

Annual Report and Financial Statements

CAVES OF BARBADOS LTD

Year Ended 31 March 2017
(Expressed in Barbados Dollars)

APPENDIX A

Annual report from Chairman of the Board of Directors

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INTRODUCTION

Historical Background

Harrison's Cave, Barbados' most popular land-based visitor attraction, was first opened for exhibition as a visitor attraction on 28 November, 1981. Harrison's Cave is the only commercialized subterranean cave in Barbados, and has the distinction of being one of three (3) drive-in caves in the world.

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

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

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

In November 2016, Harrison's Cave celebrated its 35th anniversary as a tourist attraction. This significant milestone also coincided with the country's 50th Anniversary of Independence. A number of activities were staged in recognition of these two significant milestones. Special promotions were put in place for locals and in particular those in the Diaspora coming home.

VISION STATEMENT

To be the premier eco-experience in the world.

MISSION STATEMENT

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

OBJECTIVES

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

BOARD OF DIRECTORS

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

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

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

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

- | | | |
|---|---|-----------------|
| • Mr. Ralph Thorne, Q.C., M.P | - | Chairman |
| • Mr. Dave Layne | - | Deputy Chairman |
| • Mr. Steven Williams | - | Board Member |
| • Ms. Racquel Ramsay | - | Board Member |
| • Ms. Carla Parris | - | Board Member |
| • Ms. Stephanie Von Oppen | - | Board Member |
| • Ms. Lana Alleyne | - | Board Member |
| • Mr. Gabriel Gooding-Edghill | - | Board Member |
| • Mr. Patrick Estwick | - | Board Member |
| • Mr. Dasrat Sugrim | - | Board Member |
| • Mr. Stanton Millington | - | Board Member |
| • Ms. Gail King | - | Board Member |
| • Chief Town Planner or nominee | | |
| • Permanent Secretary, Ministry of Tourism and International Transport or nominee | | |
| • Director, Natural Heritage Department, or nominee | | |

SUB-COMMITTEES OF THE BOARD

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

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

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

MEETINGS OF THE BOARD OF DIRECTORS

Seventeen (17) Board of Directors' Meetings were held for the financial year April 2016 to March 2017. Of these, four (4) were Special Meetings. Also note that the January 25th meeting was a continuation of the January 19th.

Board Members	Meetings Attended
Mr. Steve Alleyne (Chairman)	<i>14</i>
Mr. Donley Carrington (Dep. Chair)	<i>17</i>
Ms. Sophia Catwell	<i>12</i>
Mr. Olvin Forde	<i>14</i>
Mr. Villeneuve Greaves	<i>11</i>
Mr. Wren Miller	<i>15</i>
Ms. Grace Ramsay	<i>17</i>
Mrs. Kristin Turton	<i>14</i>
Ms. Sondra Willett-Elcock	<i>13</i>
Chief Town Planner or representative	<i>11</i>
Director Natural Heritage Department or representative	<i>17</i>
Permanent Secretary Min. of Tourism or representative	<i>16</i>

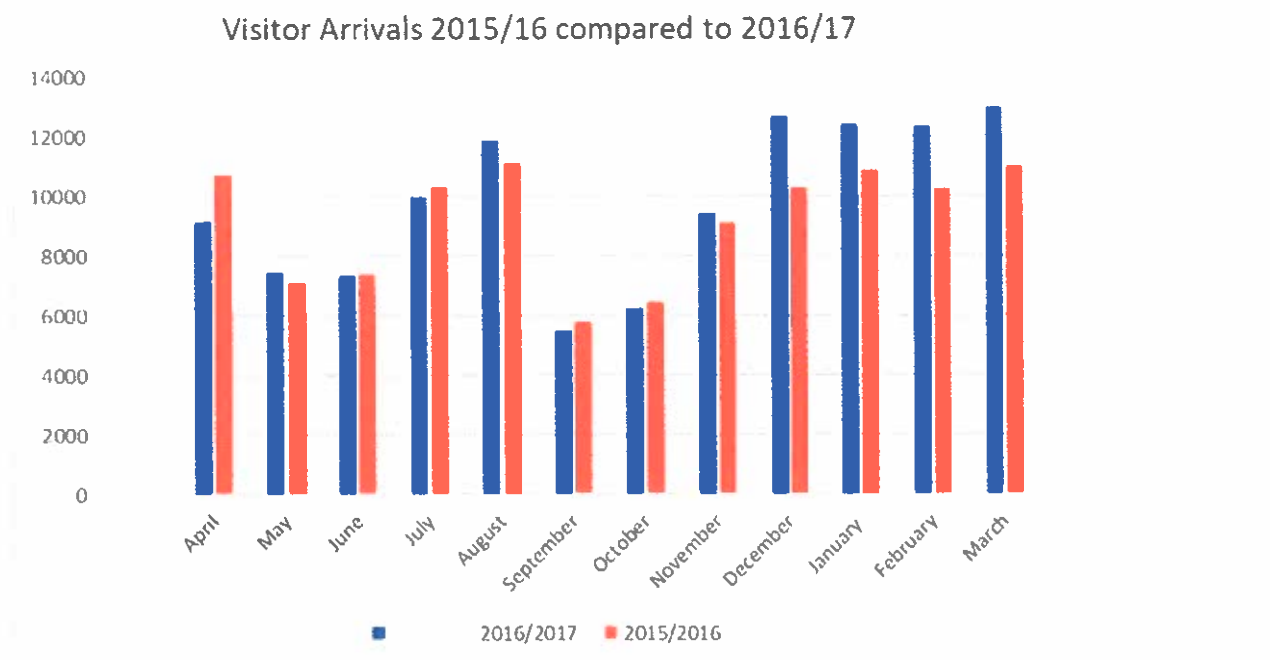
VISITOR ARRIVALS

Visitor numbers for the reporting period totalled 117,080 when compared to 2015/16 of 110,404, an increase of 6,676 or 6%. When compared to 2014/15, the increase was 14,463 or 14%. The number of visitors for 2016/2017 however fell behind the budgeted amount of 123,313 by 6,233 persons or 5%.

