



HOTELS & RESORTS LIMITED

# ANNUAL REPORT

APRIL 1, 2021 - MARCH 31, 2022

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## Hotels & Resorts Limited

### 1.0 The Company:

Hotels & Resorts Limited (“the Company”) was incorporated on December 27, 1995 to be a “developmental model” for small South Coast hotels. After a number of challenges with the project, the Shareholders made a decision to divest in 2005, at that time there were five hotels within the portfolio. Therefore, the primary objective of the Company is to sell the two remaining hotel properties within its portfolio – The Savannah hotel, which is leased until sold and the Blue Horizon hotel, which is operated by the Company.

In line with the divestment agenda the vision and mission of the Company is articulated below:

#### Vision:

*To successfully divest with our shareholders, people, and tourism at the forefront.*

#### Mission:

- *To develop a progressive divestment strategy pursuing investors whose foresight align with our shareholders’ vision of Barbados tourism*
- *To focus on financial performance creating value for our shareholders and appeal to investors*
- *To create an open, transparent, and supportive culture that develops high performing, multi-faceted employees*
- *To maintain our hotel plant creating appeal to investors while providing quality affordable accommodation matched with service that optimize the guest experience*



## 2.0 Chairman's Report:

### Chairman's Report for the year ended March 31, 2022

The Company's operating performance for the financial year ended March 31, 2022, was one of mixed challenges.

At the time the Corona virus COVID-19 pandemic was continuing its ravenous threats to the tourism industry, there was another catastrophic event in Barbados when the La Soufriere Volcano, St. Vincent and the Grenadine erupted on April 09, 2021, spewing tons of ash just nine days into the Company's new financial year. The ashfall was cleaned up, albeit at great costs, but the COVID-19 pandemic, with its many variants persisted throughout the entire year and is still with us.

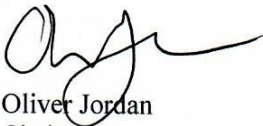
Notwithstanding the challenges, Blue Horizon Hotel continued operations under the Gems of Barbados Hotel brand, and The Savannah Hotel resumed operations under a temporary lease arrangement.

Blue Horizon Hotel also participated in the Barbados Employment and Sustainable Transformation [BEST] Programme but primarily provided service as a COVID Quarantine Hotel for the first six months. Increased occupancy levels were achieved, at decreased average daily rates, with total \$2,936,347 room revenue for the year being recorded. The increased room revenue represented an increase of 187% over the \$1,023,134 recorded for the prior year but fell short by \$84,690 or 2.8% of the achieved \$3,021,037 pre-COVID 2019 room revenue.

Gross operating income of \$2,553,524 was achieved for the year under review with a resultant net operating loss of \$59,224. This was a significant improvement when compared to the prior year with \$510,653 gross operating income recorded and a net operating loss \$1,630,657. The comparative total net loss for the year was \$1,036,327 versus a total net loss of \$2,533,250 for the prior year.

KPMG, Chartered Accountants, tendered resignation as the Company's auditors during the year; and were replaced by Grant Thornton Ltd., Chartered Accountants, as auditors for the year ended March 31, 2022.

With the long-awaited global re-opening of countries there is still the need to tread cautiously with respect to COVID 19; climate change, and other local, regional, and international issues which could further setback the tourism industry in Barbados. While continuing to optimize its existing operations, in accordance with Government policy, the Company remains focused on successfully executing the divestment of the two remaining hotels.



Oliver Jordan  
Chairman

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### **3.0 The Year in Review (April 1, 2021 - March 31, 2022):**

#### **Divestment**

The Company continued work towards the divestment objectives in the year, but progress was constrained by market and other conditions, as we continued to seek the best outcome for our shareholders.

#### **Operations**

As a result of the COVID-19 pandemic Blue Horizon hotel was practically closed for six months of the 2020/21 year. During that period, we operated with a skeleton staff, until a full reopening as a quarantine hotel in October 2021. The pandemic which had an unprecedented impact on the tourism sector, continued to test the industry and indeed the island and several ups and downs were experienced during the 2021/22 year.

We started the year on the brink of a new global wave as a result of the rise of new variants, particularly the delta and omicron, which resulted in further worldwide shut downs, and restrictions. The island would face additional threats with the eruption of the La Soufriere volcano in April which resulted in a blanket of ash fall on the island and the passage of hurricane Elsa in July 2021 which damaged several properties and caused island wide power and water outages.

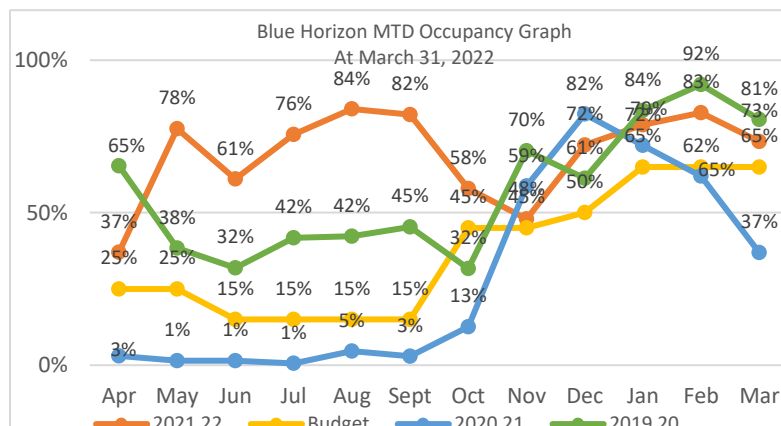
The team worked tirelessly, not only in navigating the various changes in the required health protocols but also in the clean-up in the aftermath of the volcano ashfall and hurricane Elsa. In spite of these setbacks, the requirement for travelers to quarantine on arrival to Barbados and the government's decision to quarantine locals exposed to the virus, given the increase in local cases, saw an uptick in business for the Company from May to the mid-October periods.

The Company continued to work with local health authorities and positioned Blue Horizon and The Savannah hotels to assist with the national fight against the virus. Furthermore, in September and October all new bookings at the Blue Horizon hotel were allocated to cater to the local quarantine demand. However, from mid-October, the Government introduced home quarantine and isolation and less reliance was placed on the hotel.

