 2013 and the balance in 2014. Capital contribution at December 31, 2014 was \$12,814,920.

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.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(Expressed in Barbados Dollars)

NOTE: 10 FINANCIAL RISK MANAGEMENT, cont'd

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.

(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 | |
|----------------------------|------------------------|-------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Loans receivable | 32,931,662 | 32,721,417 |
| Cash & short term deposits | 5,453,065 | 6,087,350 |
| Short term investments | 3,344,375 | 2,807,547 |
| Total | 41,729,102 | 41,616,314 |

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 DECEMBER 31, 2014**

(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 Note 3 and 8.

**SMALL HOTELS INVESTMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

(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

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| Interest income on unimpaired held-to maturity investments | 951,529 | 880,556 |
| Interest income on bank deposits | 235,460 | 271,055 |
| Financial Income | <u>1,186,989</u> | <u>1,151,611</u> |
| Financial Expenses | 866,420 | 845,159 |
| Net Finance Costs | <u>320,569</u> | <u>306,452</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.

“Investing in Green Tourism”

Businesses operating in the hospitality sector have the potential to generate greater efficiency and significant returns through the development of green strategies.



Tourism Loan Fund

Financial Statements
December 31, 2014

| | |
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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
St Michael
BARBADOS

First Citizens (Barbados) Limited
Lower Broad Street
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Co-operators General Insurance Building
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Fax (246) 427 7123
e-Mail info@kpmg.bb

P. O. Box 690C
Bridgetown, Barbados

INDEPENDENT AUDITORS' REPORT

To the Trustees of Tourism Loan Fund

We have audited the accompanying financial statements of Tourism Loan Fund, which comprise the statement of financial position as of December 31, 2014, the statement of profit or loss, changes in general fund and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tourism Loan Fund as at December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Bridgetown, Barbados
May 27, 2015

TOURISM LOAN FUND

Statement of Financial Position


As at December 31, 2014
with comparative figures for 2013


(Expressed in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> |
|---|--------------|----------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | 4 | \$ 1,488,861 | 2,072,802 |
| Short term investments | 5 | 4,390,831 | 4,289,063 |
| Due from related party | | - | 13,801 |
| Interest receivable, net | | <u>704,778</u> | <u>148,440</u> |
| Total current assets | | <u>6,584,470</u> | <u>6,524,106</u> |
| Loans receivable, net | 6 | <u>28,736,299</u> | <u>27,579,493</u> |
| Total Assets | | \$ <u>35,320,769</u> | <u>34,103,599</u> |
| Liabilities and General Fund | | | |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | | \$ 22,824 | 17,565 |
| Due to related party | 9 | <u>218,682</u> | <u>215,487</u> |
| Total liabilities | | <u>241,506</u> | <u>233,052</u> |
| General Fund: | | | |
| Capital contribution | 8 | 30,000,000 | 30,000,000 |
| Accumulated earnings | | <u>5,079,263</u> | <u>3,870,547</u> |
| Total general fund | | <u>35,079,263</u> | <u>33,870,547</u> |
| Total Liabilities and General Fund | | \$ <u>35,320,769</u> | <u>34,103,599</u> |

See accompanying notes to financial statements.

Approved on behalf of the Trustees:

 Trustee

 Trustee

TOURISM LOAN FUND

Statement of Profit or Loss

For the year ended December 31, 2014
with comparative figures for 2013

(Expressed in Barbados Dollars)

| | <u>Notes</u> | <u>2014</u> | <u>2013</u> |
|------------------------------------|--------------|---------------------|------------------|
| Income | | | |
| Interest on short term investments | | \$ 120,792 | 171,690 |
| Interest on loans | | <u>2,005,464</u> | <u>1,071,319</u> |
| Total income | | <u>2,126,256</u> | <u>1,243,009</u> |
| Expenses | | | |
| Management fees | 9 | 873,179 | 860,557 |
| Professional fees | | 32,048 | 23,110 |
| Provision for loan losses | | 9,118 | - |
| Trustees fees | | 3,000 | 1,200 |
| Bank charges | | <u>195</u> | <u>3</u> |
| Total expenses | | <u>917,540</u> | <u>884,870</u> |
| Net profit | | \$ <u>1,208,716</u> | <u>358,139</u> |

See accompanying notes to financial statements.

