



**Needham's Point
Holdings Limited**



Annual Report 2015



Contents

Board of Directors	2
Legal Advisor	2
Chief Executive Officer	2
Auditors	2
Bankers	2
Chairman's Report	3
Review of Operations	4-6
Auditors' Report	7-8
Balance Sheet	9
Statement of Changes in Equity	10
Comprehensive Income	11
Cash Flows	12
Financial Statements	13-36



Board of Directors

The Board of Directors at the end of March 31, 2015 was as follows:



Mr. Kenneth Gittens
Chairman



Mr. Shawn Franklin
Deputy Chairman



Mr. Andrew Campbell



Mr. Zendorph Ellis



Mr. Gregory Hazzard



Mr. Luther Jones



Mr. Vincent Price



Mrs. Allison
Smith-Padmore



Mr. Henderson Williams
Chief Executive Officer/
Corporate Secretary

Legal Advisor

Mr. Michael Yearwood

Auditors

PricewaterhouseCoopers

Bankers

CIBC FirstCaribbean International Bank

Chairman's Report

On behalf of the Board of Directors, I have the honour to present the annual report of Needham's Point Holdings Limited (NPHL) for the year ended March 31, 2015.

During the year, the company recorded revenues of \$60,730,540 from the hotel's operations, which resulted in a comprehensive profit of \$1,528,221. This would be the largest annual profit to date. This positive performance has increased the company's total equity to \$134 million. The Board is pleased to present these results in this report.

The Board is eagerly looking forward to the commencement of the refurbishment of the guestrooms at the hotel. This year marks ten years that the hotel would have reopened and based on the design of the new rooms, we look forward to maintaining the high standards that is synonymous with the Hilton brand. The Board is also convinced that the refurbishment will not only improve the earnings capacity of the hotel, but will place the Hilton Barbados as the leading resort in Barbados and wider Caribbean.

During the year under review, we were able to successfully complete a number of projects at the hotel including a new Eforea Spa and Cuppa Café, a coffee shop in the lobby. To date, the spa and the coffee shop have been very well received and are popular among guests and other patrons. We have already started to see the benefits of these projects in terms of increased revenues.

Finally, I would like to take this opportunity to extend congratulations to the Management and staff at the Hotel for winning two major Hilton Worldwide awards, the Genius of the 'And' and the All Green Award, which both recognise excellence.

We look forward to continuing the progress commenced this year in the upcoming financial year and continued growth of the hotel.