TABLE—VISITOR ARRIVALS – APRIL 2016- MARCH 2017

	2016/2017	2015/2016
<i>April</i>	8,950	10,733
<i>May</i>	7,454	7,119
<i>June</i>	7,342	7,376
<i>July</i>	9,960	10,312
<i>August</i>	11,841	11,108
<i>September</i>	5,509	5,781
<i>October</i>	6,248	6,437
<i>November</i>	9,420	9,108
<i>December</i>	12,649	10,299
<i>January</i>	12,425	10,882
<i>February</i>	12,312	10,240
<i>March</i>	12,970	11,009
TOTAL	117,080	110,404

The winter period December to March saw an exceptionally strong performance in the year with an average 20% increase in each month. The below bar chart highlights this comparison.



OPERATING ACTIVITIES

The Operations Department was able to fulfil the daily maximum demand for four trams throughout the period. Preventative maintenance was performed and critical spares were stocked to reduce the level of down-time. In some situations, there was difficulty procuring some of the spares as some parts have become obsolete and had to be reconditioned.

With the Cave’s re-development project, one of the added attractions was the glass front elevators which takes patrons from the Visitor Reception area to the valley floor. Over the last few years we have been experiencing a number of service issues with the elevators which has compromised the visitor experience. After a period of consultation, a decision was therefore made to begin the process for the replacement of these units completely. This will be done over two financial years.

Due to limited financial resources, a decision was taken to place the rehabilitation of the Timber Walk project on hold. The photo voltaic system remained disconnected from the grid and work was ongoing to rectify the problems with the faulty inverters.

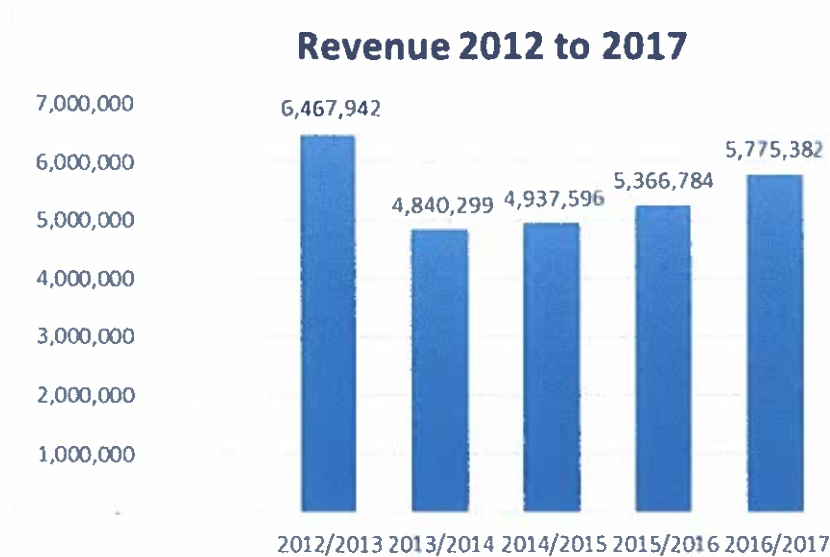
All other aspects of the facility and equipment were inspected and maintenance performed in accordance with the preventative maintenance schedule or as required.

A public tender for the operation of a restaurant at Harrison's Cave was issued in the press in the month of May. Having received no suitable tenders for the operation, an invitation process was initiated targeting established Chefs on the island. Four individuals were invited to submit proposals, however eventually only one entity completed the entire process and negotiations were started for the lease of the restaurant and bar.

Finance

During the year, the Cave's revenue, exclusive of the Government Grant, increased by \$408,598 or 8% when compared to actual performance in 2015/16. This increase was due primarily to a positive performance in the collection of entrance fees and Souvenir Shop sales resulting from an overall increase in visitor traffic.

A comparison of revenue performance over the past 5 years is highlighted in the chart below. Revenue has been showing an increase in the last two years.



The Caribbean Development Bank loan balance was reduced from \$34,256,292 in 2015/2016 to \$29,621,542 in 2016/2017. The amount of interest paid on the loan amounted to \$1,405,565 in 2016/2017. During the income year 2016/2017 there was a decrease in the Government Grant of \$1,656,592, from \$11,113,392 in 2015/2016 to \$9,456,800.

Operating expenses decreased from \$14,745,686 in 2015/2016 to \$8,924,690 in 2015/2017. This decrease is primarily due to a reclassification in 2015/16 of \$6,008,681 from capital work-in-progress to expenses for amounts attributable to the roadworks project that should not have been capitalized. This resulted in an increase of \$5,510,876 in interest to CDB expense account, and \$497,805 in other general and administrative expenses in the 2015/2016 financial statements.

Marketing

Sales and marketing activities continued to be the driver of the company's revenue earning capacity. CBL continued to derive its revenue mainly from its signature tram tours. Revenue was also generated through our Eco-adventure tours, walk-in tours, retail gift shop, kiosk rentals and event and site rental.

During the year, there were some major events staged at the facility, the largest of which was a social evening and lime of the Rotary Clubs of Barbados as part of their District Conference. This event catered to approximately four hundred (400) persons. A total of two hundred (200) persons took the Signature Tram tour that evening and enjoyed a variety of dishes prepared by local chefs.