TOURISM LOAN FUND

Statement of Changes in General Fund

For the year ended December 31, 2014
with comparative figures for 2013

(Expressed in Barbados Dollars)

| | General Fund | Accumulated Earnings | Total |
|-------------------------------|----------------------|-------------------------|-------------------|
| Balances at December 31, 2012 | \$ 30,000,000 | 3,512,408 | 33,512,408 |
| Net income for the year | <u>-</u> | <u>358,139</u> | <u>358,139</u> |
| Balances at December 31, 2013 | \$ 30,000,000 | 3,870,547 | 33,870,547 |
| Net income for the year | <u>-</u> | <u>1,208,716</u> | <u>1,208,716</u> |
| Balances at December 31, 2014 | \$ <u>30,000,000</u> | <u>5,079,263</u> | <u>35,079,263</u> |

See accompanying notes to financial statements.

TOURISM LOAN FUND

Statement of Cash Flows

For the year ended December 31, 2014
with comparative figures for 2013

(Expressed in Barbados Dollars)

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|------------------|
| Operating activities | | |
| Net income | \$ 1,208,716 | 358,139 |
| Adjustments for: | | |
| Provision for loan losses | 9,118 | - |
| Interest income | (2,126,256) | (1,243,009) |
| Interest received | <u>1,569,918</u> | <u>1,236,452</u> |
| Operating profit before working capital changes | 661,495 | 351,582 |
| Loans advanced | (2,009,903) | (1,805,366) |
| Loans repaid | 843,979 | 671,324 |
| Increase in accounts payable | 5,259 | 225 |
| Increase (decrease) in due to related party | 3,195 | (10,802) |
| Decrease (increase) in due from related party | <u>13,801</u> | <u>(13,801)</u> |
| Net cash used in operating activities | <u>(482,173)</u> | <u>(806,838)</u> |
| Investing activities | | |
| Purchase of short term investments – net | <u>(101,768)</u> | <u>(107,875)</u> |
| Net cash used in investing activities | <u>(101,768)</u> | <u>(107,875)</u> |
| Decrease in cash and cash equivalents during the year | (583,941) | (914,713) |
| Cash and cash equivalents - beginning of year | <u>2,072,802</u> | <u>2,987,515</u> |
| Cash and cash equivalents - end of year | \$ <u>1,488,861</u> | <u>2,072,802</u> |

See accompanying notes to financial statements.

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(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 May 27, 2015.

2. Basis of Preparation

1 *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).

2 *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

December 31, 2014

(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 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.

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(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 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

December 31, 2014

(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 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.

3. Forthcoming new standards or amendment requirements:

Standards and interpretations adopted

There were no new standards and amendments of standards adopted during the year ended December 31, 2014.

New Standards and interpretations not yet adopted

IFRS 7 – Financial Instrument Disclosures (Amendments), effective September 30, 2014
IFRS 9 – Financial Instruments Classification and Measurement, effective January 1, 2018
IFRS 15 – Revenue Contracts with Customers, effective January 1, 2017
IAS 24 – Related Party Disclosures, effective July 1, 2014
IAS 32 – Financial Instruments: Disclosures and Presentation, effective January 1, 2015
IAS 39 – Financial Instruments: Recognition and Measurement, effective January 1, 2014

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

4. Cash and Cash Equivalents

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

| | | <u>2014</u> | <u>2013</u> |
|---------------------|----|------------------|------------------|
| Cash | \$ | 610,450 | 1,223,075 |
| Short term deposits | | <u>878,410</u> | <u>849,727</u> |
| | \$ | <u>1,488,860</u> | <u>2,072,802</u> |

The applicable interest rates for the short term fixed deposits range from 1.85% - 3.25% (2013: 2.3% - 4.0%).