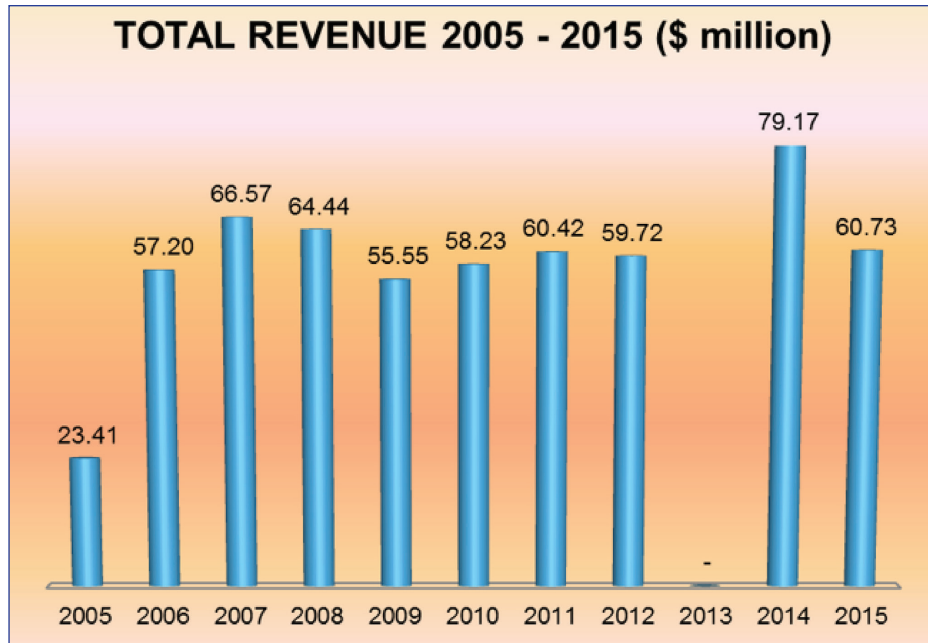
Mr. Kenneth Gittens
Chairman



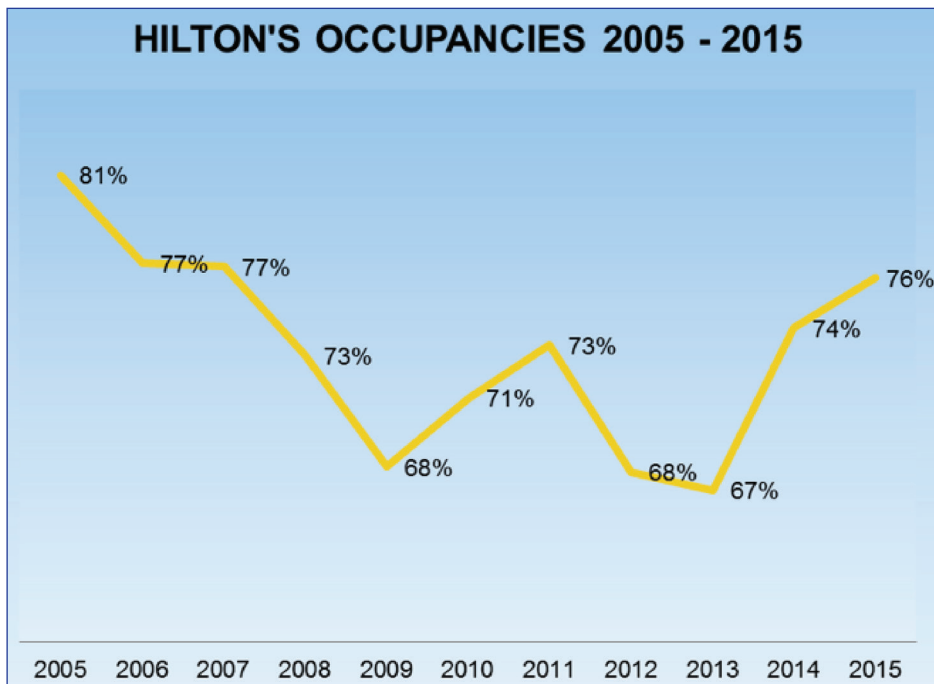


Review of Operations

The hotel was able to increase its room occupancies and revenue by improving its market share and marketing to several larger groups in the winter period. This strategy resulted in the hotel having the largest winter revenues for the property since 2008. The total revenue for the year was \$60,730,540. The room revenue was \$41,652,548 with an average occupancy for the year of 75.72%, an increase of 6.7% over the corresponding 12 months in the previous year.



(2014 - Represents the 15 month period, January 1, 2013 to March 31, 2014)