Simpson Motors staged the launch of the 2016 Jaguar at the Cave in July. The vehicle was showcased in the Rotunda room, the first of its kind event hosted here. A cocktail reception for invited guests followed the official unveiling.

Billed as a double celebration, a special night tour event and special promotional rates were planned to mark the company's anniversary and Independence. The Signature Tram Tour was offered to Barbadians at BDS. \$35.00 per adult and half price for children. The Eco-Adventure Tour was offered at a 50% discount, at a rate of BDS. \$100.00 per person. These rates were in place from November 23rd to 30th 2016. Night tours and Lime was held on Saturday November 26th.

The CEO (ag) and Deputy Chair attended the Florida Caribbean Cruise Association conference in Puerto Rico all in an effort to engage more direct business from the Cruise lines for the Eco Adventure tour.

A documentary series on the Cave is being developed by Researcher/producer Sherwood McCaskie to commemorate the Cave's 35th Anniversary.

The process for the redesign of the company's website was initiated with the issue of a Request for Proposals (RFP). The contract for the redesign was awarded following a Board meeting in December 2016. It is expected that a six-month timeline will be needed for the completion of the new website. The website will be the first step towards a more prominent digital media presence. A contractor was also engaged to implement and manage the company's social media program, which would be a prominent part of the marketing strategy going forward.

Environmental Monitoring

The on-going programme for internal cave maintenance which includes the daily inspection of formations, walls and ceilings, removal of unwanted material and sediments from formations and pools, removal of dampen flora and the maintenance of the lighting, electrical supply, drainage and roadway in the cave were performed.

Daily inspections were made throughout the day to determine the quality of the water. Additionally, monthly samples were collected and taken to the Government Analytical Services for chemical and bacterial tests. The water quality within the cave was mainly related to surface impacts linked to heavy rainfall events, external activities and activities resulting from tours within the cave.

Air quality was measured using the environmental equipment which was installed in 2010. There were some challenges with the equipment and replacing the parts has proven no longer viable. Invitations have been issued for the submission of proposals for the replacement of the environmental monitoring equipment.

The Inter-ministerial Committee on the Stability of the Great Hall at Harrison's Cave agreed to accept a joint proposal by local consultants to investigate the structure and stability of the Cave with specific focus on the Great Hall. The intention is to enter into negotiations with this team with the intention of establishment of a contract to perform the works.

HUMAN RESOURCES

Retirements

Mr. Garth Scott – Building Maintenance Technician retired effective April 01, 2016.

Mr. Grantley Hackett - Cave Ranger, proceeded on early retirement leave effective January 01, 2017.

New Hires

The position vacated by retired Building Maintenance Technician was filled and two persons were recruited for the position of Cave ranger. Two Caretakers and a messenger who were previously on temporary contracts were offered full time positions.

Permission was granted by the Ministry of Tourism and International Transport for the establishment of the position of Adventure Tour Interpreter. It was further agreed that the existing four ATIs would be appointed to the position of Adventure Tour Interpreter retroactive to April 01, 2016. These persons were previously on temporary contract assignment.

Recruitment of Management Positions

The recruitment process for the position of Chief Executive Officer was managed by Profiles Caribbean Inc. A total of eleven candidates were interviewed for the position.

Ms. Andrea Franklin joined the organization effective October 01, 2016 as Chief Executive Officer.

The recruitment process for the position of Operations Manager was started with ads being placed locally beginning in November 2016. A total of ten (10) applications were received for the position. The positions of Human Resource Manager and Marketing Manager remain unfilled.

Mr. Scofield Clarke, retired Operations Manager assumed the temporary assignment as Consultant which commenced on August 01, 2016. He was responsible for the management of the daily operations of the Cave during the period August 1 to September 11, while Mrs. Jennifer Williams CEO (Ag) was on vacation leave.

Pension Plan

The Board of Directors entered into an agreement with a consultant for the preparation of documents relating to the establishment of the Caves of Barbados pension plan.

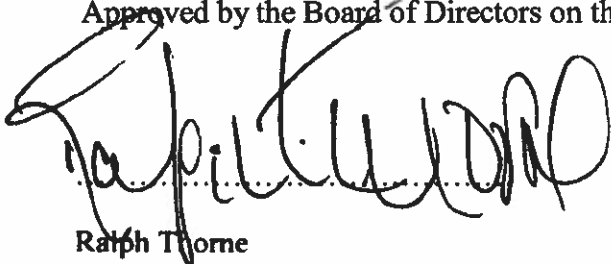
At present, the pension plan obligations are funded by the pension plan bank account. The amount in the pension plan bank account at 31 March 2017 was \$3,792,926. During the year 2016/2017 an amount of \$648,000 was injected into the pension plan bank account. The pension plan bank account is currently reported in financial statement together with any surplus or deficit in accordance with the actuarial valuation as provided by Eckler.

REDEVELOPMENT PROJECT

Land Acquisition

At 31 March 2017, CBL continues to work with the Ministry of Housing and Lands towards the completion of the compensation to land owners for lands acquired during the redevelopment project.