5. Short Term Investments

These are held to maturity investments with a maturity period of 6 months. At the balance sheet date the effective interest rate range was 1.85% per annum (2013: 4.0% per annum). Short term investments with original maturity dates of 90 days or less have been classified as cash equivalents.

6. Loans Receivable

The Fund's loans are categorised as originating loans and are carried at amortized cost. These loans are secured by mortgage debentures and personal guarantees, and are repayable between eight to eleven years. Interest rates were between 6.5% and 10.5% at the end of 2014 (2013: 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

December 31, 2014

(Expressed in Barbados Dollars)

6. Loans Receivable, (continued)

At December 31, 2014 the maturity profile of loans is as follows:

| | | Years to maturity | | | Total 2014 | Total 2013 |
|--------------------------------|----|-------------------|------------------|-------------------|----------------------|--------------------|
| | | Up to 1 yr | One to 5 yrs | Over 5 Yrs | | |
| Business Sector | \$ | <u>3,849,937</u> | <u>2,624,667</u> | <u>24,946,379</u> | 31,420,983 | 30,255,059 |
| Less allowance for loan losses | | | | | <u>(2,684,684)</u> | <u>(2,675,566)</u> |
| | | | | | \$ <u>28,736,299</u> | <u>27,579,493</u> |

7. Corporation Tax

Corporation tax has not been provided for in these financial statements since the Fund is exempt from the payment of corporation tax in accordance with Section 56 of the Central Bank of Barbados Act, Cap. 323C.

8. Capital Contribution

| | 2014 | 2013 |
|----------------------|----------------------|-------------------|
| Capital contribution | \$ <u>30,000,000</u> | <u>30,000,000</u> |

The capital contribution represents the original capital of the Fund provided by the Central Bank of Barbados.

9. Due to Related Party

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

Amounts included in due to related party represent outstanding management fees due to EGFL at year-end of \$218,682 (2013: \$215,487).

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

December 31, 2014

(Expressed in Barbados Dollars)

10. Commitments

Loan commitments in respect of undisbursed loans at December 31, 2014 were \$520,582 (2013: \$2,859,661).

11. Post Balance Sheet Events

Subsequent to the reporting date, the decision was made by the Trustees to change the year-end of the Fund to March 31. This will be effected from March 2016.

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

December 31, 2014

(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> | |
|------------------------|----|------------------------|-------------------|
| | | <u>2014</u> | <u>2013</u> |
| Loans receivable | \$ | 28,736,299 | 27,579,493 |
| Short term investments | | <u>4,390,831</u> | <u>4,289,063</u> |
| Total | \$ | <u>33,127,130</u> | <u>31,868,556</u> |

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Credit quality by class of financial assets

Loans Receivable

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

Cash and balances with financial institutions

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

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

| 2014 | | | | |
|------------------------|----------------------------------|------------------------------|--------------------------|-------------------|
| | Neither Past due Nor impaired | Past due but not impaired | Individually Impaired | Total |
| Cash Resources \$ | 1,488,861 | - | - | 1,488,861 |
| Financial investments: | | | | |
| Held to maturity | 4,390,831 | - | - | 4,390,831 |
| Loans receivable | <u>6,281,587</u> | <u>13,821,068</u> | <u>11,318,328</u> | <u>31,420,983</u> |
| | <u>12,161,279</u> | <u>13,821,068</u> | <u>11,318,328</u> | <u>37,300,675</u> |

| 2013 | | | | |
|------------------------|----------------------------------|------------------------------|--------------------------|-------------------|
| | Neither Past due Nor impaired | Past due but not impaired | Individually Impaired | Total |
| Cash resources \$ | 2,072,802 | - | - | 2,072,802 |
| Financial investments: | | | | |
| Held to maturity | 4,289,063 | - | - | 4,289,063 |
| Loans receivable | <u>10,262,769</u> | <u>12,628,108</u> | <u>7,364,182</u> | <u>30,255,059</u> |
| | <u>16,624,634</u> | <u>12,628,108</u> | <u>7,364,182</u> | <u>36,616,924</u> |