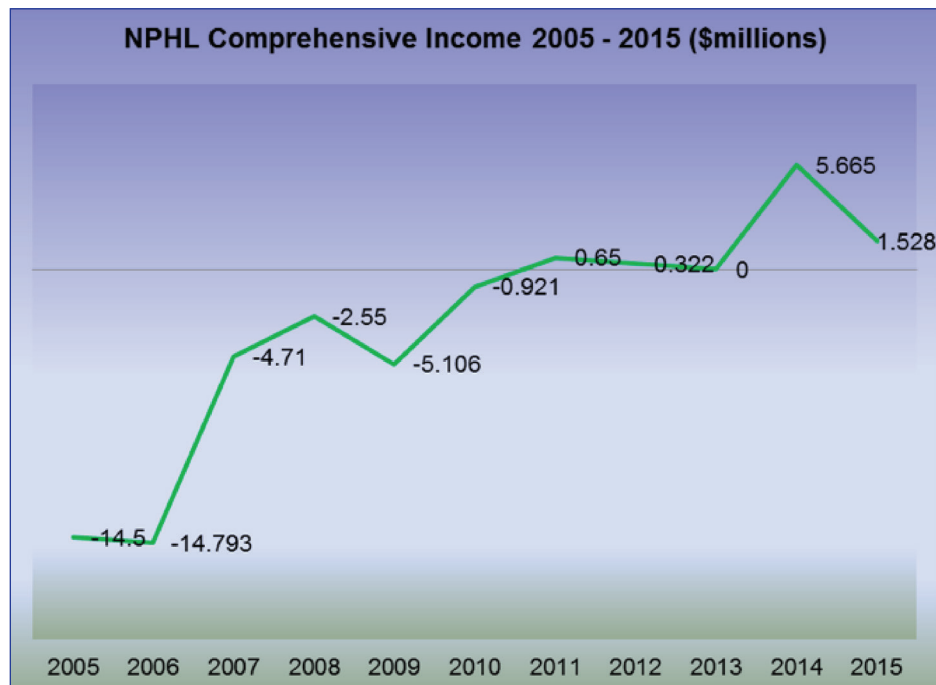


(2014 - Represents the 15 month period, January 1, 2013 to March 31, 2014)



Review of Operations

The comprehensive income for the year grew to \$1,528,221. This is the largest annual profit since opening. Whilst the comparative period, was a 15 month period due to the change of the financial reporting year from December 31 to March 31, the results this year record the activity for the year from April 1, 2014 to March 31, 2015.



(2014 - Represents the 15 month period, January 1, 2013 to March 31, 2014)

The improved profitability of the hotel was due in part to the increased emphasis on cost control and efficiency and the reduction of expenses. Utility costs decreased due to the energy saving initiatives and falling fuel adjustment costs. Interest costs declined as a result of the paying down of outstanding loan balances.

The refurbishment of the guestrooms is scheduled to commence during the second quarter of the new financial year. To date, the Model Room has been completed and the items with long lead times have been ordered as this would allow the Contractor to commence work on the first phase of the project. The first phase of the refurbishment comprising of 157 rooms in the South Tower is scheduled to commence in June, 2015 and

the remaining 198 rooms in the North Tower is scheduled for the summer of 2016.

During the year under review, the Eforea Spa which boasts 4 treatment rooms, manicure and pedicure room, two saunas and a transition lounge was opened. This is a spa brand of Hilton Worldwide and is the first spa in the Caribbean to be branded Eforea. The coffee shop, Cuppa Café in the lobby was also opened and this has proven to be very popular with both hotel guests and other patrons. This has increased the number of outlets at the Hotel providing greater choices to guests.

NPHL continued its quarterly inspection and review program of the property, plant and assets to ensure that the hotel is maintained in a good state of repair. These inspections along



Review of Operations

with the general maintenance program of the hotel ensured that the property was kept in pristine condition.

PROJECTIONS FOR 2015/2016

The hotel's management, taking into account the proposed commencement of the first phase of the renovations of the rooms, has projected no increases in overall revenues. The overall occupancies are also projected to be unaffected, due to the phased nature of the planned renovations.

PROPERTY REVALUATION

As a result of the dispute on the valuation of the land done by a local appraiser, the Board commissioned a second valuation by an independent international valuer. The valuation received from the second appraiser gave an unusually low value on the beach front land at Needham's Point, as a result, the Directors

could not accept the valuation report. The Directors decision to not accept the valuer's report has been noted in the audit opinion for the year.

BOARD OF DIRECTORS

The Board held twelve (12) Board of Directors' meetings during the period under review.

CORPORATE INFORMATION

Mr. Henderson Williams – Chief Executive Officer/Corporate Secretary

Mr. Nigiel Hall – Financial Controller

Mr. Bradley John – Project Officer

Ms. Rozanne DaSilva – Secretary

Ms. Utulca Perch – Accounts Clerk





INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Needham's Point Holdings Limited

We have audited the accompanying financial statements of **Needham's Point Holdings Limited**, which comprise the balance sheet as of March 31, 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Basis for Qualified Opinion

Property, plant and equipment are reflected on the balance sheet at \$242,356,826 where the company's land is recorded at fair value based on an independent professional valuation performed in 2009 and buildings and other operating fixed assets being recorded at cost less accumulated depreciation. During the year ended March 31, 2015 the directors had the company's entire property, plant and equipment revalued by an independent professional valuer who determined that the fair value is not less than \$186,400,000 made up of \$19,800,000 for land, \$162,006,000 for buildings and \$4,594,000 for the furniture, fixtures and equipment. The directors do not agree with the current valuation and have not recorded any change in the carrying value of the company's property, plant and equipment at March 31, 2015. Accordingly, there may be a material difference between the carrying value of the company's property plant and equipment and its fair value and the annual charge for depreciation which has not been reflected in these financial statements.

Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Needham's Point Holdings Limited** as of March 31, 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Price Waterhouse Coopers SRL

December 6, 2016
Bridgetown, Barbados

Needham's Point Holdings Limited

Balance Sheet

As of March 31, 2015

(expressed in Barbados dollars)

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalents (note 4)	13,838,064	15,989,617
Trade and other receivables (note 5)	6,909,367	7,412,527
Due from related parties (note 16)	15,631	230,733
Taxation recoverable	129,034	108,116
Inventories (note 6)	786,808	723,063
Current portion of deferred transaction costs (note 9)	143,285	143,285
	21,822,189	24,607,341
Non-current assets		
Property, plant and equipment (note 7)	242,356,826	242,350,072
Long-term portion of deferred transaction costs (note 9)	692,554	823,894
	264,871,569	267,781,307
Liabilities and Equity		
Current liabilities		
Trade and other payables (note 8)	8,366,828	7,792,319
Accrued interest (note 9)	2,565,722	2,376,791
Due to related parties (note 16)	155,739	571,569
Borrowings (note 9)	9,023,688	9,023,688
	20,111,977	19,764,367
Non-current liabilities		
Borrowings (note 9)	110,763,844	115,257,751
Deferred development grant (note 10)	–	291,662
	110,763,844	115,549,413
Total liabilities	130,875,821	135,313,780
Equity		
Share capital (note 11)	98,682,283	98,682,283
Revaluation surplus (note 7)	69,824,597	69,824,597
Accumulated deficit	(34,511,132)	(36,039,353)
	133,995,748	132,467,527
Total liabilities and equity	264,871,569	267,781,307

Approved by the Board of Directors on



Director



Director

Needham's Point Holdings Limited

Statement of Changes in Equity

For year ended March 31, 2015

(With comparative figures for the 15 month period ended March 31, 2014)

(expressed in Barbados dollars)

	Share capital \$	Revaluation surplus \$	Accumulated deficit \$	Total \$
Balance - December 31, 2012	98,682,283	69,824,597	(41,706,055)	126,800,825
Net comprehensive income for the 15 month period	—	—	5,666,702	5,666,702
Balance - December 31, 2014	98,682,283	69,824,597	(36,039,353)	132,467,527
Comprehensive income				
Net comprehensive income for the year	—	—	1,528,221	1,528,221
Balance - March 31, 2015	98,682,283	69,824,597	(34,511,132)	133,995,748

Needham's Point Holdings Limited

Statement of Comprehensive Income

For year ended March 31, 2015

(With comparative figures for the 15 month period ended March 31, 2014)

(expressed in Barbados dollars)

	2015 \$	2014 \$
Income		
Sales and room revenue	60,730,540	79,173,894
Cost of sales (note 15a)	(5,723,632)	(7,264,044)
Gross profit	55,006,908	71,909,850
Direct expenses (note 15b)	(16,181,349)	(22,127,735)
Departmental profit	38,825,559	49,782,115
Other income		
Amortisation of deferred development grant (note 10)	291,662	625,005
Interest income (note 4)	172,816	318,592
	39,290,037	50,725,712
Expenses		
Marketing and administrative expenses (note 15c)	25,214,388	29,691,400
Income before finance and fixed charges	14,075,649	21,034,312
Finance and fixed charges		
Interest and bank charges (note 9)	6,919,870	8,699,615
Depreciation (note 7)	5,586,902	6,626,412
Foreign exchange loss	40,656	35,039
Loss on disposal of plant and equipment	—	6,544
	12,547,428	15,367,610
Total comprehensive income for the year/period	1,528,221	5,666,702

Needham's Point Holdings Limited

Statement of Cash Flows

For year ended March 31, 2015

(With comparative figures for the 15 month period ended March 31, 2014)

(expressed in Barbados dollars)