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



Ralph Thorne
Chairman

APPENDIX B

**Year Ended 31 March 2017
Audited Financial Statements**

Financial Statements

CAVES OF BARBADOS LTD

Year Ended 31 March 2017
(Expressed in Barbados Dollars)

CAVES OF BARBADOS LTD

Year ended 31 March 2017

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Independent auditors' report

To the Shareholder of Caves of Barbados Ltd

Opinion

We have audited the financial statements of Caves of Barbados Ltd (the Company), which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for qualified opinion

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

Note 23 to the financial statements discloses that instructions were issued by the Ministry of Finance, Economic Affairs and Investments to State Owned Enterprises to write off all intragovernmental debt owing prior to 1 September 2018. Affected material amounts recorded by the Company as at 31 March 2017 are represented by outstanding VAT refunds of \$1,254,455 from the Barbados Revenue Authority. These amounts not subsequently received to date have not been written off. This is not in accordance with IAS 39.58 which would require that this be treated as an adjusting event as at 31 March 2017.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 March 2017. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management and those charged with governance for the financial statements

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

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

Independent auditors' report (continued)

To the Shareholder of Caves of Barbados Ltd

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

Auditors' responsibilities for the audit of the financial statements

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

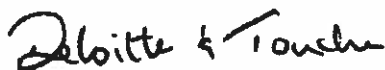
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Other matter

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



28 June 2019

CAVES OF BARBADOS LTD

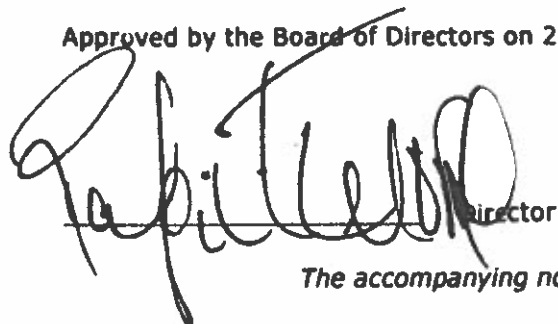
Statement of Financial Position

At 31 March 2017

(expressed in Barbados dollars)

	Notes	2017	2016 Restated
Assets			
Current assets			
Cash at bank	4	\$ 6,758,068	\$ 3,323,021
Accounts receivable and prepayments	5	1,712,915	1,694,472
Inventories	6	108,109	304,707
Corporation tax recoverable		11,927	11,927
Amount due from related party	7	-	5,093
		<u>8,591,019</u>	<u>5,339,220</u>
Non-current assets			
Net defined benefit asset	16	516,392	797,905
Property, plant and equipment	8	<u>58,726,478</u>	<u>60,430,434</u>
Total assets		\$ <u>67,833,889</u>	\$ <u>66,567,559</u>
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	10	\$ 1,009,745	\$ 460,239
Current portion of loans payable	15	4,893,009	4,893,009
Amount due to related party	7	<u>199,745</u>	<u>201,237</u>
		<u>6,102,499</u>	<u>5,554,485</u>
Non-current liabilities			
Loans payable	15	29,621,542	34,256,292
Net defined benefit liability	16	-	-
		<u>29,621,542</u>	<u>34,256,292</u>
		<u>35,724,041</u>	<u>39,810,777</u>
Equity			
Share capital – 7,600,000 common shares	11	7,600,000	7,600,000
Subscription shares to be issued	12	27,709,993	27,709,993
Capital contribution by the Government of Barbados	13	4,317,224	4,317,224
Accumulated deficit		<u>(7,517,369)</u>	<u>(12,870,435)</u>
		<u>32,109,848</u>	<u>26,756,782</u>
Total liabilities and equity		\$ <u>67,833,889</u>	\$ <u>66,567,559</u>

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


Director


Director

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD
Statement of Comprehensive Income
For the Year Ended 31 March 2017
(expressed in Barbados dollars)

	Notes	2017	2016 Restated
Revenue			
Entrance fees		\$ 5,342,027	\$ 4,918,731
Shop and bar sales		<u>341,138</u>	<u>328,709</u>
		5,683,165	5,247,440
Cost of sales		<u>(320,897)</u>	<u>(211,046)</u>
Gross profit		5,362,268	5,036,394
Government grants	22	9,456,800	11,113,392
Other income		<u>92,217</u>	<u>119,345</u>
		<u>14,911,285</u>	<u>16,269,131</u>
Expenses			
Salaries, wages and benefits		2,757,180	2,855,950
Other general and administrative expenses	17	2,246,848	7,757,724
Depreciation and amortization	8	2,436,238	2,546,513
Employee benefits expense		17,852	(44,730)
Interest and bank charges		<u>1,466,572</u>	<u>1,630,229</u>
		<u>8,924,690</u>	<u>14,745,686</u>
Income for the year before taxation		<u>5,986,595</u>	<u>1,523,445</u>
Taxation		<u>-</u>	<u>-</u>
Income for the year		<u>5,986,595</u>	<u>1,523,445</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit obligation	16	<u>(633,529)</u>	<u>(157,285)</u>
Other comprehensive income for the year		<u>(633,529)</u>	<u>(157,285)</u>
Total comprehensive income for the year		<u>\$ 5,353,066</u>	<u>\$ 1,366,160</u>

CAVES OF BARBADOS LTD

Statement of Changes in Equity For the Year Ended 31 March 2017

(expressed in Barbados dollars)

	Share capital	Subscription for shares to be issued	Capital contributed by the Government of Barbados	Accumulated deficit	Total
Balance – 1 January 2015	\$ 7,600,000	\$ 27,709,993	\$ 4,317,224	\$ (14,236,595)	\$ 25,390,622
Total comprehensive income for the year – Restated	-	-	-	<u>1,366,160</u>	<u>1,366,160</u>
Balances – 31 March 2016	7,600,000	27,709,993	4,317,224	(12,870,435)	26,756,782
Total comprehensive income for the year	-	-	-	<u>5,353,066</u>	<u>5,353,066</u>
Balances – 31 March 2017	<u>\$ 7,600,000</u>	<u>\$ 27,709,993</u>	<u>\$ 4,317,224</u>	<u>\$ (7,517,369)</u>	<u>\$ 32,109,848</u>