With the global vaccination drive, the relaxation of travel restrictions and pent up demand for travel, the stage was set for a tourism recovery in the winter season. This was further strengthened by the hosting of two series of England-West Indies cricket matches in February and March 2022, which resulted in an influx of visitors to the island from the United Kingdom. Blue Horizon was able to take advantage of these opportunities and the December 2021 through March 2022 occupancies ranged from 72% - 82%.

The comparative monthly occupancies are reflected in the below chart. At the end of the year Blue Horizon recorded:

- **Occupancy 69.23%**  
This represented a 41.21% increase over 2021 and 15pp increase over 2020.
- **RevPar \$120.07**  
This was \$78.23 greater than the \$41.84 earned in 2021 and \$3.13 shy of the \$123.20 achieved in 2020.
- **ADR \$173.43**  
This was \$24.15 (16%) greater than \$149.28 achieved in prior year but \$56.04 (24%) less than the \$229.47 achieved in 2020.



The increase occupancy at Blue Horizon led to an increase in revenue and operating performance of the hotel, bringing us within range of the 2019/20 year. Although it must be noted that there was also a shortfall in revenue from the pandemic in the month of March 2020, where the occupancy and revenue were 32pp and \$162k respectively, lower than March 2019.

The hotel ended 2021/22 with adjusted EBITDA of \$477k, representing a 159% increase over negative EBITA of \$(804k) in the prior year. EBITDA of \$484k was achieved in 2020/21. After accounting for depreciation, a NOP of \$137k was earned in the year, representing a 112% increase over the NOL of \$(1,125k) in the prior year. A NOP of \$167k was achieved in 2020/21.

#### Lease

A concessionary arrangement was entered for the reopening of The Savannah hotel in January 2021 after it was closed for nine months of the 2020/21 year; this arrangement continued through the year.

There was a moderate recovery in the performance of the operating lease with a \$358k (41%) reduction in the NOL from \$(880k) in the prior year to \$(522k). The performance of the leased operation remains substantially below pre-pandemic levels. In 2021/22 cash of \$62k was generated from the lease, representing a 91% shortfall from the \$683k generated in 2020.

#### Consolidated

The above results for the operated and leased properties led to consolidated negative EBITDA of \$(59k) compared to negative \$(1,631k) in 2021/22. We are yet to recover to pre-pandemic EBITDA, in 2021 positive \$932k was attained. 2021 included gross operating income of \$330k from the sold hotel – Time Out at the Gap and therefore a comparable EBITDA would be \$602k.

The EBITDA, Cashflow and NOP/(NOL) by profit/cost centres are reflected in the below tables.

**Table 1: EBITDA**

EBITDA	March 31 2022	March 31 2021	Variance	March 31 2020
<i>Leases - Savannah</i>	61,693	(299,121)	360,814	682,970
<i>Leases – Time Out</i>	-	-	-	330,553
<i>Blue Horizon</i>	476,873	(804,227)	(1,281,100)	483,842
<i>Unallocated Expenses</i>	(597,792)	(527,303)	70,489	(565,241)
<b>EBITDA</b>	<b>(59,226)</b>	<b>(1,630,651)</b>	<b>1,571,425</b>	<b>932,124</b>

EBITDA represents adjusted hotel/cost centre EBITDA, which has been adjusted to exclude gains/losses on disposal and impairment losses.

**Table 2: Cashflow**

Cashflow	March 31 2022	March 31 2021	Variance	March 31 2020
<i>Leases - Savannah</i>	56,985	(299,121)	356,106	682,970
<i>Leases – Time Out</i>	-	-	-	330,553
<i>Blue Horizon</i>	481,578	(804,227)	1,285,805	483,842
<i>Unallocated Expenses</i>	(587,760)	(517,561)	(70,199)	(555,780)
<b>Total</b>	<b>(49,197)</b>	<b>(1,620,909)</b>	<b>1,571,712</b>	<b>941,585</b>

**Table 3: NOP/(NOL)**

NOP/(NOL)	March 31 2022	March 31 2021	Variance	March 31 2020
<i>Leases</i>	(522,308)	(880,318)	358,010	(2,803,561)*
<i>Leases- sold hotel</i>	-	-	-	(1,701,383)**
<i>Blue Horizon</i>	136,548	(1,125,161)	1,261,709	167,319
<i>Unallocated Expenses</i>	(660,334)	(537,507)	(122,827)	(575,904)
<i>JV Share Gain/Loss</i>	(265)	-	(265)	-
<i>Interest Income/(Expense)</i>	10,032	9,742	290	9,461
<b>Profit / (Loss) Before Impairment</b>	<b>(1,036,327)</b>	<b>(2,533,244)</b>	<b>1,496,917</b>	<b>(4,903,068)</b>

\*\$2.9M impairment recognized  
\*\*\$1.9M loss on disposal recorded

The consolidated summary results are at Appendix 1.

#### **4.0 Major Capital Projects**

No major capital projects were undertaken during the year. The Company continued to maintain the Blue Horizon hotel to acceptable 3-star accommodation quality. Maintenance and upgrade work to the Savannah hotel was carried out by the Lessee in the year.

#### **5.0 Distribution to Shareholders**

Given operating losses, and uncertain market conditions, no distributions were made to the Shareholders. Capital repayments will be made to the Principal shareholder in the future from the sale of the hotels.

#### **6.0 Fiscal Risks**

##### COVID-19 pandemic

The Company continues to be negatively impacted by the COVID-19 pandemic, in addition the many variants of COVID-19 and the possibility of other pandemics pose a threat.

Revenue could be severely impacted by reduced demand resulting in lower occupancies and average daily rates (ADRs). In addition, operating costs are higher given increased sanitization procedures and the provision of personal protective equipment. Costs may also increase given supply chain and labour force disruptions.

We monitor and implement the recommended protocols from local health authorities and the World Health Organisation. Keeping a safe clean environment for our guests and staff remain a priority.

Property values will also likely be impacted and result in the need to record impairment. Investor and financiers' confidence in the sector will weaken; this at a time when the Company is seeking to divest of the hotels.

##### Geo-political tensions

The war in Ukraine and other geo-political tensions increase the risks of inflationary pressures. Steep rises in fuel and other prices will reduce discretionary income and result in reduced demand. In addition, market ADRs may not increase in line with inflation and could impact the Company's profitability.