	2015 \$	2014 \$
Cash flows from operating activities		
Net income for the period/year	1,528,221	5,666,702
Adjustment for:		
Interest income	(172,816)	(318,592)
Depreciation	5,586,902	6,626,412
Deferred revenue amortised	(291,662)	(625,005)
Finance costs	6,919,870	8,699,615
Loss on disposal of plant and equipment	—	6,544
Operating profit before working capital changes	13,570,515	20,055,676
Decrease/(increase) in trade and other receivables	503,160	(407,791)
Decrease in due from related parties	215,102	128,348
Increase in inventories	(63,745)	(7,422)
Increase/(decrease) in trade and other payables	574,509	(1,739,058)
Decrease in due to related parties	(415,830)	(16,653)
Cash generated from operations	14,383,711	18,013,100
Interest paid	(6,730,939)	(10,044,654)
Taxes paid	(20,918)	(38,823)
Net cash generated from operating activities	7,631,854	7,929,623
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,593,656)	(3,092,025)
Interest received	172,816	318,592
Net cash used in investing activities	(5,420,840)	(2,773,433)
Cash flows from financing activities		
Repayment of borrowings	(4,493,907)	(5,612,664)
Bond transaction costs expensed/(deferred)	131,340	179,100
Net cash used in financing activities	(4,362,567)	(5,433,564)
(Decrease)/increase in cash and cash equivalents for the year/period	(2,151,553)	(277,374)
Cash and cash equivalents - beginning of year/period	15,989,617	16,266,991
Cash and cash equivalents - end of year/period	13,838,064	15,989,617
Cash and cash equivalents comprise:		
Cash at bank	13,838,064	15,989,617

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

1 Incorporation, principal activity and management

The Company was incorporated under the Companies Act of Barbados on January 13, 1999 and commenced operations on November 27, 2000. The major shareholder is the Government of Barbados. The principal activity of the company is the ownership and operation of the Hilton Barbados as a resort/corporate hotel aimed at the higher end of the executive and incentive market.

The registered office of the company is located at the Old Town Hall Building, Bridgetown.

The Company and Hilton International have entered into a formal management agreement for management of the Hotel. The initial operating term of management is for 20 years. The annual management fee charged by Hilton International Co. is calculated at 3% of revenue plus 10% of the adjusted net operating profit.

During the last financial reporting period the Company changed its year end from December 31 to March 31 resulting in the comparative financial information at March 31, 2014 showing a 15 month trading period.

2 Significant accounting policies

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention except as modified for the revaluation of land and buildings as disclosed in note 7.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from these estimates (note 2(p)).

b) Changes in accounting policy and disclosures

i) *New and amended standards adopted by the company*

IAS 1, (amendment)	'Presentation of financial statements' (effective July 1, 2012)
IAS 19 (amendment)	Employee benefits (effective January 1, 2013)
IFRS 12	'Disclosures of interests in other entities' (effective January 1, 2013)
IFRS 13	'Fair value measurement' (effective January 1, 2013)

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

b) Changes in accounting policy and disclosures ...continued

ii) *New standards, amendments and interpretations mandatory for the first time for the financial period beginning January 1, 2013 but not currently relevant to the Company*

IFRS 1, (amendment)	'First time adoption' on government loans (effective January 1, 2013)
IFRS 7 (amendment)	'Financial instrument; Disclosures on offsetting financial assets and financial liabilities (effective January 1, 2013)
IFRS 10	'Consolidated financial statements' (effective January 1, 2013)
IFRS 11	'Joint arrangements' (effective January 1, 2013)
IFRS 13	'Fair value measurement' (effective January 1, 2013)
IAS 12 (amendment)	'Income taxes' on deferred tax (effective January 1, 2013)
IAS 27 (revised 2011)	'Separate financial statements' (effective January 1, 2013)
IAS 28 (revised 2011)	'Associates and joint ventures'
IFRIC 20	'Stripping costs in the production phase of a surface mine' (effective January 1, 2013)

iii) *New standards, amendments and interpretations issued but not yet effective for the financial period beginning January 1, 2013 and not early adopted*

IAS 36, (amendment) 'Impairment of asset's addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRS 9, 'Financial instruments', this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term deposits with maturity periods from the date of acquisition of less than three months.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

d) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Company classifies its financial assets in the following categories: cash on hand and at bank, trade and other receivables and due from related parties. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial liabilities

