

Annual Report and Audited Financial Statements

CAVES OF BARBADOS LTD

Year Ended 31 March 2019
(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, is a natural karst limestone formation featuring a series of subterranean passages, with a gallery of stalactites, stalagmites, lakes, streams and waterfalls. 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.

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.

STRATEGIC INTENT AND BUSINESS MODEL

The CBL's main strategic intent is to be fully established as the number one attraction in Barbados. This strategic intent is linked to the Business model which highlights how the institution makes money.

Business Model

The CBL will generate its core revenues from the sale of its subterranean cave tours (both day and night) and from the proceeds of restaurant and in-house specialty arts and craft stores. This business model will be operationalized through providing excellent cave and tram management/maintenance services, and a consistent level of excellent service delivery to all customers. Special attention will be paid to analyzing the value chain and creating efficiencies in all areas of operation. i.e. reviewing sources of supply and reducing the costs of selling the products and services (this includes timelines of preparation and delivery).

ORGANIZATIONAL GOALS 2018/19

- The development of a marketing strategy aimed at building brand awareness of the product amongst key target groups that will lead to increased traffic to the attraction and overall attainment of revenue targets.
- To increase visitor spend while at the attraction
- To increase direct business opportunities with the cruise lines
- To increase business from local and regional market
- Focus on improving the efficiencies of the operation through a carefully managed preventative maintenance program.
- To maintain and improve relationships with key stakeholder groups.
- Focus on training and development of our staff.
- To improve the customer experience

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.

MEETINGS OF THE BOARD OF DIRECTORS

Three (3) Board of Directors' Meetings were held under this management for the financial year April 2018 to March 2019. Of these meetings 1 (one) was a Special Meeting.

Board Members	<i>Meetings Attended</i>
Mr. Steve Alleyne (Chairman)	3
Mr. Donley Carrington (Deputy Chairman)	3
Ms. Sophia Catwell	1
Mr. Olvin Forde	3
Mr. Villeneuve Greaves	1
Mr. Wren Miller	3
Ms. Grace Ramsay	2
Mrs. Kristin Turton	3
Ms. Sondra Willett-Elcock	2
Chief Town Planner or Representative	3
Director Natural Heritage Department or Representative	3
Permanent Secretary Min. of Tourism or Representative	3

DISSOLUTION OF THE BOARD

The final meeting of the Board of Directors was held on May 22, 2018. Following General Elections on May 24 and the subsequent change in government, all members of the Board placed their instruments of appointment before the Minister.

APPOINTMENT OF NEW BOARD

The new Cabinet of Barbados approved the following persons to sit on the Board of Directors with effect from August 27, 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

Mrs. Ann Williams was re-assigned the duties of Recording Secretary during this period.

MEETINGS OF THE NEW BOARD OF DIRECTORS

An introductory meeting of the Board was held on September with the Minister outlining his vision for the organization.

Seven (7) Board of Directors' Meetings were held under this management for the financial year April 2018 to March 2019.

Board Members	<i>Meetings Attended</i>
Ralph Thorne, Q.C., M.P (Chairman)	7

Mr. Dave Layne (Dep. Chair)	4
Ms. Carla Parris	5
Ms. Lana Alleyne	6
Mr. Patrick Estwick	6
Mr. Gabriel Gooding-Edghill	6
Ms. Gail King	5
Mr. Stanton Millington	5
Ms. Raquel Ramsay	7
Chief Town Planner or representative	6
Director Natural Heritage Department or Representative	5
Permanent Secretary, Ministry of Tourism or Representative	6
Mr. Dasrat Sugrim	3
Ms. Stephanie Von Oppen	5
Mr. Steven Williams	7

SUB-COMMITTEES OF THE BOARD

There were four (4) Sub-committees of the Board of Directors. The membership of the sub-committees was as follows:

1) The Human Resources Committee

- Mr. Ralph Thorne, Q.C., M.P - Chairman
- Mrs. Nicole Taylor
- Mr. Dave Layne
- Mr. Steve Devonish
- Mr. George Browne
- Ms. Carla Parris
- Mr. Patrick Estwick

2) The Technical Committee

- Mr. Steve Devonish - Chairman
- Mr. George Browne
- Mr. Dave Layne
- Mr. Gabriel Gooding-Edghill

3) The Marketing Committee

- Mr. Stanton Millington - Chairman
- Mr. Steven Williams
- Ms. Stephanie Von-Oppen
- Ms. Gail King
- Mr. Dasrat Sugrim
- Ms. Lana Alleyne
- Mr. Patrick Estwick

4) The Finance and Tenders Committee

- Mr. Gabriel Gooding-Edghill
- Ms. Lana Alleyne
- Mr. Steven Williams

The Chairman of the Board would be ex-officio of all of the committees.

Additionally, Mrs. Gail King and Mr. Dasrat Sugrim were chosen as Board Trustees for the Caves of Barbados Pension Plan.

VISITOR ARRIVALS

Visitor numbers for the financial year, 2018/19 totalled 127, 094 when compared to financial year 2017/18 of 125, 336, an increase of 1, 758 or 1.4%. There was a slowing of the growth seen from that seen in the previous year, however we continued on our growth path none the less.

TABLE—VISITOR ARRIVALS Comparison

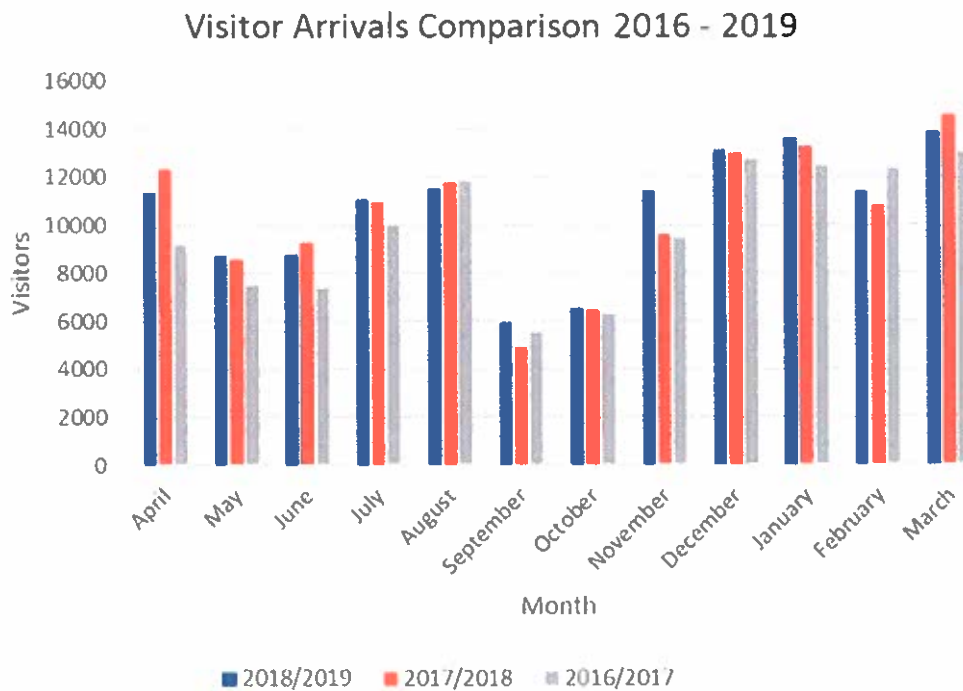
	2018/2019	2017/2018	2016/2017
<i>April</i>	11,337	12,356	8,950
<i>May</i>	8,724	8,557	7,454
<i>June</i>	8,756	9,246	7,342
<i>July</i>	11,043	10,977	9,960
<i>August</i>	11,496	11,759	11,841
<i>September</i>	5,946	4,902	5,509
<i>October</i>	6,555	6,448	6,248
<i>November</i>	11,405	9,553	9,420
<i>December</i>	13,076	12,960	12,649