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Impairment Assessment

Impaired loans and securities

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

Past due but not impaired loans

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

Allowances for impairment

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

Concentration of credit risk

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

Liquidity risk

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

Management of Liquidity Risk

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

Analysis of financial liabilities

The financial liabilities of the Fund, based on their earliest possible contractual maturity, are due within 30 days (2013 – 30 days).

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Market risk

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

Management of Market Risk

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

Exposure to currency risk

Currency risk is the potential risk of loss from fluctuating foreign exchange rates when an investor has exposure to foreign currency or in foreign-currency-traded investments. The Fund had no significant exposure to currency risk at the end of the financial 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 December 31, 2014, with all other variables held constant. The impact is illustrated and shown in the table below:

| Increase/(decrease) of 100 bps | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| Impact on comprehensive income +100 bps | \$ 200,940 | 157,774 |
| Impact on comprehensive income – 100 bps | (200,940) | (157,774) |

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

11. Financial Risk Management, (continued)

Operational risk

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

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

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

Financial income

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|------------------|
| Interest income on loans | \$ 2,005,464 | 1,071,319 |
| Interest income on cash and cash equivalents | <u>120,792</u> | <u>171,690</u> |
| Financial income | \$ 2,126,256 | 1,243,009 |
| Financial expenses | <u>(9,118)</u> | <u>-</u> |
| Net financial income | \$ <u>2,117,138</u> | <u>1,243,009</u> |

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

12. Fair values disclosure of financial instruments

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

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

| | <u>2014</u> | <u>2014</u> | <u>2013</u> | <u>2013</u> |
|---------------------------|---------------|--------------|---------------|--------------|
| | Carrying | Fair | Carrying | Fair |
| | <u>Amount</u> | <u>Value</u> | <u>Amount</u> | <u>Value</u> |
| Cash and cash equivalents | \$ 1,488,861 | 1,488,861 | 2,072,802 | 2,072,802 |
| Short term investments | 4,390,831 | 4,390,831 | 4,289,062 | 4,289,062 |
| Loans receivable, net | 28,736,299 | 28,736,299 | 27,579,493 | 30,255,059 |
| Interest receivable | 704,778 | 704,778 | 148,440 | 148,440 |
| Accounts payable | (22,825) | (22,825) | (17,565) | (17,565) |
| Due to related party | (218,682) | (218,682) | (215,487) | (215,487) |

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

The following table presents the Fund's financial instruments that are measured at fair value:

| | <u>Level 3</u> | |
|-----------------------|----------------------|-------------------|
| | <u>2014</u> | <u>2013</u> |
| Loans receivable, net | \$ <u>28,736,299</u> | <u>27,579,493</u> |

TOURISM LOAN FUND

Notes to Financial Statements

December 31, 2014

(Expressed in Barbados Dollars)

13. Capital Management Policy

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

14. Comparative figures

Certain comparative figures were restated to conform with the current year's presentation in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

Auditors' Report to the

TRUSTEES OF TOURISM LOAN FUND

December 31, 2014

**KPMG**

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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 December 31, 2014 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 December 31, 2014:

(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 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 year ended December 31, 2014. |
| 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 year-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. |
| Section 3 (7) | Loan Restrictions The amalgamation of two loans has resulted in a loan balance which in excess of the stipulated maximum loan size for any one loan of 15% of the total capitalization of the Fund. |

(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. |



Chartered Accountants
Bridgetown, Barbados
May 27, 2015



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