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date, the following items were classified as financial liabilities: borrowings, trade accounts payable and due to related parties.

e) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

f) Related party balances and transactions

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 also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

g) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on a first-in, first-out (FIFO) basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

h) Property, plant and equipment

Land is stated at the most recent valuation. Valuations are performed every five years by independent professional valuers. All other property, plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful lives. Land is not depreciated. Depreciation rates used are as follows:

Buildings	2%
Furniture, fittings, plant and equipment	10% - 33⅓%
Computer equipment	33⅓%
Other operating assets	33⅓%

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against the surplus directly in equity; all other decreases are charged to the statement of income.

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 proceeds with carrying amount. These are included in the statement of income. When revalued assets are sold, the amounts included in revaluation surplus are transferred to accumulated deficit.

i) Impairment

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

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

j) Payables and provisions

Payables are stated at cost. Provisions are recognised when the company has a present legal or constructive obligation as a result of past/current events to record such expense. This is based on estimates and assumptions about the Asset or Liability that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. The actual results may differ from the estimates. Revisions to accounting estimates are recognized when the Asset/Liability is actualized and the cost is adjusted in the following period.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

k) Borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income account over the period of the borrowings.

l) Revenue recognition

Hotel revenue is recognised on the delivery of services and is recorded net of Value Added Tax.

m) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Barbados dollars, which is the Company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

n) Taxation

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable income for the year, which differ from the income before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

The company follows the liability method of accounting for deferred tax.

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 is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

o) Employee benefits

Post-employment benefits

The Company has a defined contributory retirement plan where employees' participation is voluntary. A maximum of 6% is permitted but only 2.5% contribution is matched by the Company. Enrolment can start after the probationary period. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the company to its employees include salaries and wages, social security contributions, short-term compensated absences, 10% of rooms and food and beverage sales, incentive plans and allowances, meals and uniforms for all team members in the guest service department.

Health benefits (Life, Medical, Dental and Vision) are likewise available to all team members with a 50/50 split between team members and the Company. Coverage is available for families at the team member's expense. For management team members, the Company covers 100% of the cost.

p) Critical accounting estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results.

The key area of judgement exercised by management in the preparation of these financial statements is in the carrying value of the Company's land and buildings.

Valuation of land and buildings

The company uses professional valuers to determine the fair value of its land and buildings. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

q) Compound financial instruments

Compound financial instruments issued by the group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company has not entered into forward contracts to reduce its risk exposures.

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies, evaluates and hedges financial risks where considered appropriate. The Board provides guidance for overall risk management.

i) Market risk

a) Foreign exchange risk

The Company's transactions in foreign currencies are mainly contracts with tour operators for room rates and long-term borrowings. These transactions are denominated mainly in United States dollars. Since there is a fixed exchange rate between the Barbados dollar and the United States dollar there is no significant exposure to foreign exchange risk.

b) Interest rate risk

The Company's interest rate risk arises from long-term borrowings negotiated for the construction of the hotel and working capital.

ii) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents including outstanding receivables and committed transactions. Customers are rated internally and individually primarily on industry trends and past experience with each customer. Individual risk limits are based on the assessment of the Company's General Manager and Director of Finance.

Credit quality of financial assets

The credit quality of hotel accounts receivables is assessed in the table shown below:

	2015 \$	2014 \$
Guest ledger	1,565,156	1,611,167
Existing customers (less than 6 months) with no default in the last 12 months	3,297,077	2,952,682
Existing customers (more than 6 months) with no default in the last 12 months	51,782	19,368
Total trade receivables	4,914,015	4,583,217

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Financial risk management ...continued

iii) Liquidity risk

In order to manage liquidity risks, management seeks to maintain levels of cash which are sufficient to meet reasonable expectations of its short-term obligations.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year \$	Greater than 1 year \$	Total \$
As at March 31, 2015			
Trade and other payables	8,366,828	—	8,366,828
Accrued interest	2,565,722	—	2,565,722
Due to related parties	155,739	—	155,739
Borrowings	9,023,688	146,077,309	155,100,997
	20,111,977	146,077,309	166,189,286

As at December 31, 2014

Trade and other payables	7,792,319	—	7,792,319
Accrued interest	2,376,791	—	2,376,791
Due to related party	571,569	—	571,569
Borrowings	9,023,688	149,344,657	158,358,345
	19,764,367	149,344,657	169,099,024

The average credit period on purchases of certain goods from suppliers is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged at 10% per annum on the outstanding balance. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

3 Financial risk management ...continued

iv) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

v) Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are not considered to be materially different from their carrying amounts.