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<i>January</i>	13, 513	13,251	12, 425
<i>February</i>	11,413	10,785	12,312
<i>March</i>	13, 830	14,542	12, 970
TOTAL	127, 094	125, 336	117,080

Over the last three financial years, we have therefore seen an overall growth of 15.1% from the 2015 position of the company, which saw the Cave welcoming 110, 404 persons at the time.

The below bar chart highlights this comparison.



OPERATING ACTIVITIES

Elevator Upgrade Project

During the year work was completed on phase I of the Elevator Replacement project, with two elevators being handed over, the first one on April 16, 2018 and the second on June 1, 2018. Phase II, which includes the replacement of the final unit also commenced with the deposit for the purchase of the equipment being paid and the work on the installation of the final unit commencing. There was some delay in the work on the final installation, however work is expected to be completed by the end of the first quarter of the new financial year.

The elevators are the primary means of moving visitors from the Visitor reception area to the

valley floor and has been the source of some customer service issues in the past, with constant outages occurring.

Installation of water tanks

Water tanks were installed at the Visitor Reception Centre and the tour pavilion to provide water and protect against the interruption of service in the event of a water outage.

Kiosks

All contracts for operators of the kiosks on the Valley Floor were renewed for a period of three years. Following recommendations of the insurers, a clause was added for operators to secure the required liability insurance cover. Adjusted rental rates of BDS \$ 350.00 and \$50.00 utility fee came into effect during the month of April, 2018.

Gift Shop Upgrade

During the month of October, minor refurbishment and redecorating was carried out in the gift shop to improve the appearance of the space and make it more customer friendly. We have also engaged new local artisans with new products. This is all in our mission to support and promote more indigenous products in our retail shop and upgrade the stock being offered to patrons.

Restaurant Lease Termination

Following the decision of the Board at its October meeting, notice of termination was issued to the operators of the food and beverage concession due to a breach in contract. Following a request for a few additional days to be granted for the space to be vacated, this was done by Nov 7, 2018. A short-term agreement was put in place with Little Bristol Hotels to operate the restaurant for the period Dec – May, 2019. to ensure service is available to patrons during the winter season.

Taxi Partnership

In October, an arrangement with the Independent Seaport Taxi Union to provide transportation for Eco-tour guests from newly contracted cruise lines, Holland America, P&O Cruises and Princess cruises was started. This new arrangement proved to be successful and opens the door for future partnerships with the wider taxi body.

BERT Program and RFP for lease of commercial operations of CBL

The government of Barbados has committed to a program of expenditure reduction in order to achieve the 60 percent debt to GDP target by 2033. The Barbados Economic Recovery and Transformation Program (BERT) was announced by the government highlighting three phases of measures to be undertaken in an effort to satisfy conditions of an IMF program.

Programs being implemented included the restructuring of several state-owned enterprises into private sector led and operated entities to make such organizations more fit for purpose in their financial operations and in the delivery of services.

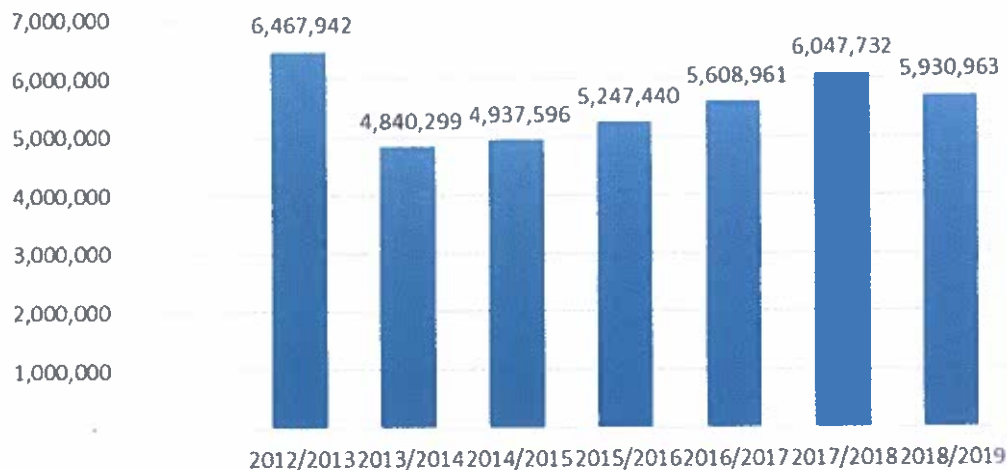
As part of these activities, the Government of Barbados, as sole shareholder of Caves of Barbados Ltd., mandated that the operational costs associated with the commercial activities of Caves of Barbados Ltd. be removed from the national balance sheet. Instructions were therefore issued for the company to proceed to make arrangements for the leasing of the commercial operations of CBL by way of the issuance of a Request for Proposal (RFP) to be placed in the local media for a period of two weeks. The RFP was published in the local press from February 22, 2019. The deadline for submission of bids has been set for April 18, 2019, the start of the new financial year.

FINANCE

During the year, the Cave’s revenue, exclusive of the Government Grant, decreased slightly by \$116,969 when compared to actual performance in 2017/18, percentage change of 57%.

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 five years and a slight decrease in the current year. The financial year end was changed from 31 December to 31 March, which resulted in a 15-month period January 2012 to 31 March 2013. With the changeover in accounting periods in 2012/13, this period presents an anomaly in the comparison.