##### Climate Change

Climate change continues to pose a threat to the Company and its operations. The resulting increase in hurricanes and other natural disasters threatens the Company's ability to operate by dampening demand. In addition, there is the risk of destruction of company assets. The Company mitigates these risks by ensuring that the properties are adequately insured, however some losses and catastrophic events are uncertain and are uninsurable.

We monitor warnings for natural disasters and implement procedures to keep guests and staff safe and to protect the Company's assets.

##### Divestment/Investor Risk

The Company may not be able to dispose of the hotels in a timely manner or on favourable terms, which could adversely affect its financial condition, operating results, and cash flows.



The risk of not securing a lease arrangement and/or a sale agreement for The Savannah hotel, may result in the Company having to maintain the property in the short to medium term. A closed hotel will result in its rapid deterioration and to operate it would require a large capital outlay.

The continued operation of Blue Horizon hotel will incur ongoing capital outlay to ensure that the property is maintained to acceptable standards.

#### Cyber security

The emerging rise in global cyber-attacks and the increase in the administrative staff remote working heightens the chances of cyber-attacks. This will put pressure on the Company as operations are reliant on effective working information systems. To mitigate these risks measures such as complex password protection, backing up and storing data offsite are in place.

#### Contingent Liabilities

The Company is exposed to a claim made by Commonwealth Hospitality Limited (CHL), a former hotel manager for US\$13.6 Million, which is the subject of arbitration. US\$1,091,450 was accrued at March 31, 2022 against this claim, details of which are disclosed in the Notes to the Financial Statements.

CHL has not pursued this matter for several years, likely as the result of numerous changes in the ownership structure and management of that company over the years.

## **7.0 Compliance with Statement of Social Responsibility**

**Employees:** *We are committed to the development of our employees and we ensure that we implement best standards to safeguard their health and safety in the workplace.*

During the year we:

- Continued to participate with the BEST programme and retained all employees for 40-hour weeks
- Encouraged employees to take advantage of training programmes and completed training in housekeeping, CPR and first aid, health and safety, horticulture and landscaping, management of HR and supervisory management
- Instituted cross-training programmes which allowed employees to work in other departments of the hotel
- Continued to provide Personal Protective Equipment (PPEs) to ensure the safety of our employees
- Supported administrative staff with hybrid working arrangements, and ensured the relevant infrastructure was in place to facilitate remote work

**Community:** *We recognize that the youth are our future and we partner with the Prince's Trust to employ "at risk youth" by offering job attachments for 3 - 4 persons from the program per year. In addition, we donate to school programs/activities.*

During the year we:

- Continued to work with at risk youth and continued the partnership with the Prince's Trust – we had four job attachments in the year

**Environment:** *Though our footprint is small we do our part in protecting our environment. To this end we implement energy saving measures throughout our plant and encourage waste reduction.*

During the year we:

- Used only energy efficient bulbs across the plant
- Purchased only energy efficient air conditioners
- Reduced water consumption by purchasing only water efficient toilets, and used rain-water to supplement water usage for landscaping

We are working towards eliminating single use miniature bathroom amenities in 2023.

### **8.0 Remuneration paid to each Board Director**

Chairman	20,760
Deputy chairman	7,200
Directors	4,860

Directors Fees and expenses are disclosed on the Statement of Income.

### **9.0 Remuneration paid to Senior/Middle Management**

Number of Employees	Salary range	Benefits
1	156,000 - 192,000	4,428
1	72,000 - 93,800	2,628
1	54,000 – 75,600	1,025

Executive management salary is disclosed in Note 11 - Related Party Transactions in the Financial Statements. Benefits include pension payments to employees' plans and contribution to employer's medical plan through the Barbados Hotel and Tourism Authority Group Plan.

## Appendix 1

### Consolidated Summary Results and KPIs:

Consolidated Summary Results and KPIs	31 Mar 2022	31 Mar 2021	Variance	% Var	31 Mar 2020
<b>Occupancy</b>	69.23%	28.03%	41.21%		53.69%
<b>ADR</b>	\$ 173.43	\$ 149.28	\$ 24.15		\$229.47
<b>RevPar</b>	\$ 120.07	\$ 41.84	\$ 78.23		\$123.20
<b>Revenue</b>					
<b>Rooms</b>	2,936,347	1,023,134	1,913,214	187.00%	3,021,037
<b>Other</b>	642,829	146,453	496,376	338.93%	1,693,297
<b>Total Revenue</b>	<b>3,579,176</b>	<b>1,169,587</b>	<b>2,409,589</b>	<b>206.02%</b>	<b>4,714,333</b>
<b>Operating Costs</b>	1,025,652	658,934	(366,718)	(55.65%)	1,143,396
<b>Operating Costs %</b>	28.66%	56.34%			24.75%
<b>Gross Margin (GOI)</b>	2,553,524	510,653			3,570,937
<b>GOI %</b>	71.34%	43.66%			75.75%
<b>Undistributed Expenses (ue)</b>	2,555,576	2,082,323	(473,255)	(22.73%)	2,638,811
<b>UE %</b>	71.40%	178.04%			55.97%
<b>EBITDA</b>	<b>(59,224)</b>	<b>(1,630,657)</b>	<b>1,571,432</b>	<b>(96.37%)</b>	932,125
<b>Operating Margin (EBITDA/Revenue)</b>	(1.65%)	(139.42%)			19.77%
<b>Net Loss</b>	(1,036,327)	(2,533,250)	1,496,923	(59.09%)	(4,903,069)
<b>ROE (Net Income/Shareholder's Equity)</b>	(3.78%)	(8.94%)			(16.00%)
<b>Cash generated</b>	(49,457)	(1,620,915)	1,571,457	(96.95%)	941,586
<b>Liquidity</b>					
<b>Working Capital</b>	2,365,531	2,422,191			3,824,537
<b>Current Ratio</b>	1.76	1.78			2.27



## **Section B**

**Hotels & Resorts Limited  
Audited Financial Statements  
For the year ended March 31, 2022**

# **Hotels & Resorts Limited**

Financial Statements

**March 31, 2022**

(expressed in Barbados dollars)

# Hotels & Resorts Limited

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For the year ended March 31, 2022