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 prepayments and corporation tax payable are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the company.

4 Cash and cash equivalents

Interest earned on the operating account is calculated at 2.5% per annum. Interest earned on the property, plant and equipment account is calculated at 1.5% per annum.

	2015 \$	2014 \$
CIBC FirstCaribbean International Bank - operating account BBD	4,693,720	3,377,771
CIBC FirstCaribbean International Bank - property, plant and equipment account	1,886,178	5,809,675
CIBC FirstCaribbean International Bank - operating account USD	2,103,624	1,738,011
Cashiers and other cash	124,074	146,539
CIBC FirstCaribbean International Bank - fixed deposit	5,030,468	4,917,621
	13,838,064	15,989,617

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

5 Trade and other receivables

	2015 \$	2014 \$
Trade receivables:		
Guest ledger	1,565,156	1,611,167
City ledger	3,348,859	2,972,050
	4,914,015	4,583,217
Other receivables	1,019,220	1,177,210
Prepayments	1,012,506	1,704,704
	6,945,741	7,465,131
Less: Provision for doubtful accounts	(36,374)	(52,604)
	6,909,367	7,412,527

6 Inventories

	2015 \$	2014 \$
Food	103,973	103,589
Beverage	241,446	249,150
Other operating inventories	441,389	370,324
	786,808	723,063

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

7 Property, plant and equipment

	Land \$	Buildings \$	Furniture, fittings, plant and equipment \$	Other operating assets \$	Computer equipment \$	Total \$
Period ended March 31, 2014						
Opening net book amount	88,200,000	152,275,791	5,220,665	—	194,548	245,891,004
Additions	—	1,296,819	1,614,628	—	180,578	3,092,025
Disposals	—	—	(18,771)	—	(46,530)	(65,301)
Accumulated depreciation on disposals	—	—	12,226	—	46,530	58,756
Depreciation charge	—	(4,490,625)	(2,021,262)	—	(114,525)	(6,626,412)
Closing net book amount	88,200,000	149,081,985	4,807,486	—	260,601	242,350,072
At March 31, 2014						
Cost or valuation	88,200,000	180,874,942	21,499,448	4,440,114	2,289,182	297,303,686
Accumulated depreciation	—	(31,792,957)	(16,691,962)	(4,440,114)	(2,028,581)	(54,953,614)
Net book amount	88,200,000	149,081,985	4,807,486	—	260,601	242,350,072

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

7 Property, plant and equipment ...continued

	Land \$	Buildings \$	Furniture, fittings, plant and equipment \$	Other operating assets \$	Computer equipment \$	Total \$
Year ended March 31, 2015						
Opening net book amount	88,200,000	149,081,985	4,807,486	—	260,601	242,350,072
Additions	—	4,421,741	1,079,781	—	92,134	5,593,656
Disposals	—	—	—	—	—	—
Accumulated depreciation on disposals	—	—	—	—	—	—
Depreciation charge	—	(3,630,580)	(1,843,302)	—	(113,020)	(5,586,902)
Closing net book amount	88,200,000	149,873,146	4,043,965	—	239,715	242,356,826
At March 31, 2015						
Cost or valuation	88,200,000	185,296,683	22,579,229	4,440,114	2,381,316	302,897,342
Accumulated depreciation	—	(35,423,537)	(18,535,264)	(4,440,114)	(2,141,601)	(60,540,516)
Net book amount	88,200,000	149,873,146	4,043,965	—	239,715	242,356,826