Revenue 2012 to 2019



The Caribbean Development Bank loan balance was reduced from \$29,638,004 in 2017/2018 to \$24,759,674 in 2018/2019. The amount of interest paid on the loan amounted to \$1,171,875 in 2018/2019. During the income year 2018/2019 there was a decrease in the Government Grant of \$753,747, from \$8,813,702 in 2017/2018 to \$8,059,955.

MARKETING

Photo Shoot

An official photo shoot for Harrison's Cave was undertaken with both still and video footage being captured, highlighting all of the key areas such as the entrance, souvenir Shop, kiosks on the Valley Floor, as well as the Village Bar. A wedding scene, as well as the Tram tour and the Eco-adventure Tour were also captured. The final shots are now being used in all new marketing collateral.

The producers of HGTV – Caribbean Live were granted permission to film on site for two episodes of their television series. The episodes were aired on the popular home improvement network channel in September.

Lunch Tour

The new Lunch tour package was officially launched in April 2018, offering a combined rate for persons to experience the two offerings with a value-added component. This tour was offered in conjunction with the new Cave Bistro who offered a fixed price menu for the package. This package was halted with the termination of the contract of the restaurant operator.

Art out of Nature

The documentary series produced by Mr. Sherwood McCaskie on the history and redevelopment of Harrison's Cave entitled Art Out of Nature began airing on CBC television on Sunday evenings in October. The feedback has been very positive and it has served to renew much interest in the attraction amongst the local community.

Independence Event

The Bajan Street Party and Night Tours was held on Thursday November 29, 2018, from 6:00 p.m. to midnight. This event was aimed at engaging the community and to bring awareness to the cave as a venue for social events.

New Cruise Line Contracts

Our presence at the Florida Caribbean Cruise Association's conference during the year proved to be successful for the organization. We increased our direct cruise program for the Eco-Adventure Tour with the addition of four new cruise lines for the winter season

2018/19. This will now bring to five the number of direct contracts with lines. The new lines are Princess Cruises, Holland America, Seaborne and P& O Cruises.

ENVIRONMENTAL MANAGEMENT PLAN

Environmental Monitoring

The proposals for the replacement of the environmental monitoring equipment were received and analyzed and in March 2018, the Board of Directors approved the proposal of Sutron Corporation Inc. and the Caribbean Institute of Meteorology and Hydrology to supply, train and service four weather stations.

The new stations were installed at Explorer's Pool, Cascade Pool and at the Rotunda Room. Training on the new environmental monitoring equipment was also conducted with the team. The Caribbean Institute of Meteorology and Hydrology will provide monthly maintenance of the system under a service agreement.

Safety and Health

Accidents and incidents were reported, investigated, documented and were presented at Safety and Health Committee meetings for input in April, July and October 2018 and January 2019.

The property was inspected by personnel from the Barbados Fire Service on February 7th, 2019 and the Certificate was received on February 28th, 2019.

After months of preparation, on May 1st, 2018 visitors were issued with safety helmets before entering the cave.

On August 21st, a magnitude 7.3 earthquake occurred approximately 30 km NE of Rio Caribe, Venezuela. It was reported that tremors were felt in Barbados around 5:31pm. Internal inspections were done of the cave prior to the start of the tours the following day and inspection of the cave by Geologists from the Division of Energy/Natural Resources Department. Based on the assessment, it was reported that there were no immediate large-scale fracturing and/or collapse within Harrison's Cave as a result of the seismic activity. It was also recommended to continue the on-going recording of the conditions of the cave.

In October 2018, the Harrison's Cave Safety Management System and the Harrison's Cave Emergency Manual were updated.

A presentation was made on "Illegal Dumping and Its Impact on the Environment" by the Technical Officer on September 30th at Harrison's Cave as part of the St. Thomas Parish

Independence Committee session on Recycling and the Environment. The target audience was residents from the Allen View community.

Geotechnical Study

Significant attention was placed on the work of the Inter-Ministerial Task Force on the Geo-Physical Study of the Great Hall at Harrison's Cave as it relates to the RFP process to engage a consultant to undertake the study of the structure above the Great Hall. An independent review of the proposal under consideration was completed and comments as well as historical information on the project was made to the parent Ministry and a submission was made to the cabinet on the issue. The Cabinet has subsequently agreed at its meeting of March 14, 2019 that work should continue towards the engagement of Mahy Ridley Hazzard Engineers Ltd Consultants team to undertake the consultancy to investigate the structure and stability of Harrison's Cave. This will therefore be undertaken in the upcoming financial year.

HUMAN RESOURCES

HIRES AND RESIGNATION

Temporary Staff – Tours Department

Mr. Brandon Atherley was employed as Temporary Adventure Tour Interpreter from January 02, 2019 to August 31, 2019.

Resignation

Mr. Barry Alleyne – Adventure Tour Interpreter who joined the Company on January 10, 2011, resigned effective October 23, 2018.

Mr. Malchijah Harding – Cave Ranger who joined the company on March 01, 2017, resigned effective February 06, 2019.

Salary Adjustment

Following the announcement by the Government to grant a five percent increase in pay for the country's Public Servants, effective April 1, 2018, a memo dated August 24, 2018 from the Ministry of the Civil Service was issued stating "staff of statutory boards should be accorded salary increases on the same basis as approved for the general services where such salaries are normally tied to civil service rates and the operations of the board are financed from the public treasury". While staff of CBL do not fall into this category of worker, it was felt there was a need for some consideration to be given to the matter by the Board of Directors who are ultimately responsible for making the determination.

After meetings between Management and representatives of both unions, a salary increase of 5% was granted to the staff of Caves of Barbados Ltd. effective April 1, 2018. The payment of this increase was be treated as follows:

- The increase of salaries of staff from October 2018 by 5%.
- The payment of back-pay from April 1, 2018 to September 30, 2018 in November 2018.

STAFF TRAINING

The following training sessions were held during the reporting period.

First Aid Training

Refreshers First Aid Training was held on Tuesday March 20, 2018 to accommodate staff members who were unable to attend on the first session during May 2017. This was facilitated by the Heart & Stroke Foundation of Barbados.

ICAB TRAINING

The Institute of Chartered Accountants of Barbados hosted a Breakfast Workshop entitled "Preventing Fraud Through Effective Internal Controls". The following staff members attended.

- Mrs. Waveney Goddard – Accounts Clerk
- Mrs. Francine Stephens-Forde – Accounts Clerk
- Mrs. Jennifer Williams – Financial Controller
- Mrs. Pauline Bovell-Straker – Senior Sales Associate

TAMIS Training

An invitation was received from the BRA regarding their training sessions on the BRA's new Tax Administration Management Information System. Senior Management and staff of the Accounts Department attended this training.