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Statement of Cash Flows

For the Year Ended 31 March 2017

(expressed in Barbados dollars)

	Notes	2017	2016 Restated
Operating activities			
Income before taxation		\$ 5,986,595	\$ 1,523,445
Adjustments for:			
Interest expense		1,466,572	1,630,229
Property Plant and equipment write off		-	6,008,681
Depreciation	8	2,436,238	2,546,513
Gain on sale of property and equipment		-	(25,000)
Defined benefit plan interest and service costs		<u>(352,016)</u>	<u>(1,388,169)</u>
Operating income before working capital changes		9,537,389	10,295,699
(Increase)/decrease in accounts receivables and prepayments		(18,443)	140,161
Decrease in inventories		196,598	27,129
Decrease in due from related party		5,093	23,365
Increase/(decrease) in accounts payable and accrued expenses		<u>549,506</u>	<u>(412,461)</u>
Cash generated from operations		10,270,143	10,073,893
Interest paid		<u>(1,204,133)</u>	<u>(930,455)</u>
Net cash from operating activities		<u>9,066,010</u>	<u>9,143,438</u>
Investing activities			
Proceeds from sale of property and equipment		-	25,000
Purchase of property, plant and equipment	8	<u>(732,282)</u>	<u>(472,916)</u>
Net cash used in investing activities		<u>(732,282)</u>	<u>(447,916)</u>
Financing activities			
Decrease in due to shareholder		-	(1,903,015)
Decrease in due to related party		(1,492)	-
Loan draw downs (repayments) (net)		<u>(4,897,189)</u>	<u>(4,844,261)</u>
Net cash used in financing activities		<u>(4,898,681)</u>	<u>(6,747,276)</u>
Increase in cash at bank		3,435,047	1,948,246
Cash at bank – beginning of year		<u>3,323,021</u>	<u>1,374,775</u>
Cash at bank – end of year		\$ <u>6,758,068</u>	\$ <u>3,323,021</u>
Cash at bank comprise:			
Cash at bank		\$ <u>6,758,068</u>	\$ <u>3,323,021</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

1. Incorporation, ownership and principal activities

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

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

2. Adoption of new and revised International Financial Reporting Standards

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

- IAS 19 *Employee Benefits* – Amendments
- Annual Improvements 2014-2016 Cycle
- Annual Improvements 2015-2017 Cycle

Standards issued but not yet effective

- IFRS 9, Financial Instruments. Classification and Measurement (annual periods beginning on or after 1 January 2018)
- IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture– Amendments to IFRS 10 and IAS 28 (for annual periods beginning on or after 1 January 2016) - Postponed
- IAS 1 – Disclosure Initiative – Amendments to IAS 1 (for annual periods beginning on or after 1 January 2020)
- IAS 7, Statements of Cash Flows. Amendments as result of the disclosure initiative (annual period beginning on or after 1 January 2017)
- IFRS 15 – Revenue from Contracts with Customers (for annual periods beginning on or after 1 January 2018)
- IAS 19, Employee Benefits, Amendments resulting from September 2014 annual improvements to IFRSs (annual periods beginning on or after 1 January 2016)
- Clarification to IFRS 15 Revenue from Contracts with Customers (for annual periods beginning on or after 1 January 2018)
- Annual improvements to IFRSs: 2014-2016 Cycle (Dec 2016) 1 Jan, 2018

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

3. Significant accounting policies

Statement of compliance

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

Basis of measurement

These financial statements are expressed in Barbados dollars.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

3. Significant accounting policies (continued)

Going concern

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

Financial instruments

Financial assets

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

Impairment

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

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

Inventories

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

Property, plant and equipment

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

Borrowing costs

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

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

Revenue recognition

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

Taxation

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

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

Foreign currency

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

3. Significant accounting policies (continued)

Related parties

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

Government grants

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

Defined benefit plan

As at 31 March 2017, there was no formal pension plan in existence at the Company. The Company will source a pension plan provider in the upcoming financial years.

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

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

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

Provisions

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

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

Impairment of non-financial assets

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

3. Significant accounting policies (continued)

Critical accounting judgments, estimates and assumptions

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

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

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

Key sources of estimation uncertainty

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

Useful lives and impairment of property, plant and equipment

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

Employee benefits

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017

(expressed in Barbados dollars)

4. Cash at bank

	2017	2016
Petty cash	\$ 10,905	\$ 9,405
Republic Bank (Barbados) Limited – Payroll account	140,493	284,025
Republic Bank (Barbados) Limited – Current account	<u>10,311,779</u>	<u>6,438,554</u>
	10,463,177	6,731,984
Funds designated for pension benefits	<u>(3,705,109)</u>	<u>(3,408,963)</u>
	<u>\$ 6,758,068</u>	<u>\$ 3,323,021</u>

Cash at bank includes a balance of \$5,496,456 (2016 - \$5,515,725) which earns interest at 0.00% to 0.15% per annum. The Directors have restricted the use of this balance to financing the redevelopment costs of Harrison's Cave (Note 19) and for funds to pay pension benefits. The funds designated for pension benefits amount to \$3,705,109 (2016 - \$3,408,963).