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# Hotels & Resorts Limited

Corporate Information

For the year ended March 31, 2022

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## Directors

Oliver G. Jordan

C. Stephen Ollivierre

Neal D. A. Griffith

John S. M Rocheford

*Permanent Secretary Ministry of Tourism & International Transport*

Donna S. Cadogan

Francine J. Blackman (Acting)

*Representative of the Chairman of the Barbados Tourism Investment Inc.*

Jefferson R. Lashley

Charmaine J. St John

Robin H. Simmons

Chairman

Deputy Chairman

Director

Director

Director (until May 23, 2022)

Director (from May 24, 2022)

Director

Director

Director

## Secretary

Inez Hinkson

## Registered Office

Gems of Barbados Corporate Office

Rockley

Christ Church

Barbados

## Principal Office

Gems of Barbados Corporate Office

Rockley

Christ Church

Barbados

## Bankers

RBC Royal Bank of Canada Barbados Limited

Lower Broad Street

Bridgetown

Barbados

## Auditors

Grant Thornton Ltd

Suite 2, Berne Building

The Courtyard, Hastings

Christ Church

Barbados

## Attorneys-at-Law

Clarke Gittens Farmer

Parker House

Wildey Business Park

St. Michael

Barbados

Karen Perreira

InterCaribbean Legal

28 Pine Road

St. Michael

Barbados

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Hotels & Resorts Limited**

#### **Opinion**

We have audited the accompanying financial statements of Hotels & Resorts Limited (the "Company"), which comprise the statement of financial position as at March 31, 2022, and the statement of 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs").

#### **Basis for Opinion**

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

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

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

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

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



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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 auditor's 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 auditor's 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Other Matters**

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

The financial statements of the Company for the year ended March 31, 2021 were audited by another auditor who expressed an unqualified opinion on these statements on July 20, 2021.

*Grant Thornton Ltd*

**Chartered Accountants**

**July 7, 2022**

**Barbados**

# Hotels & Resorts Limited

## Statement of Financial Position

As at March 31, 2022

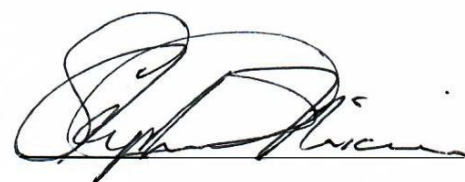
(expressed in Barbados dollars)

	Notes	2022 \$	2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		3,505,993	4,772,477
Trade and other receivables	7	1,754,278	529,510
Prepaid expenses		198,791	197,977
VAT recoverable		—	12,257
Inventories		31,021	9,934
<b>Total current assets</b>		<b>5,490,083</b>	<b>5,522,155</b>
<b>Non-current assets</b>			
Property and equipment	8	24,845,562	25,738,107
Investment	9	156,000	156,000
Investment in a joint venture	10	1,692,678	1,692,943
<b>Total non-current assets</b>		<b>26,694,240</b>	<b>27,587,050</b>
<b>Total assets</b>		<b>32,184,323</b>	<b>33,109,205</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	3,096,704	3,099,961
VAT payable		27,848	—
<b>Total current liabilities</b>		<b>3,124,552</b>	<b>3,099,961</b>
<b>Non-current liability</b>			
Advance from joint venture	11	1,667,470	1,667,470
<b>Total liabilities</b>		<b>4,792,022</b>	<b>4,767,431</b>
<b>Equity</b>			
Share capital	13	27,291,154	27,291,154
Contributed surplus	14	250,755,626	250,668,772
Accumulated deficit		(250,654,479)	(249,618,152)
<b>Total equity</b>		<b>27,392,301</b>	<b>28,341,774</b>
<b>Total liabilities and equity</b>		<b>32,184,323</b>	<b>33,109,205</b>

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

Approved by the Board of Directors on July 7, 2022.

Director



# Hotels & Resorts Limited

## Statement of Changes in Equity For the year ended March 31, 2022

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(expressed in Barbados dollars)

	Note	Share capital \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance at April 1, 2020</b>		<b>27,291,154</b>	<b>250,429,844</b>	<b>(247,084,902)</b>	<b>30,636,096</b>
Shareholder contribution	14	—	238,928	—	238,928
Net loss for the year		<u>—</u>	<u>—</u>	<u>(2,533,250)</u>	<u>(2,533,250)</u>
<b>Balance at March 31, 2021</b>		<b>27,291,154</b>	<b>250,668,772</b>	<b>(249,618,152)</b>	<b>28,341,774</b>
Shareholder contribution	14	—	86,854	—	86,854
Net loss for the year		<u>—</u>	<u>—</u>	<u>(1,036,327)</u>	<u>(1,036,327)</u>
<b>Balance at March 31, 2022</b>		<b><u>27,291,154</u></b>	<b><u>250,755,626</u></b>	<b><u>(250,654,479)</u></b>	<b><u>27,392,301</u></b>

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

# Hotels & Resorts Limited

## Statement of Income

For the year ended March 31, 2022

(expressed in Barbados dollars)

	Notes	2022 \$	2021 \$
<b>Revenue</b>			
Rooms		2,936,347	1,023,134
Other revenues		642,829	146,453
		<u>3,579,176</u>	<u>1,169,587</u>
<b>Direct costs</b>			
Room costs		951,481	588,442
Other costs		74,171	70,492
		<u>1,025,652</u>	<u>658,934</u>
<b>Gross operating income</b>		2,553,524	510,653
<b>Undistributed expenses</b>			
Administration	16	1,080,457	1,050,442
Operations and maintenance		547,241	291,225
Insurance and property tax		523,114	462,407
Utilities		375,500	240,156
Sales and marketing		29,264	38,093
		<u>2,555,576</u>	<u>2,082,323</u>
<b>Gross operating loss</b>		(2,052)	(1,571,670)
Directors' fees and expenses		57,172	58,987
		<u>(59,224)</u>	<u>(1,630,657)</u>
<b>Net operating loss</b>			
Depreciation	8	(929,941)	(912,335)
Write-off of property and equipment	8	(51,487)	–
Interest income		10,032	9,742
Loss on disposal		(5,442)	–
Share in net loss of joint venture	10	(265)	–
		<u>(977,103)</u>	<u>(902,593)</u>
<b>Net loss for the year</b>		<u>(1,036,327)</u>	<u>(2,533,250)</u>