Workshop on Sexual Harassment

Workshops for Managers and staff were held on CBL Sexual Harassment Policy and Complaint/Investigation Procedures.

National Tourism Host Programme (NTHP)

A total of eleven (11) front line staff attended the Barbados Together Training Programme conducted by the Barbados Tourism Product Authority.

Customer Service Training – NISE

Customer Service training was held for all staff. This was facilitated by Mrs. Rhonda Bryan-Hutson Trainer, Customer Service, National Initiative for Service Excellence (NISE) Inc. The training focused on enhancing the customer service delivery at the organisation's service touch points into a powerful tool for maintaining a distinct brand identity driven by excellence. The programme also included Mystery Shopper Assessment. A Training Report was subsequently submitted on the outcome of the training and the mystery shopper programme.

Presentation on Non-Communicable Diseases

As part of our Health and wellness education programme, a presentation on Non-Communicable diseases was held for staff on Tuesday October 16th, 2018 from 2.30 to 4:pm in the Sandbox Meeting Room. This was hosted by the Company Doctor (Medical Associates Family Clinic). Dr Nesha Gibbons facilitated the session which covered areas such as the impact of Non-Communicable diseases on the Workforce, Healthy Lifestyle choices, Nutrition & Exercise.

Disciplinary Training for Managers/Supervisors - BEC

A training workshop was held for Managers/Supervisors on Tuesday November 13, 2018. This was facilitated by the Barbados Employers Confederation (BEC). The purpose of this workshop is geared to help participants to understand and better manage the process of discipline. In addition, provide the tools and knowledge necessary to complete this process and introduce them to best practices to assist the company in meeting its objectives for employee discipline.

Union Training

A number of union sanctioned workshops were held during the year by both represented bodies, the NUPW and the BWU. A number of our staff were invited to attend.

Multi-Hazard Symposium on Earthquakes

The Operations Manager and the Technical Officer attended Multi-Hazard Symposium on Earthquakes, Coastal Hazards and Business Continuity Planning.

Participation in National Career Showcase

Harrison's Cave participated in the Secondary Schools National Career Showcase on Tuesday March 26th and Wednesday March 27th, 2019. The aim of the Showcase was to sensitize students to Career options available to them and the theme was "**Embracing the Opportunities... Expanding your Vision.**"

PENSION PLAN

The Caves of Barbados Pension Plan was registered by the Financial Services Commission effective November 7th, 2018.

Following the change in the Board of Directors, an amendment to the Trust Deed was submitted to the FSC advising of the change in the Trustees. Mrs. Gail King and Mr. Dasrat Sugrim replaced Mr. Villeneuve Greaves and Mrs. Kristin Turton. The Pension Services Agreement was also signed on January 7th, 2019 confirming Sagicor as the Administrator of the CBL Pension Scheme.

During the period, a number of follow up meetings were held with the Consultant, the Administrators and Management to ensure all procedures were finalized prior to a roll out meeting with the Staff.

The trustees have also agreed to an investment proposal put forward by the Consultant for the investment of the funds of the plan. This will be put into effect in the new financial year.

As at March 31, 2019, the pension plan obligations are funded by the pension plan bank account. The amount in the pension plan bank account at 31 March 2019 was \$2,455,670. 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.

TREASURY BILLS

The Board agreed to continue the investment of a portion of the funds held in account for the Pension Plan in government Treasury bills in an effort to maximise interest earning potential of the funds until the official approval of the pension plan and subsequent investment. In May 2018, a decision was therefore made to invest in Treasury Bills issue No. 1000 scheduled for June 01, 2018, in the amount of \$1,500,000.00 at a cost of \$1,487,250.00. The rate of return on these was expected to remain at 3.45% with a maturity date of August 31, 2018.

In June 2018, the current government announced a wide-ranging debt restructuring program to address the country's weakening foreign reserve position and general economic outlook. As a result of this, the last issue of Government Treasury bills which were set to mature in August 2018 were automatically rolled over for another 3month period until government finalized a firm debt restructuring plan. Caves of Barbados would have invested \$1,500,000

in the last issue of treasury bills and therefore would be impacted by the current restructuring process.

Eckler has recorded a written- down value of 25% of the face value of \$1,500,000 amounting to \$375,000 as at March 31, 2019

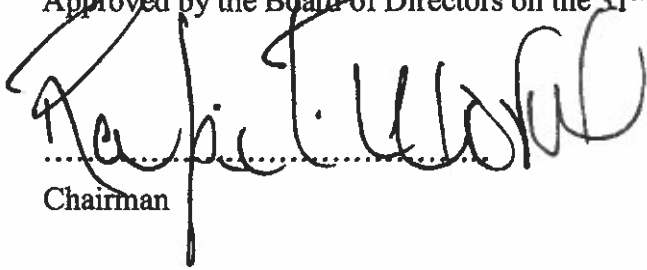
Caves of Barbados was subsequently issued with correspondence making an Offer to Exchange existing instruments for new instruments. The Board voted in favor of accepting the government's offer to accept the exchange offer. The necessary bid document was submitted and we now await further word from the government.

REDEVELOPMENT PROJECT

Land Acquisition

We continue to wait on further word from the Ministry of Housing and Lands on the completion of the compensation negotiations to the remaining land owners.

Approved by the Board of Directors on the 31st day of July 2019 and signed on its behalf by:



Chairman

APPENDIX B

**Year Ended 31 March 2019
Audited Financial Statements**

Audited Financial Statements

CAVES OF BARBADOS LTD

Year Ended 31 March 2019
(Expressed in Barbados Dollars)

CAVES OF BARBADOS LTD

Year ended 31 March 2019

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Independent auditors' report

To the Shareholder of Caves of Barbados Ltd

Opinion

We were engaged to audit the financial statements of Caves of Barbados Ltd (the Company), which comprise the statement of financial position as at 31 March 2019, 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.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

We received subsequent adjustments to property, plant and equipment, administrative expenses, retained earnings and employee benefit expenses after our audit testing was completed. As of the date of our audit report, we were unable to confirm or verify the accuracy of these balances as a result of these adjustments which total \$1,594 million. As a result, we are unable to rely on the accuracy of retained earnings and the corresponding financial statement balances as of and for the year ended 31 March 2019.

We note transactions with owners of \$1,070,604 in the statement of changes in equity for which management has not fully disclosed in the financial statements the details of such retained earnings adjustments in compliance with IAS 8. These transactions were the result of a memorandum issued by the Ministry of Finance on instructions for write-off of intragovernmental debt. As of the date of the audit report, due to the lack of supporting information and details of these adjustments, we were unable to test the accuracy and completeness of these write-off adjustments.