5. Accounts receivable and prepayments

	2017	2016
Trade accounts receivable	\$ 364,832	\$ 275,527
Other receivables	1,263,997	1,296,535
Prepayments	<u>84,086</u>	<u>122,410</u>
	<u>\$ 1,712,915</u>	<u>\$ 1,694,472</u>

Other receivables include an amount of \$1,254,455 (2016 - \$1,254,455) relating to VAT refunds. The average credit period on sales of goods is 30 days. No interest is charged on trade receivables. The Company has assessed the collectability of its trade receivables and has concluded that no allowance for doubtful debts is necessary.

Of the trade receivables balance at the end of the year, \$364,832 (2016 - \$308,591) amounts of \$272,859 (2016 - \$199,281) and \$66,843 (2016 - \$NIL), are due from two of the Company's largest customers. There are no other customers who represent more than 25% of the total balance of trade receivables.

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

Age of receivables that are past due but not impaired

	2017	2016
30-60 days	\$ 288	\$ 760
60-90 days	920	1,873
Over 90 days	<u>19,961</u>	<u>51,727</u>
Total	<u>\$ 21,169</u>	<u>\$ 54,360</u>

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

The Company has NIL (2016 - NIL) impaired trade receivables.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017

(expressed in Barbados dollars)

6. Inventories

	2017	2016
Shop inventory	\$ 108,109	\$ 270,955
Spare parts	<u>-</u>	<u>33,752</u>
	<u>\$ 108,109</u>	<u>\$ 304,707</u>

7. Amounts due from (to) related party

Due from related party

	2017	2016
Barbados Tourism Authority	\$ <u>-</u>	\$ <u>5,093</u>

Due to related parties

National Conservation Commission	\$ <u>199,745</u>	\$ <u>201,237</u>
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The Company received advances from the Government of Barbados to assist in the financing of the redevelopment of the Caves. All related party balances are unsecured, interest-free and bear no fixed terms of repayment.

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

8. Property, plant and equipment

2017	Cost	Accumulated depreciation	Net book value
Computer equipment			
Balances – 31 March 2016	320,466	(302,624)	17,842
Additions	25,747	-	25,747
Depreciation	<u>-</u>	<u>(15,567)</u>	<u>(15,567)</u>
Balances – 31 March 2017	<u>346,213</u>	<u>(318,191)</u>	<u>28,022</u>
Fixtures and fittings			
Balances – 31 March 2016	804,260	(737,713)	66,547
Additions	12,545	-	12,545
Depreciation	<u>-</u>	<u>(40,990)</u>	<u>(40,990)</u>
Balances – 31 March 2017	<u>816,805</u>	<u>(778,703)</u>	<u>38,102</u>
Motor Vehicles			
Balances – 31 March 2016	163,225	(129,760)	33,465
Additions	-	-	-
Disposal	-	-	-
Depreciation	<u>-</u>	<u>(18,254)</u>	<u>(18,254)</u>
Balances – 31 March 2017	<u>163,225</u>	<u>(148,014)</u>	<u>15,211</u>
Trams			
Balances – 31 March 2016	8,948,219	(7,819,312)	1,128,907
Additions	-	-	-
Depreciation	<u>-</u>	<u>(721,126)</u>	<u>(721,126)</u>
Balances – 31 March 2017	<u>8,948,219</u>	<u>(8,540,438)</u>	<u>407,781</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2017	Cost	Accumulated depreciation	Net book value
Leasehold land			
Balances – 31 March 2016	6,094,268	-	6,094,268
Additions	-	-	-
Depreciation	-	-	-
Balances – 31 March 2017	<u>6,094,268</u>	<u>-</u>	<u>6,094,268</u>
Leasehold buildings			
Balances – 31 March 2016	50,384,112	(6,133,203)	44,250,909
Additions	-	-	-
Depreciation	-	(1,007,682)	(1,007,682)
Balances – 31 March 2017	<u>50,384,112</u>	<u>(7,140,885)</u>	<u>43,243,227</u>
Plant and machinery			
Balances – 31 March 2016	13,067,438	(4,234,602)	8,832,836
Additions	-	-	-
Disposals	-	-	-
Depreciation	-	(627,313)	(627,313)
Balances – 31 March 2017	<u>13,067,938</u>	<u>(4,861,915)</u>	<u>8,205,523</u>
Software			
Balances – 31 March 2016	203,233	(197,573)	5,660
Additions	-	-	-
Depreciation	-	(5,306)	(5,306)
Balances – 31 March 2017	<u>203,233</u>	<u>(202,879)</u>	<u>354</u>
Capital work-in progress			
Balances – 31 March 2016 (Restated)	-	-	-
Additions	693,990	-	693,990
Completed	-	-	-
Balances – 31 March 2017 (Restated)	<u>693,990</u>	<u>-</u>	<u>693,990</u>
Summary			
Balances – 31 March 2016 (Restated)	79,985,221	(19,554,787)	60,430,434
Additions	732,282	-	732,282
Disposal	-	-	-
Depreciation	-	(2,436,238)	(2,436,238)
Balances – 31 March 2017	<u>80,717,503</u>	<u>(21,991,025)</u>	<u>58,726,478</u>
2016 - Restated			
	Cost	Accumulated depreciation	Net book value
Computer equipment			
Balances – 31 March 2015	\$ 312,511	(270,923)	41,588
Additions	7,955	-	7,955
Depreciation	-	(31,701)	(31,701)
Balances – 31 March 2016	<u>320,466</u>	<u>(302,624)</u>	<u>17,842</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2016 - Restated	Cost	Accumulated depreciation	Net book value
Fixtures and fittings			
Balances – 31 March 2015	790,248	(689,494)	100,754
Additions	14,012	-	14,012
Depreciation	-	(48,219)	(48,219)
Balances – 31 March 2016	<u>804,260</u>	<u>(737,713)</u>	<u>66,547</u>
Motor Vehicles			
Balances – 31 March 2015	232,676	(180,957)	51,719
Additions	-	-	-
Disposal	(69,451)	69,451	-
Depreciation	-	(18,254)	(18,254)
Balances – 31 March 2016	<u>163,225</u>	<u>(129,760)</u>	<u>33,465</u>
Trams			
Balances – 31 March 2015	8,948,219	(7,006,482)	1,941,737
Additions	-	-	-
Depreciation	-	(812,830)	(812,830)
Balances – 31 March 2016	<u>8,948,219</u>	<u>(7,819,312)</u>	<u>1,128,907</u>
Leasehold land			
Balances – 31 March 2015	6,094,268	-	6,094,268
Additions	-	-	-
Depreciation	-	-	-
Balances – 31 March 2016	<u>6,094,268</u>	<u>-</u>	<u>6,094,268</u>
Leasehold buildings			
Balances – 31 March 2015	50,378,912	(5,125,568)	45,253,344
Additions	5,200	-	5,200
Depreciation	-	(1,007,635)	(1,007,635)
Balances – 31 March 2016	<u>50,384,112</u>	<u>(6,133,203)</u>	<u>44,250,909</u>
Plant and machinery			
Balances – 1 April 2015	13,027,757	(3,607,678)	9,420,079
Additions	39,681	-	39,681
Disposals	-	-	-
Depreciation	-	(626,924)	(626,924)
Balances – 31 March 2016	<u>13,067,438</u>	<u>(4,234,602)</u>	<u>8,832,836</u>
Software			
Balances – 1 April 2015	203,233	(196,623)	6,610
Additions	-	-	-
Depreciation	-	(950)	(950)
Balances – 31 March 2016	<u>203,233</u>	<u>(197,573)</u>	<u>5,660</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2016	Cost	Accumulated depreciation	Net book value
Summary			
Balances – 1 April 2015	79,581,756	(17,077,725)	65,504,031
Additions	472,916	-	472,916
Disposal	(69,451)	69,451	-
Depreciation	-	(2,546,513)	(2,546,513)
Balances – 31 March 2016 (Restated)	<u>79,985,221</u>	<u>(19,554,787)</u>	<u>60,430,434</u>