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

# Hotels & Resorts Limited

## Statement of Cash Flows

For the year ended March 31, 2022

(expressed in Barbados dollars)

	Notes	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Net loss for the year		(1,036,327)	(2,533,250)
Adjustments for:			
Depreciation	8	929,941	912,335
Write-off of property and equipment	8	51,487	–
Write-off of allowance for doubtful accounts	20	30,325	48,214
Interest income		(10,032)	(9,742)
Loss on disposal of property and equipment		5,442	–
Share in net loss of joint venture	10	265	–
<b>Operating loss before working capital changes</b>		(28,899)	(1,582,443)
(Increase)/decrease in trade and other receivables		(1,255,093)	74,175
Increase in prepaid expenses		(814)	(113,417)
Increase in inventories		(21,087)	(204)
Decrease/(increase) in VAT recoverable		12,257	(77,791)
Increase in VAT payable		27,848	–
(Decrease)/increase in accounts payable and accrued liabilities		(3,257)	163,147
<b>Net cash used in operating activities</b>		(1,269,045)	(1,536,533)
<b>Cash flows used in investing activities</b>			
Acquisition of property and equipment	8	(94,325)	(20,359)
<b>Cash flows from financing activities</b>			
Proceeds from capital surplus	14	86,854	238,928
Interest received		10,032	9,742
<b>Net cash from financing activities</b>		96,886	248,670
<b>Net decrease in cash</b>		(1,266,484)	(1,308,222)
<b>Cash at beginning of year</b>		4,772,477	6,080,699
<b>Cash at end of year</b>		3,505,993	4,772,477

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

# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 1 Incorporation and principal activity

Hotels & Resorts Limited (the “Company”) was incorporated under the Laws of Barbados on December 27, 1995. The principal activity of the Company was the investment and development of hotel properties. The Company’s registered office is at Gems of Barbados Corporate Office, Rockley, Christ Church, Barbados. The Company is approximately 95.1% owned by the Government of Barbados, 3.6% by Sintjon Limited and 1.3% by Worthing Court Apartment Hotel Limited. The three shareholders are domiciled in Barbados.

Through the creation of the hotel brand, Gems of Barbados (Gems), the Company integrated the marketing and management for the hotels on its portfolio.

In 2005, a decision was made to divest, and the hotels were put on the market for sale. There are two remaining hotels in the portfolio – The Savannah, which is leased, and Blue Horizon which is operated by the Company.

### 2 Going concern

The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic’s spread have significantly impacted the Company. These measures included travel restrictions and requirements to quarantine for long periods at both legs of one’s journey which further dampened the demand for travel. As a result, the operating hotel was virtually closed for six months of the year and no revenue was earned from the leased operation for nine months of the year. This has negatively impacted the Company’s performance for the year.

For the year ended March 31, 2022, the Company recognized a loss of \$1,036,327 (2021: \$2,533,250) and at this date its current assets exceeded current liabilities by \$2,365,531 (2021: \$2,422,194).

The Company faces the possibility of continued diminishing revenue due to COVID-19. The operating hotel continue to be impacted by lower occupancies and average rates as is the current trend in the industry. In addition, the ability to lease the hotel at lease fees prior to the pandemic may be a challenge in the near future.

Management has assessed its liquidity position and taking into account worse case scenarios, has ascertained that the Company would be in a position to meet its liabilities as they fall due within the next year. In addition, the Company applied and was approved for funding from the major shareholder - the Government of Barbados - through the Barbados Employment and Sustainable Transformation Programme (BEST). This programme was conceptualized by the Government, to address the social and economic consequences caused by the pandemic and provides funding for companies in the tourism sector.

### 3 Basis of preparation

#### a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorized for issuance by the Directors on July 7, 2022.

# Hotels & Resorts Limited

Notes to the Financial Statements  
March 31, 2022

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(expressed in Barbados dollars)

## 3 Basis of preparation ...continued

### b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

### c) Functional and presentation currency

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

### d) Use of estimates and judgements

The preparation of financial statements in conformity with the IFRS for SMEs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### *Impairment of trade receivables*

Significant management judgment is required to determine a provision for impairment which is established when there is objective evidence that the Company will not be able to collect all amounts due. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the receivable is impaired. The Company has provided allowance for doubtful accounts to its trade receivables as at March 31, 2022 (see note 7).

### *Impairment of property and equipment*

In assessing impairment, management estimates the recoverable amount of its property and equipment based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. The Company has provided impairment allowance to its property and equipment as at March 31, 2022 (see note 8).



# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 4 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### a) Financial instruments

##### i) *Financial assets*

The Company initially recognizes financial assets on the date when they are originated. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

The Company financial assets comprise cash, trade and other receivables and investment. The classification depends on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition

##### *Cash*

Cash includes cash at bank and in hand

##### *Trade and other receivables*

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets.

##### *Investment*

Investment includes shares owned at the Southern Golf and Country Club Ltd. which are initially recognized at fair value and subsequently carried at cost as these shares are not traded on recognized stock market.

##### ii) *Financial liabilities*

Financial liabilities are recognized on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies financial liabilities into other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 4 Summary of significant accounting policies ...continued

#### a) Financial instruments ...continued

##### ii) Financial liabilities ...continued

The Company's financial liabilities comprise of accounts payable and accrued liabilities and advance from joint venture.

##### iii) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### b) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is provided on furniture, fittings and equipment on the straight-line basis at rates designed to expense the cost of the assets over the period of their estimated useful lives. Hotel buildings are depreciated to their salvage values, estimated at 40% of costs after 50 years. Land is not depreciated.

Computer equipment	33 1/3%
Motor vehicle	20%
Furniture, fittings and equipment	10%
Hotel buildings	2%

Operating equipment which includes linen, uniforms, cutlery, crockery and other utensils, is accounted for using the base-stock method. Under this method, a base level of operating equipment is carried at most recent cost. The cost of replacement of operating equipment is charged against income in the year in which it is incurred.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of income.

#### c) Foreign currency translation

Foreign currency transactions completed during the year are recorded at actual rates of exchange prevailing at the date of such transactions. Monetary assets and monetary liabilities denominated in foreign currency at the reporting date are translated using the rates of exchange prevailing at that date. The resultant exchange differences are included in the statement of income.

# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 4 Summary of significant accounting policies ...continued

#### d) Taxation

Income tax expense recognized in the statement of income comprises of the sum of deferred tax and current tax.

Current income tax liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting period. Current tax is payable on taxable profit, which differs from the statement of comprehensive income in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted in Barbados by the end of the reporting period.

Deferred income tax is calculated using the liability method on temporary differences arising between the tax bases of assets and liabilities and their tax bases. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

#### e) Revenue recognition

Revenue is recognized at the point of delivery of service to customers and is measured by reference to the fair value of consideration received or receivable by the Company for services rendered, net of value added tax, room rate levy, service charge and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for the Company's activities, as described below.

Other revenues earned by the Company is recognised on the accrual basis.

#### f) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is an 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 or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income.

#### g) Investment in a joint venture

The investment in a joint venture is accounted for using the equity method. The financial statements at each reporting period include the Company's share of the total recognized gains and losses of the joint venture.

# Hotels & Resorts Limited

Notes to the Financial Statements  
March 31, 2022

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(expressed in Barbados dollars)

## 4 Summary of significant accounting policies ...continued

### h) Equity

#### i) *Share capital*

Share capital represents the nominal values of the shares that have been issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

#### ii) *Contributed surplus*

Contributed surplus includes capital contribution received or repaid to the Company's principal shareholder.

### i) Leases – Company as a lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognised in the statement of income on a straight-line basis over the lease term.

### j) Employee benefits

The cost of short-term employee benefits, including holiday entitlement, pension and health insurance, are recognised in the period in which employee services are rendered within the statement of income as staff costs. Any unpaid amounts are included in the statement of financial position as liabilities, measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

### k) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### l) Expenses

Expenses are recognized in the statement of income upon utilisation of services or as incurred.

# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 4 Summary of significant accounting policies ...continued

#### m) Events after the reporting date

Post year-end events that provide additional information about the Company's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

### 5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for its financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### *Short-term financial assets and liabilities*

The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise of cash and trade and other receivables. Short-term financial liabilities are comprised of accounts payable and accrued liabilities.

#### *Long-term financial assets and liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### 6 Financial risk management

#### Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 6 Financial risk management ...continued

#### Overview ...continued

The Company's risk management policies are established to identify and analyse the risks faced by the Company, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### Credit risk

Credit risk is the risk of financial loss to the Company if a member or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. Cash and investment are not likely to be subjected to credit risk.

#### Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's revenue is attributable to customers' credit sales and the demographics of the customers' geographical location, including default risk of the industry and the country in which customers operate, has less of an influence on credit risk.

Management has instituted standard repayment periods for credit sales and monitors each receivable balance on a weekly basis with regard to credit sales granted and payments received.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it has 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.

#### 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 holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### i. Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Company mainly the US Dollar (USD).

The Company's currency risk is significantly reduced as sales are conducted in US dollars which is pegged to the Barbados dollar.

# Hotels & Resorts Limited

Notes to the Financial Statements  
March 31, 2022

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(expressed in Barbados dollars)

## 6 Financial risk management ...continued

### Market risk ...continued

#### ii. Interest rate risk

The Company is exposed to various risks associated with the effects of fluctuations in the levels of interest rates on certain financial assets and liabilities.

#### iii. Capital management

The Company's principal shareholder is the Government of Barbados which guarantees the repayment of long-term and short-term debt instruments.

There were no changes to the Company's approach to capital management during the year.

## 7 Trade and other receivables

Trade and other receivables are shown below.

	2022 \$	2021 \$
Trade receivables	1,756,255	565,460
Allowance for doubtful accounts	<u>(355,316)</u>	<u>(385,641)</u>
	1,400,939	179,819
Other receivables	<u>353,339</u>	<u>349,691</u>
Balance at end of year	<u>1,754,278</u>	<u>529,510</u>

Movement in allowance for doubtful accounts is presented in Note 20.

Other receivables mainly relate to deposit to the Barbados Light and Power Company. These are deemed to be fully collectible as at March 31, 2022.

# Hotels & Resorts Limited

## Notes to the Financial Statements March 31, 2022

(expressed in Barbados dollars)

### 8 Property and equipment

	Hotel buildings \$	Land \$	Furniture, fittings & equipment \$	Operating equipment \$	Total \$
<b>Cost</b>					
At April 1, 2020	69,296,554	5,399,755	14,099,284	868,658	89,664,251
Additions	–	–	20,359	–	20,359
At March 31, 2021	<b>69,296,554</b>	<b>5,399,755</b>	<b>14,119,643</b>	<b>868,658</b>	<b>89,684,610</b>
At April 1, 2021	69,296,554	5,399,755	14,119,643	868,658	89,684,610
Additions	–	–	94,325	–	94,325
Write-off	–	–	(4,852,741)	–	(4,852,741)
Transfers	28,236	18,260	(2,042,770)	1,996,274	–
Disposals	–	–	(17,470)	–	(17,470)
At March 31, 2022	<b>69,324,790</b>	<b>5,418,015</b>	<b>7,300,987</b>	<b>2,864,932</b>	<b>84,908,724</b>
<b>Depreciation and impairment</b>					
At April 1, 2020	50,027,740	–	13,006,428	–	63,034,168
Charges for the year	832,860	–	79,475	–	912,335
At March 31, 2021	<b>50,860,600</b>	<b>–</b>	<b>13,085,903</b>	<b>–</b>	<b>63,946,503</b>
At April 1, 2021	50,860,600	–	13,085,903	–	63,946,503
Charges for the year	831,152	–	98,789	–	929,941
Write-off	–	–	(4,801,254)	–	(4,801,254)
Transfers	(230,935)	–	(1,369,065)	1,600,000	–
Disposals	–	–	(12,028)	–	(12,028)
At March 31, 2022	<b>51,460,817</b>	<b>–</b>	<b>7,002,345</b>	<b>1,600,000</b>	<b>60,063,162</b>
<b>Net book value</b>					
At March 31, 2021	<b>18,435,954</b>	<b>5,399,755</b>	<b>1,033,740</b>	<b>868,658</b>	<b>25,738,107</b>
At March 31, 2022	<b>17,863,973</b>	<b>5,418,015</b>	<b>298,642</b>	<b>1,264,932</b>	<b>24,845,562</b>

As a result of the continued depressed local economy, the real estate market and the shareholder's desire to divest of the hotels, the Company obtained valuations for The Savannah and Blue Horizon hotels in the previous years. As at March 31, 2022 accumulated impairment for The Savannah and Blue Horizon amounts to \$26,474,823 and \$8,451,381, respectively. The accumulated impairment is presented as part of depreciation and impairment in the table above.



# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 8 Property and equipment ...continued

In 2022, the Company wrote-off certain property and equipment amounting to \$51,487 to match out with the Company's fixed asset register. The amount is presented as write-off of property and equipment in the statement of income.

### 9 Investment

	2022	2021
	\$	\$
<b>Southern Golf &amp; Country Club Ltd.</b>		
156,000 Class B shares @ \$1.00 each	<u>156,000</u>	<u>156,000</u>

These shares are carried at cost, as they are not traded on a recognized stock market, and it was not considered practicable to otherwise reliably determine their market value.

### 10 Investment in a joint venture

	2022	2021
	\$	\$
Balance at beginning of year	1,692,943	1,692,943
Share of net loss	<u>(265)</u>	:
Balance at end of year	<u>1,692,678</u>	<u>1,692,94</u>

On July 30, 2004, Hotels & Resorts Limited and Growth Development Inc. formed a company Sapphire Inc. for the purpose of owning, developing and selling the property known as the Dover Convention Centre as condominiums. Hotels & Resorts Limited has 49% interest in the Company and Growth Development Inc. has 51%.

The investment in a joint venture is accounted for using the equity method. At March 31, 2022, the Company's share in the joint venture's net assets of \$1,692,678 is reflected in the financial statements (2021: \$1,692,943). There were no operational activities in the joint venture during in financial year 2021.

# Hotels & Resorts Limited

Notes to the Financial Statements  
March 31, 2022

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(expressed in Barbados dollars)

## 10 Investment in a joint venture ...continued

The summarized financial information of Sapphire Inc. – 100 per cent is as follows:

	2022 \$	2021 \$
Assets	3,458,841	3,459,381
Liabilities	4,396	4,396
Net assets	<u>3,454,445</u>	<u>3,454,985</u>
Company's share of joint venture's net assets	<u>1,692,678</u>	<u>1,692,943</u>
Revenue	–	–
Net loss	<u>541</u>	–
Share in net loss of joint venture	<u>265</u>	–

## 11 Related party transaction and balances

Related party transactions comprise of the following:

	2022 \$	2021 \$
Revenue from government agencies	<u>670,020</u>	489,103
Advance from joint venture	<u>1,667,470</u>	1,667,470
<i>Remuneration of key management personnel</i>		
Executive management salaries	187,176	187,176
Director's fee and expenses	<u>57,172</u>	<u>58,987</u>
	<u>244,348</u>	<u>246,163</u>

Advance from joint venture represents advances received from the joint venture. The amount is unsecured and interest-free with no fixed date for repayment.

# Hotels & Resorts Limited

## Notes to the Financial Statements March 31, 2022

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(expressed in Barbados dollars)

### 12 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are shown below.

	2022 \$	2021 \$
Accrued provision (note 15)	2,182,900	2,182,900
Accrued expenses	391,383	271,872
Others	355,800	355,800
Accounts payable	166,621	289,389
	<hr/>	<hr/>
Balance at end of year	3,096,704	3,099,961

Others pertains to the security deposit received by the Company for the lease of the Savannah hotel.

### 13 Share capital

#### *Authorized*

The Company is authorized to issue an unlimited number of common shares of no-par value.

#### *Issued*

	2022 \$	2021 \$
Number of common shares	27,291,154	27,291,154
Stated value	27,291,154	27,291,154

### 14 Contributed surplus

	2022 \$	2021 \$
Balance at April 1	250,668,772	250,429,844
Capital contribution received	86,854	238,928
	<hr/>	<hr/>
Balance at March 31	250,755,626	250,668,772

During the year, \$86,854 (2021: \$238,928) was received from the Company's principal shareholder as part of the BEST programme.

# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 15 Contingencies

The Company's former hotel manager, Commonwealth Hospitality Ltd. (CHL) has made a claim for an aggregate sum of US\$13,583,521 which is the subject of arbitration proceedings. The sum claimed includes US\$11,415,104 for liquidated damages for wrongful termination of the Management Agreement between the Company and CHL. The Company is contending that it was entitled to terminate the Management Agreement and is therefore not liable to pay CHL the amount claimed or any other amount by way of liquidated damages. The sum claimed also includes US\$595,377 as Management Incentive Fees and US\$171,920 as Termination Fee. The Company is contending it is not liable to pay CHL any amount in respect of either Management Incentive Fees or Termination Fee. It is not possible to predict the outcome of these proceedings. An accrual equivalent to US\$1,091,450 has been made against the remainder of the CHL claim as was determined at December 31, 2001. The accrued amount is included as part of accounts payable and accrued liabilities (see note 12).

Various other claims have been made against the Company. Provisions have been made only against those claims which have been quantified and for which the outcome could be reasonably determined

### 16 Administration expenses

Administration expenses are shown below.

	2022	2021
	\$	\$
Staff costs (note 17)	571,264	614,953
Professional fees	295,405	276,911
Outsourced services	92,282	67,988
Others	56,917	36,153
Human resources	44,943	41,897
Bank charges	14,645	7,301
Credit card commissions	3,601	5,119
Equipment rental	1,400	12
	<u>1,080,457</u>	<u>1,050,44</u>

# Hotels & Resorts Limited

## Notes to the Financial Statements

March 31, 2022

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(expressed in Barbados dollars)

### 17 Staff costs

Staff costs included within expenditure classified by function are as follows:

	2022 \$	2021 \$
<b>Direct costs</b>		
Room	539,322	386,175
<b>Undistributed expenses</b>		
Administration (note 16)	571,264	614,953
Operations and maintenance	46,942	53,182
	<u>1,157,528</u>	<u>1,054,310</u>

### 18 Operating leases

The Company leases out its hotel property held under operating leases. The future minimum lease payments under terms of the leases in 2022 is for twelve months amounting to \$420,000 (2021: \$420,000).

During the year ended March 31, 2022, \$504,329 (2021: \$145,843) was recognized as rental income as part of other revenues in the statement of income.