The Company has not implemented IFRS 9 and IFRS 15 which are mandatorily effective for the period in accordance with the requirements set within the standards. Management has not yet determined the date of initial adoption of these standards by the Company and appropriately adjusted their accounting policies in compliance with the standards. Revenue amounts to \$6,023 million and financial instruments total \$25,447 million. We were therefore unable to verify the reported balances of the Company's financial instruments, the reported comprehensive income for the year in the statement of comprehensive income and the reported net cash flows in the statement of cash flows.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded financial instruments, retained earnings, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows and notes to the financial statements, including the summary of significant accounting policies.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended 31 March 2019. 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 International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditors' report (continued)

To the Shareholder of Caves of Barbados Ltd

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

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

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company 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 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.

Deloitte & Touche

31 July 2019

CAVES OF BARBADOS LTD

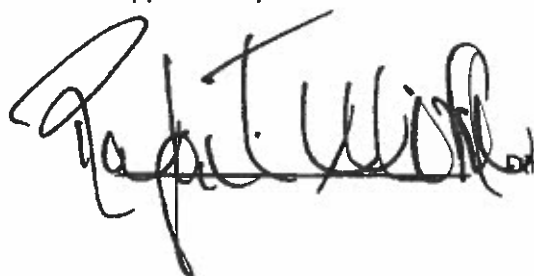
Statement of Financial Position

At 31 March 2019

(expressed in Barbados dollars)

	Notes	2019	2018
Assets			
Current assets			
Cash at bank	4	\$ 9,861,128	\$ 8,444,039
Accounts receivable and prepayments	5	656,788	2,102,077
Inventories	6	51,504	82,383
Corporation tax recoverable		-	11,927
Amount due from related party	7	-	-
		<u>10,569,420</u>	<u>10,640,426</u>
Non-current assets			
Net defined benefit asset	15	-	548,378
Property, plant and equipment	8	<u>56,077,778</u>	<u>57,587,664</u>
		<u>\$ 66,647,198</u>	<u>\$ 68,776,468</u>
Liabilities and equity			
Current liabilities			
Accounts payable and accrued expenses	9	\$ 388,495	\$ 492,680
Corporation Tax Payable	7	155,305	310,610
Current portion of loans payable	14	4,893,009	4,893,009
Amount due to related party	7	-	199,745
		<u>5,436,809</u>	<u>5,896,044</u>
Non-current liabilities			
Loans payable	14	19,866,665	24,744,995
Net defined benefit liability	15	<u>678,138</u>	<u>-</u>
		<u>20,544,803</u>	<u>24,744,995</u>
		<u>25,981,612</u>	<u>30,641,039</u>
Equity			
Share capital – 7,600,000 common shares	10	7,600,000	7,600,000
Subscription shares to be issued	11	27,709,993	27,709,993
Capital contribution by the Government of Barbados	12	4,317,224	4,317,224
Accumulated surplus (deficit)		<u>1,038,369</u>	<u>(1,491,788)</u>
		<u>40,665,586</u>	<u>38,135,429</u>
Total liabilities and equity		<u>\$ 66,647,198</u>	<u>\$ 68,776,468</u>

Approved by the Board of Directors on 31 July 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 2019

(expressed in Barbados dollars)

	Notes	2019	2018
Revenue			
Entrance fees		\$ 5,678,816	\$ 5,571,378
Shop and bar sales		<u>344,708</u>	<u>369,099</u>
		6,023,524	5,940,477
Cost of sales		<u>(231,779)</u>	<u>(218,340)</u>
Gross profit		5,791,745	5,722,137
Government grants	22	8,059,955	8,813,702
Other income		<u>833,704</u>	<u>107,255</u>
		<u>14,685,404</u>	<u>14,643,094</u>
Expenses			
Salaries, wages and benefits		2,993,340	2,865,209
Other general and administrative expenses	16	2,584,297	2,201,607
Depreciation and amortization	8	1,888,155	1,891,461
Loss on disposal of property, plant & equipment		181,272	-
Employee benefits expense		1,607,324	88,879
Interest and bank charges		<u>1,277,090</u>	<u>1,245,708</u>
		<u>10,531,478</u>	<u>8,292,864</u>
Income for the year/period before taxation		<u>4,153,926</u>	<u>6,350,230</u>
Taxation		-	<u>310,610</u>
Income for the year/period		<u>4,153,926</u>	<u>6,039,620</u>
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit obligation	15	<u>(553,165)</u>	<u>(14,039)</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year/period		<u>\$ 3,600,761</u>	<u>\$ 6,025,581</u>

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Statement of Changes in Equity

For the Year Ended 31 March 2019

(expressed in Barbados dollars)

	Share capital	Subscription for shares to be issued	Capital contributed by the Government of Barbados	Accumulated deficit	Total
Balances – 31 March 2017	7,600,000	\$ 27,709,993	\$ 4,317,224	\$ (7,517,369)	\$ 32,109,848
Total comprehensive income for the year	-	-	-	<u>6,025,581</u>	<u>6,025,581</u>
Balances – 31 March 2018	7,600,000	27,709,993	4,317,224	(1,491,788)	38,135,429
Transactions with owners				(1,070,604)	(1,070,604)
Total comprehensive income for the year	-	-	-	<u>3,600,761</u>	<u>3,600,761</u>
Balances – 31 March 2019	<u>\$ 7,600,000</u>	<u>\$ 27,709,993</u>	<u>\$ 4,317,224</u>	<u>\$ 1,038,369</u>	<u>\$ 40,665,586</u>

CAVES OF BARBADOS LTD

Statement of Cash Flows

For the Year Ended 31 March 2019

(expressed in Barbados dollars)

	Notes	2019	2018
Operating activities			
Income before taxation		\$ 4,153,926	\$ 6,350,230
Adjustments for:			
Interest expense		1,277,090	1,245,708
Depreciation	8	1,888,155	1,891,461
Loss on disposal of property and equipment		181,272	-
Loss on transactions with owners		(1,070,604)	-
Defined benefit plan interest and service costs		<u>673,351</u>	<u>(46,025)</u>
Operating income before working capital changes		7,103,190	9,441,374
Decrease (increase) in accounts receivables and prepayments		1,445,290	(389,164)
Decrease in inventories		30,879	25,726
Decrease (increase) in due from related party		-	-
(Decrease) in accounts payable and accrued expenses		<u>(104,186)</u>	<u>(517,064)</u>
Cash generated from operations		8,475,173	8,560,872
Interest paid		(983,510)	(966,806)
Taxation paid		<u>(143,378)</u>	<u>-</u>
<i>Net cash from operating activities</i>		<u>7,348,285</u>	<u>7,594,066</u>
Investing activities			
Transfers to property, plant and equipment		921,361	686,190
Purchase of property, plant and equipment	8	<u>(1,480,902)</u>	<u>(1,438,837)</u>
<i>Net cash used in investing activities</i>		<u>(559,541)</u>	<u>(752,647)</u>
Financing activities			
Decrease in due to related party		(199,745)	-
Loan draw downs (repayments) (net)		<u>(5,171,910)</u>	<u>(5,155,448)</u>
<i>Net cash used in financing activities</i>		<u>(5,371,655)</u>	<u>(5,155,448)</u>
Increase in cash and cash equivalents		1,417,089	1,685,971
Cash and cash equivalents – beginning of period		<u>8,444,039</u>	<u>6,758,068</u>
Cash and cash equivalents – end of year		\$ <u>9,861,128</u>	\$ <u>8,444,039</u>
Cash and cash equivalents comprise:			
Cash at bank		\$ <u>9,861,128</u>	\$ <u>8,444,039</u>