9. Bank overdraft

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

10. Accounts payable and accrued expenses

	2017	2016
Trade creditors	\$ 133,389	\$ 152,607
Project payable	686,190	-
Accrued expenses	<u>190,166</u>	<u>307,632</u>
	<u>1,009,745</u>	<u>\$ 460,239</u>

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

11. Share capital

Authorized:

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

Issued and outstanding

	2017	2016
7,600,000 common shares, issued and fully paid	\$ <u>7,600,000</u>	\$ <u>7,600,000</u>

12. Subscription shares to be issued

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

13. Capital contributed by the Government of Barbados

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

14. Taxation and tax losses

	2017	2016
Taxation expense:		
Provision for current year's corporation tax	\$ _____-	\$ _____-

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

	2017	2016
Income before taxation	\$ <u>5,986,595</u>	\$ <u>1,523,445</u>
Taxed at tax rate of 25% (2016 - 25%)	1,496,649	380,861
Tax effect of temporary differences	(1,044,357)	(3,082)
Tax effect of expenses not deductible for tax purposes	609,060	636,628
Tax effect of losses utilized	<u>(1,061,352)</u>	<u>(1,014,407)</u>
	_____	_____

There are tax losses of \$6,769,374 (2016 - \$11,014,778) which have not yet been agreed with the Revenue Commissioner, but are not in dispute. The losses if not utilized, will expire as follows:

Year	Amount	Expiry date
2010	6,026,965	2019
2011	742,409	2020

The deferred tax asset in respect of the losses which amount to \$1,692,344 (2016 - \$2,753,695) at the current rate of tax has not been recognized in the financial statements.

15. Loans payable

	2017	2016
Caribbean Development Bank		
Current portion	\$ 4,893,009	\$ 4,893,009
Long-term portion	<u>29,621,542</u>	<u>34,256,292</u>
	<u>34,514,551</u>	<u>39,149,301</u>

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

During the year, interest of \$1,405,565 (2016 - \$1,572,427) was incurred.

Cash at bank includes a balance of \$5,496,456 (2016 - \$2,132,182) which has been designated to fund redevelopment expenditure.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2017

(expressed in Barbados dollars)

16. Defined benefit plan

As at 31 March 2017, there was no formal pension plan in existence at Caves of Barbados Ltd. Caves of Barbados Ltd. will source a pension plan provider in the upcoming years.

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

Year/Period ending 31 March	2017	2016
Discount rate	7.75% per annum	7.75% per annum
Future promotional salary increase	2.50% per annum	2.50% per annum
Future inflationary salary increases	4.25% per annum	4.25% per annum
Future increases in the NIS ceiling for earnings	4.25% per annum	4.25% per annum
Future increases in pensions	3.75% per annum	3.75% per annum
Mortality	UP94 at 2017 with Projection Scale AA	
Termination of active members	1% at all ages under 40 and 0.5% at ages between 40 and 50	
Early retirement for active employees	5% of eligible employees each year between early retirement age and the year prior to retirement age with the remaining employees retiring at normal retirement age	
Early retirement for terminated employees	100% at earliest age	
Future expenses	Nil	

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

	2017	2016
	\$	\$
Losses arising from experience	382,408	(53,631)
Expected return on plan assets	251,121	210,916
Actual return on plan assets	-	-
Total	<u>633,529</u>	<u>157,285</u>