### 19 Taxation

The tax on the Company's loss before taxation differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2022 \$	2021 \$
Loss before taxation	<u>1,036,327</u>	2,533,250
Tax credit calculated at the statutory rate of 5.5%	56,998	139,329
Tax effect of unrecognized deferred tax on tax losses	(142,813)	(89,150)
Tax effect of unrecognised deferred tax on depreciation	85,815	(50,179)
	<u>—</u>	<u>—</u>

# Hotels & Resorts Limited

Notes to the Financial Statements  
March 31, 2022

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(expressed in Barbados dollars)

## 19 Taxation ...continued

### Tax losses

Tax losses of the Company which are available for set off against future taxable income for corporation tax purposes are as follows:

Year of loss	Brought forward \$	Incurred/ (utilised) \$	Expired \$	Carried forward \$	Expiry date
2020	1,182,407	—	—	1,182,407	2021
2021	1,620,915	—	—	1,620,915	2022
2022	—	2,596,607	—	2,596,607	2024
	<b>2,803,322</b>	<b>2,596,607</b>	<b>—</b>	<b>5,399,929</b>	

These losses are as computed by the company in its corporation tax returns and as yet have neither been confirmed nor disputed by the Barbados Revenue Authority.

## 20 Financial instruments

Financial assets of the Company include cash, trade and other receivables and investment. Financial liabilities include accounts payable and accrued liabilities and advance from joint venture.

### a) Credit risk

The financial assets which potentially subject the Company to concentrations of credit risk are cash and trade receivables. The Company places all of its cash with a reputable financial institution. Credit risk on trade receivables is limited as it is shown net of a provision for bad and doubtful debts. Management has instituted standard repayment periods for credit sales and monitors each receivable balance on a weekly basis with regard to credit sales granted and payments received.

### b) Interest rate risk

There were no interest-bearing loans during the year.

### c) Fair value

The fair value of cash, trade and other receivables and accounts payable and accrued liabilities are determined not to be materially different from their carrying values due to their short-term nature. The fair value of advance from investment and joint venture are not materially different from their carrying amounts.

# Hotels & Resorts Limited

Notes to the Financial Statements  
March 31, 2022

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(expressed in Barbados dollars)

## 20 Financial instruments ...continued

### c) Fair value ...continued

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. All non-financial instruments such as inventory and expenses are excluded from fair value disclosure. Thus, the total fair value amounts cannot be aggregated to determine the underlying economic value of the Company.

The basis for determining fair values is disclosed in note 5.

### d) 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:

	2022 \$	2021 \$
Cash	3,505,993	4,772,477
Trade and other receivables (note 7)	1,754,278	529,510
Investment (note 9)	<u>156,000</u>	<u>156,000</u>
	<u>5,416,271</u>	<u>5,457,98</u>

There was no significant exposure to credit risk for cash, other receivables and investment at the reporting date. Trade receivables are subjected to impairment losses shown below.

### Impairment losses

The aging of trade receivables at the reporting date is shown below.

	Gross 2022 \$	Impairment 2022 \$	Gross 2021 \$	Impairment 2021 \$
Not past due	211,048	—	74,335	—
Past due 0-30 days	203,534	—	67,582	—
Past due 31-365 days	977,428	—	30,747	—
More than one year	<u>364,245</u>	<u>355,316</u>	<u>392,796</u>	<u>385,641</u>
	<u>1,756,255</u>	<u>355,316</u>	<u>565,460</u>	<u>385,641</u>

# Hotels & Resorts Limited

## Notes to the Financial Statements March 31, 2022

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(expressed in Barbados dollars)

### 20 Financial instruments ...continued

#### d) Exposure to credit risk ...continued

##### Impairment losses ...continued

The movement in the allowance for doubtful accounts in respect of trade receivables are as follows:

	2022 \$	2021 \$
Balance at beginning of year	385,641	433,855
Write-off during the year	<u>(30,325)</u>	<u>(48,214)</u>
Balance at end of year	<u>355,316</u>	<u>385,641</u>

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

#### e) Liquidity risk

	Carrying amount \$	Gross cash flow \$	Up to 1 year \$	1 to 5 years \$	Over 5 years \$
<b>March 31, 2022</b>					
Accounts payable and accrued liabilities	3,096,704	3,096,704	3,096,704	–	–
Advance from joint venture	1,667,470	1,667,470	–	1,667,470	–
<b>March 31, 2021</b>					
Accounts payable and accrued liabilities	3,099,961	3,099,961	3,099,961	–	–
Advance from joint venture	1,667,470	1,667,470	–	1,667,470	–

#### f) Currency risk

##### Exposure to currency risk

The Company's exposure to foreign currency risk is limited to sales and purchases in United States dollars to which the functional currency, the Barbados dollar is pegged.



# Hotels & Resorts Limited

Notes to the Financial Statements  
March 31, 2022

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(expressed in Barbados dollars)

## 20 Financial instruments ...continued

### g) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2022		2021	
	Carrying amounts \$	Fair value \$	Carrying amounts \$	Fair value \$
Cash	3,505,993	3,505,993	4,772,477	4,772,477
Trade receivable and other receivables	1,754,278	1,754,278	529,510	529,510
Investment	156,000	156,000	156,000	156,000
Accounts payable and accrued liabilities	(3,096,704)	(3,096,704)	(3,099,961)	(3,099,961)
Advance from joint venture	(1,667,470)	(1,667,470)	(1,667,470)	(1,667,470)
	<b>652,097</b>	<b>652,097</b>	690,556	690,556

## 21 Impact of COVID-19 pandemic

On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak to be a pandemic, in recognition of its rapid spread across the globe. Its impact continued beyond the period ended March 31, 2021. The tourism and hospitality industry have been negatively impacted by the novel Coronavirus or COVID-19 pandemic, which has resulted in economic uncertainty. The Company is not able to predict or forecast the extent and duration of the economic uncertainty, and consequently, it is difficult to reliably measure the potential impact of this uncertainty on future financial results.

The ultimate outcome of this event cannot presently be determined, and accordingly, no provision for any effects on the Company that may result has been made in the financial statements. During the year, there were no changes made to the terms and conditions of the financial instruments due to the impact of COVID-19.