The accompanying notes form part of these financial statements

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2019

(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 material effect on the financial performance or position of the Company.

- Amendments to IFRS 9 (Oct 2017) - Prepayment Features with Negative Compensation (annual periods beginning on or after 1 January 2018)
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle (Dec 2017) - Annual Improvements to IFRSs: 2015-17 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments (annual periods beginning on or after 1 January 2019)

The Company adopted the following new standards in the current year:

IFRS 9	'Financial instruments' replaces the guidance in IAS 39 and addresses the classification, measurement and recognition of financial assets and financial liabilities; it also includes an expected credit losses model that replaces the current incurred loss model (effective 1 January 2018).
IFRS 15	'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally (effective 1 January 2018).

Standards issued but not yet effective

- IFRS 16 - Leases (annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 10 and IAS 28 (Sept 2014) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Postponed)
- IFRIC 23 - Uncertainty over Income Tax Treatments (annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28 (Oct 2017) - Long-term Interests in Associates and Joint Ventures (annual periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle (Dec 2017) - Annual Improvements to IFRSs: 2015-17 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments (annual periods beginning on or after 1 January 2019)
- Amendments to IAS 10 (February 2018) - Plan Amendment, Curtailment or Settlement (annual periods beginning on or after 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards - Amendments to References to the Conceptual Framework in IFRS Standards (annual periods beginning on or after 1 January 2019)
- IFRS 17 - Insurance Contracts (annual periods beginning on or after 1 January 2021)

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

(expressed in Barbados dollars)

3. Significant accounting policies

Statement of compliance

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

Basis of measurement

These financial statements are expressed in Barbados dollars.

Going concern

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

Financial instruments

Financial assets

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

Impairment

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

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019 (expressed in Barbados dollars)

3. Significant accounting policies (continued)

Inventories

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

Property, plant and equipment

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

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

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

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

Borrowing costs

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

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

Revenue recognition

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

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.

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2019

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Taxation (continued)

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

Foreign currency

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

Related parties

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

Government grants

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

Defined benefit plan

The Company has obtained Sagicor to be the pension plan provider and administrator for the company's pension plan.

The Company will also participate in a defined contribution 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.

As at March 31, 2019 the value of the Treasury Bill was written down by 25% (\$375,000) of the \$1,500,000 face value to \$1,12500.00 due to the exchange for Series B Bonds impairment in the Government of Barbados debt instrument.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Provisions

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

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

Impairment of non-financial assets

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

Critical accounting judgments, estimates and assumptions

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

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

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

Key sources of estimation uncertainty

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

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.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

(expressed in Barbados dollars)

3. Significant accounting policies (continued)

Key sources of estimation uncertainty

Employee benefits

Management judgment is also required in estimating the expected rate of return on assets because of possible changes to the asset allocation and the inherent risks in predicting future investment returns. The expected rate of return on assets is a weighted average of expected long-term asset return by asset class and is selected from a range of possible future asset returns. Actuarial assumption, set in accordance with current practices in the respective country of the plan, may differ from actuarial experience as country specific statistics is only an estimate for future employee behaviour. These assumptions are determined by management and are reviewed by actuaries at least annually. Changes to any of the above assumptions may affect the amounts of benefits, obligations and expenses that are recognised.

4. Cash and cash equivalents

	2019	2018
Petty cash	\$ 8,405	\$ 10,905
Republic Bank (Barbados) Limited – Payroll account	189,240	185,255
Republic Bank (Barbados) Limited – Current account	<u>12,610,843</u>	<u>11,048,971</u>
	12,808,488	11,245,131
Funds designated for pension benefits	<u>(2,947,360)</u>	<u>(2,801,092)</u>
	<u>\$ 9,861,128</u>	<u>\$ 8,444,039</u>

Cash and cash equivalents includes a balance of \$8,237,000 (2018 - \$6,806,820) 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 \$3,888,821 (2018 - \$3,888,821).

5. Accounts receivable and prepayments

	2019	2018
Trade accounts receivable	\$ 530,068	\$ 745,307
Other receivables	25,273	1,286,448
Prepayments	<u>101,447</u>	<u>70,322</u>
	<u>\$ 656,788</u>	<u>\$ 2,102,077</u>

Other receivables include an amount of \$NIL (2018 - \$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, \$384,059 (2018 - \$745,307) amounts of \$266,811 (2018 - \$590,295) and \$117,248 (2018 - \$102,186), 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.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019 (expressed in Barbados dollars)

5. Accounts receivable and prepayments (continued)

Age of receivables that are past due but not impaired

	2019	2018
30-60 days	\$ 30,843	\$ 182,874
60-90 days	400	380
Over 90 days	<u>97,154</u>	<u>2,678</u>
Total	\$ <u>128,397</u>	\$ <u>185,932</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 (2018 - NIL) impaired trade receivables.