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

	2017	2016
	\$	\$
Present value of funded defined benefit obligation	2,555,188	(2,611,058)
Fair value of plan assets	<u>3,071,580</u>	<u>3,408,963</u>
Net defined benefit liability	<u>516,392</u>	<u>797,905</u>

Changes in the present value of defined benefit obligation

	2017	2016
	\$	\$
At the beginning of year	2,611,058	2,467,024
Current service cost	100,847	99,520
Interest cost	182,220	195,148
Actuarial (gains) losses	382,408	(53,631)
Benefit payments	<u>(721,346)</u>	<u>(97,003)</u>
	<u>2,555,187</u>	<u>2,611,058</u>

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Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

16. Defined benefit plan (continued)

Changes in the fair value of plan assets

	2017	2016
	\$	\$
At the beginning of year	3,408,963	2,034,045
Employee contributions	-	-
Employer contributions	383,963	1,471,921
Benefit payments	<u>(721,346)</u>	<u>(97,003)</u>
Plan assets at fair value at the end of the period	<u>3,071,580</u>	<u>3,408,963</u>

Net benefit expense recognized in comprehensive income

	2017	2016
	\$	\$
Current service cost	100,847	99,520
Interest costs	182,220	195,148
Expected return on plan assets	<u>(251,121)</u>	<u>(210,916)</u>
	<u>31,946</u>	<u>83,752</u>

Statement of other comprehensive income

	2017	2016
	\$	\$
Gain (loss) from experience	382,408	(53,631)
Expected return on plan assets	251,121	210,916
Actual return on plan assets	<u>-</u>	<u>-</u>
	<u>633,529</u>	<u>157,285</u>

Impact of changes in significant actuarial assumption

	2017	2016
	\$	\$
Base IAS 19 Results	2,555,188	2,611,058
Reduce discount rate by 1% p.a	2,995,789	3,052,750
Increase discount rate by 1% p.a.	2,228,881	2,255,100
Reduce salary increase by 0.5% p.a	2,343,781	2,363,302
Increase salary increase by 0.5% p.a	2,808,166	2,902,554
Increase average life expectancy by 1 year	2,831,730	2,655,581

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Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

17. Other general and administrative expenses

	2017	2016
	\$	\$
		Restated
Ceremonial/special events	10	2,987
Seminars/conferences/training	15,784	19,498
Utilities	243,114	252,305
Insurance	425,368	406,848
Office expenses	79,664	59,075
Equipment rental	4,051	4,710
Repairs and maintenance	423,266	6,268,922
Security	361,638	328,384
Advertising	123,463	100,821
Other expenses	221,913	91,601
Professional fees	234,881	106,452
Board members' expenses	59,900	57,250
Membership fees	25,883	40,925
Board expenses	27,913	17,946
	<u>2,246,848</u>	<u>7,757,724</u>

18. Key management compensation

	2017	2016
	\$	\$
Retirement benefit costs	130,028	118,722
Short-term benefits	60,000	142,326
	<u>190,028</u>	<u>261,048</u>

19. The redevelopment of Harrison's Cave

The Company is redeveloping Harrison's Cave at an estimated cost of \$84,849,000. At 31 March 2017, expenditure of \$6,016,481 (2016 - \$6,008,681) has been incurred with respect to this development (Note 8). It is a condition of the loan agreement that the Shareholder will provide additional capital in connection with the redevelopment project.

20. Financial risk management objectives and policies

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

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Notes to the Financial Statements For the Year Ended 31 March 2017 (expressed in Barbados dollars)

20. Financial risk management objectives and policies (continued)

Market risk

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

Interest rate risk

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

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

Foreign currency risk

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

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

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

Credit risk

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

Trade receivables

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

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

Financial instruments and cash deposits

Credit risk from balances with banks is managed by management in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2017 and 2016 is the carrying amounts as illustrated in Note 4.

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Notes to the Financial Statements

For the Year Ended 31 March 2017

(expressed in Barbados dollars)

20. Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Capital risk management

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

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

21. Fair value

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

22. Government grants

The Company receives subventions from the Government of Barbados to assist with the payment of operational expenses. During the period, the Company received \$9,456,800 (2016- \$11,113,392).

23. Subsequent Events

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

The Director of Finance and Economic Affairs and Investment further instructed that these adjustments be made effective 31 December 2018. Consequently the aforementioned adjustment were not recorded as at 31 March 2017.

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the financial statements presentation adopted in the current year.

25. Correction of Prior Year Error

The Capital Work- in Progress account included an amount from 2016 of \$6,008,681 for expenses associated with a Roadworks Project funded by a loan from the Caribbean Development Bank (CDB). This project ended in 2015 and no capital additions should have been recorded to this account.

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Notes to the Financial Statements

For the Year Ended 31 March 2017

(expressed in Barbados dollars)

25. Correction of Prior Year Error (continued)

The financial statements and corresponding note disclosures have been restated to correct this error. The effect of this restatement is summarized in the table below:

	As Previously Reported	As Restated
Statement of financial position as at March 31, 2016		
Property, plant and equipment	6,008,681	-
Accumulated deficit	6,861,754	12,870,435
Statement of Comprehensive for the year ended March 31, 2016		
Other general and administrative expenses	1,749,043	7,757,724
Income for the period before taxation	7,532,126	1,523,445
Total comprehensive income for the year	7,374,841	1,366,160
Statement of changes in equity		
Total comprehensive income for the year	7,374,841	1,366,160
Accumulated deficit	6,681,754	12,870,435
Total equity	32,765,463	26,756,782
Statement of Cash Flows		
Income before taxation	7,532,126	1,523,445
Property, plant and equipment write-off adjustment	-	6,008,681