6. Inventories

	2019	2018
Shop inventory	\$ 51,504	\$ 82,383
	<u>\$ 51,504</u>	<u>\$ 82,383</u>

7. Amounts due from (to) related party

	2019	2018
Due to related parties		
National Conservation Commission	\$ -	\$ 199,745
Barbados Tourism Authority	<u>-</u>	<u>199,745</u>
	\$ <u>-</u>	\$ <u>199,745</u>

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

8. Property, plant and equipment

2019	Cost	Accumulated depreciation	Net book value
Computer equipment			
Balances – 31 March 2018	365,181	(333,788)	31,393
Additions	21,734	-	21,734
Depreciation	<u>-</u>	<u>(19,188)</u>	<u>(19,188)</u>
Balances – 31 March 2019	<u>386,915</u>	<u>(352,976)</u>	<u>33,939</u>
Fixtures and fittings			
Balances – 31 March 2018	828,535	(805,516)	23,019
Additions	25,220	-	25,220
Depreciation	<u>-</u>	<u>(16,755)</u>	<u>(16,755)</u>
Balances – 31 March 2019	<u>853,755</u>	<u>(822,271)</u>	<u>31,484</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2019	Cost	Accumulated depreciation	Net book value
Motor Vehicles			
Balances – 31 March 2018	220,921	(174,765)	46,156
Additions	-	-	-
Disposal	-	-	-
Depreciation	-	(11,539)	(11,539)
Balances – 31 March 2019	<u>220,921</u>	<u>(186,304)</u>	<u>34,617</u>
Trams			
Balances – 31 March 2018	8,948,219	(8,727,390)	220,829
Additions	-	-	-
Depreciation	-	(151,915)	(151,915)
Balances – 31 March 2019	<u>8,948,219</u>	<u>(8,879,305)</u>	<u>68,914</u>
Leasehold land			
Balances – 31 March 2018	6,780,459	-	6,780,459
Additions	-	-	-
Depreciation	-	-	-
Balances – 31 March 2019	<u>6,780,459</u>	<u>-</u>	<u>6,780,459</u>
Leasehold buildings			
Balances – 31 March 2018	50,384,112	(8,148,567)	42,235,545
Additions	-	-	-
Depreciation	-	(1,007,682)	(1,007,682)
Balances – 31 March 2019	<u>50,384,112</u>	<u>(9,156,249)</u>	<u>41,227,863</u>
Plant and machinery			
Balances – 31 March 2018	13,067,438	(5,489,227)	7,578,211
Transferred from WIP	91,287	-	91,287
Disposals	(228,205)	46,933	(181,272)
Depreciation	-	(630,354)	(630,354)
Balances – 31 March 2019	<u>12,930,520</u>	<u>(6,072,648)</u>	<u>6,857,872</u>
Elevators			
Balances – 31 March 2018	-	-	-
Additions	830,075	-	830,075
Disposals	-	-	-
Depreciation	-	(50,722)	(50,722)
Balances – 31 March 2019	<u>830,075</u>	<u>(50,722)</u>	<u>779,353</u>
Software			
Balances – 31 March 2018	203,233	(203,233)	-
Additions	-	-	-
Depreciation	-	-	-
Balances – 31 March 2019	<u>203,233</u>	<u>(203,233)</u>	<u>-</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2019	Cost	Accumulated depreciation	Net book value
Capital work-in progress			
Balances – 31 March 2018	672,052	-	672,052
Additions	512,587	-	512,587
Completed	<u>(921,313)</u>	-	<u>(921,313)</u>
Balances – 31 March 2019	<u>263,326</u>	-	<u>263,326</u>
Summary			
Balances – 31 March 2018	81,470,150	(23,882,486)	57,587,664
Additions	1,481,202	-	1,481,202
Completed	(921,313)	-	(921,313)
Disposals	(228,205)	46,932	(181,272)
Depreciation	<u>-</u>	<u>(1,888,155)</u>	<u>(1,888,155)</u>
Balances – 31 March 2019	<u>81,801,834</u>	<u>(25,723,709)</u>	<u>56,078,126</u>
2018			
	Cost	Accumulated depreciation	Net book value
Computer equipment			
Balances – 31 March 2017	346,213	(318,191)	28,022
Additions	18,968	-	18,968
Depreciation	<u>-</u>	<u>(15,597)</u>	<u>(15,597)</u>
Balances – 31 March 2018	<u>365,181</u>	<u>(333,788)</u>	<u>31,393</u>
Fixtures and fittings			
Balances – 31 March 2017	816,805	(778,703)	38,102
Additions	11,730	-	11,730
Depreciation	<u>-</u>	<u>(26,813)</u>	<u>(26,813)</u>
Balances – 31 March 2018	<u>828,535</u>	<u>(805,516)</u>	<u>23,019</u>
Motor Vehicles			
Balances – 31 March 2017	163,225	(148,014)	15,211
Additions	57,696	-	57,696
Disposal	-	-	-
Depreciation	<u>-</u>	<u>(26,751)</u>	<u>(26,751)</u>
Balances – 31 March 2018	<u>220,921</u>	<u>(174,765)</u>	<u>46,156</u>
Trams			
Balances – 31 March 2017	8,948,219	(8,540,438)	407,781
Additions	-	-	-
Depreciation	<u>-</u>	<u>(186,952)</u>	<u>(186,952)</u>
Balances – 31 March 2018	<u>8,948,219</u>	<u>(8,727,390)</u>	<u>220,829</u>
Leasehold land			
Balances – 31 March 2017	6,094,268	-	6,094,268
Additions	686,191	-	686,191
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Balances – 31 March 2018	<u>6,780,459</u>	<u>-</u>	<u>6,780,459</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

(expressed in Barbados dollars)

8. Property, plant and equipment (continued)

2018	Cost	Accumulated depreciation	Net book value
Leasehold buildings			
Balances – 31 March 2017	50,384,112	(7,140,885)	43,243,227
Additions	-	-	-
Depreciation	-	(1,007,682)	(1,007,682)
Balances – 31 March 2018	<u>50,384,112</u>	<u>(8,148,567)</u>	<u>42,235,545</u>
Plant and machinery			
Balances – 31 March 2017	13,067,438	(4,861,915)	8,205,523
Additions	-	-	-
Disposals	-	-	-
Depreciation	-	(627,312)	(627,312)
Balances – 31 March 2018	<u>13,067,438</u>	<u>(5,489,227)</u>	<u>7,578,211</u>
Software			
Balances – 31 March 2017	203,233	(202,879)	354
Additions	-	-	-
Depreciation	-	(354)	(354)
Balances – 31 March 2018	<u>203,233</u>	<u>(203,233)</u>	<u>-</u>
Capital work-in progress			
Balances – 31 March 2017	693,990	-	693,990
Additions	664,252	-	664,252
Completed	(686,190)	-	(686,190)
Balances – 31 March 2018	<u>672,052</u>	<u>-</u>	<u>672,052</u>
Summary			
Balances – 31 March 2017	80,717,503	(21,991,025)	58,726,478
Additions	1,438,837	-	1,438,837
Completed	(686,190)	-	(686,190)
Depreciation	-	(1,891,461)	(1,891,461)
Balances – 31 March 2018	<u>81,470,150</u>	<u>(23,882,486)</u>	<u>57,587,664</u>

9. Accounts payable and accrued expenses

	2019	2018
Trade creditors	\$ 157,418	\$ 250,987
Accrued expenses	<u>231,077</u>	<u>241,693</u>
	\$ <u>388,495</u>	\$ <u>492,680</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.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019 (expressed in Barbados dollars)

10. Share capital

Authorized:

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

Issued and outstanding

	2019	2018
7,600,000 common shares, issued and fully paid	\$ <u>7,600,000</u>	\$ <u>7,600,000</u>

11. Subscription for shares to be issued

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

12. Capital contributed by the Government of Barbados

This amount represents the value of \$4,317,224 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.

13. Taxation and tax losses

	2019	2018
Taxation expense:		
Provision for current year's corporation tax	\$ <u>186,389</u>	\$ <u>-</u>

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:

	2019	2018
Income before taxation\$	\$ <u>5,960,995</u>	\$ <u>6,350,230</u>
Taxed at tax rate of 2.5% (2018 - 30%)	149,025	1,905,069
Tax effect of allowable expenses	(14,371)	(381,408)
Tax effect of expenses not deductible for tax purposes	47,204	567,438
Tax effect of deferred tax asset not recorded	3,416,207	-
Tax effect of change in tax rate	(3,411,676)	-
Tax effect of losses utilized	<u>-</u>	<u>(2,091,099)</u>
	<u>186,389</u>	<u>-</u>

14. Loans payable

	2019	2018
Caribbean Development Bank		
Current portion	\$ 4,893,009	\$ 4,893,009
Long-term portion	<u>19,866,665</u>	<u>24,744,995</u>
	<u>24,759,674</u>	<u>29,638,004</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 \$1,171,876 (2018 - \$1,144,047) was incurred.

Cash at bank includes a balance of \$8,237,001 (2018 - \$6,806,820) which has been designated to fund redevelopment expenditure.

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019 (expressed in Barbados dollars)

15. Defined benefit plan

On 7th November 2018 Caves of Barbados Ltd registered the Pension Plan with the Financial Services Commission. The Pension services agreement was signed on 7th January 2019 with Sagcor as the pension plan administrator of the scheme.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation was carried out at 31 March 2019 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	2019	2018
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 2019 with Projection Scale AA	
Termination of active members	1% at all ages under 40 and 0.5% at ages between 40 and 50	

Year/Period ending 31 March	2019	2018
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:

	2019	2018
	\$	\$
Losses arising from experience	(22,286)	(199,393)
Expected return on plan assets	241,712	238,914
Actual return on plan assets	<u>333,738</u>	<u>(25,482)</u>
Total	<u>553,165</u>	<u>14,039</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:

	2019	2018
	\$	\$
Present value of funded defined benefit obligation	3,462,708	2,571,046
Fair value of plan assets	<u>2,784,570</u>	<u>3,119,424</u>
Net defined benefit asset (liability)	<u>(678,138)</u>	<u>548,378</u>

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019 (expressed in Barbados dollars)

15. Defined benefit plan (continued)

Changes in the present value of defined benefit obligation

	2019	2018
	\$	\$
At the beginning of year	2,571,046	2,555,189
Current service cost	84,693	86,975
Interest cost	205,777	201,914
Actuarial (gains) losses	(22,286)	(199,393)
Benefit payments	(1,116)	(73,638)
Past Service cost	624,594	-
	<u>3,462,708</u>	<u>2,571,045</u>

Changes in the fair value of plan assets

	2019	2018
	\$	\$
At the beginning of year	3,119,424	3,071,580
Actual return on plan assets	(333,738)	25,482
Employer contributions	-	96,000
Benefit payments	(1,116)	(73,638)
Plan assets at fair value at the end of the period	<u>2,784,570</u>	<u>3,119,424</u>

Net benefit expense recognized in comprehensive income

	2019	2018
	\$	\$
Current service cost	84,693	86,975
Past service cost	624,594	-
Interest costs	205,777	201,914
Expected return on plan assets	(241,712)	(238,914)
	<u>673,352</u>	<u>49,975</u>

Statement of other comprehensive income

	2019	2018
	\$	\$
Gain (loss) from experience	(22,286)	(199,393)
Expected return on plan assets	241,712	238,914
Actual return on plan assets	333,738	(25,482)
	<u>553,164</u>	<u>14,039</u>

Impact of changes in significant actuarial assumption

	2019	2018
	\$	\$
Base IAS 19 Results	3,462,708	2,571,046
Reduce discount rate by 1% p.a	4,009,491	2,958,773
Increase discount rate by 1% p.a.	3,019,533	2,253,365
Reduce salary increase by 0.5% p.a	3,192,173	2,362,032
Increase salary increase by 0.5% p.a	3,779,979	2,814,826
Increase average life expectancy by 1 year	3,504,575	2,613,091

CAVES OF BARBADOS LTD

Notes to the Financial Statements

For the Year Ended 31 March 2019

(expressed in Barbados dollars)

16. Other general and administrative expenses

	2019	2018
	\$	\$
Ceremonial/special events	-	-
Seminars/conferences/training	38,242	36,742
Utilities	334,485	278,423
Insurance	417,077	359,984
Office expenses	97,655	106,488
Equipment rental	14,279	27,922
Repairs and maintenance	380,093	320,363
Security	398,812	388,055
Advertising	121,442	146,226
Other expenses	360,817	182,526
Professional fees	159,236	256,691
Board members' expenses	39,000	48,000
Loss on disposal	181,273	-
Membership fees	34,107	27,840
Board expenses	<u>7,779</u>	<u>22,346</u>
	<u>2,584,297</u>	<u>2,201,607</u>

17. The redevelopment of Harrison's Cave

The Company is redeveloping Harrison's Cave at an estimated cost of \$84,849,000. At 31 March 2019, expenditure of \$8,237,001 (2018 - \$6,680,733) 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.

18. Financial risk management objectives and policies

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

Market risk

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

Interest rate risk

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019 (expressed in Barbados dollars)

18. Financial risk management objectives and policies (continued)

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 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 2019 and 2018 is the carrying amounts as illustrated in Note 4.

Liquidity risk

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

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

CAVES OF BARBADOS LTD

Notes to the Financial Statements For the Year Ended 31 March 2019

(expressed in Barbados dollars)

18. Financial risk management objectives and policies (continued)

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 \$8,059,955 (2018- \$8,813,702).

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.

On 10 July 2019 A Memorandum dated 31 January 2019 from the Director of Finance and Economic Affairs on the Subject: "Instructions to State Owned Enterprises to Write off Intragovernmental Debt" Guidance Document 01/2019 was received by the Caves of Barbados Limited. The company used the Guidance defined in IAS 24

Related party disclosure to write- off transactions with GOB and its entities. Treatment of such write-off amounted of \$1,470,094 and was accounted for through Retained Earnings to achieve this directive.