During 2009 the land was revalued to fair value based on land tax valuations issued by the Land Tax Department of the Government of Barbados. The increase of \$69,824,597 was taken to the revaluation surplus. During the year ended March 31, 2015, the company's property, plant and equipment were revalued by an independent professional valuer who determined that the fair value of the property, plant and equipment is not less than \$186,400,000, made up of \$19,800,000 for land, \$162,006,000 for buildings and \$4,594,000 for furniture, fixtures and equipment. The directors do not agree with these values and have not recorded any change in the carrying values of the company's property, plant and equipment at March 31, 2015.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

8 Trade and other payables

	2015 \$	2014 \$
Trade payables	2,891,744	3,292,254
Accrued expenses	4,204,188	3,500,237
Advance deposits	1,270,896	999,828
	<u>8,366,828</u>	<u>7,792,319</u>

9 Borrowings

i) Short term borrowing/related party transactions

	2015 \$	2014 \$
Interest bearing Advance by Government	4,666,881	4,666,881
Current portion of long term borrowings (ii)	4,356,807	4,356,807
	<u>9,023,668</u>	<u>9,023,668</u>

The short-term interest-bearing advance made by the Government of Barbados to enable the company to meet its contractual obligations, bears interest at a rate of 2.5% per annum and it payable on demand. Interest expense incurred for the year amounted to \$144,903 (2014 - \$145,732). At year end total interest of \$1,207,997 (2014 - \$1,021,315) was accrued on the loan.

ii) Long term borrowings

	2015 \$	2014 \$
a) CIBC FirstCaribbean International Bank	32,015,096	35,935,669
b) National Insurance Board	3,105,555	3,678,889
c) Royal Fidelity	80,000,000	80,000,000
	<u>115,120,651</u>	<u>119,614,558</u>
Less: current portion (i)	<u>(4,356,807)</u>	<u>(4,356,807)</u>
	<u>110,763,844</u>	<u>115,257,751</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

9 Borrowings ...continued

ii) Long term borrowing ...continued

- a) The loan balance of \$32,015,096 (2014 - \$35,935,669) represents the remaining portion of all of the drawdown on the syndicated \$61,000,000 (US\$30,500,000) senior loan from CIBC First Caribbean International Bank for the construction of the new Hilton Barbados. The loan bears interest at 3 month LIBOR plus 2.25% per annum payable quarterly. At March 31, 2015, this equated to 2.4832% (2014 - 2.4893%). The loan is amortized on a 15 year schedule and repayable in equal quarterly payments commencing 35 months after the initial drawdown with a balloon payment to effect full repayment in 10 years. It is secured by a charge over the 65,031 square metres of land at Needham's Point along with the pledge of 32,417,648 common shares of the Head Office held by Needham's Point Development Inc. At period end accrued interest of \$100,192 (2014 - \$112,737) was recorded.

The loan is secured by the insurance policy for property at Needham's Point for the sum of \$153,520,000.

- A letter of comfort from the Ministry of Finance, Economic Affairs and Energy in respect of a \$4,500,000 overdraft facility.
- Certificate of charge for the sum of BS\$1,000,000 and US\$15,500,000.

- b) The loan balance of \$3,105,555 (2014 - \$3,678,889) represents the facility with the National Insurance Board. The loan bears interest at the rate of 6.5% per annum on the principal and is repayable in one hundred and eighty equal and consecutive monthly instalments commencing from the disbursement of the loan.

The loan is secured by certain parcels of land at Needham's Point.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

9 Borrowings ...continued

ii) Long term borrowing ...continued

- c) On January 7, 2011 the Company entered into an arrangement with Royal Fidelity Merchant Bank & Trust (Barbados) Limited ("The Trustee") to raise the aggregate sum of Bds\$80,000,000 by the issue and sale of Barbados currency Convertible Fixed Rate Guaranteed Bonds of one series 2011-2021 ("The Bonds"). In consideration of the agreement to procure subscribers for the Bonds and to act as agent of the company in relation to the issue of the Bonds, the company has agreed to pay the Trustee a commission of 1% of the aggregate principal amount of the Bonds plus VAT.

The Bonds are initially issued in registered transferable denominated amounts of Bds\$250,000 with all subsequent issues to a Bondholder in denominations of Bds\$50,000. The Bonds accrue interest at 6.75% paid semi-annually on July 7 and January 7 and mature 10 years from the date of issue at their nominal value of Bds\$80,000,000 or converted into shares at the option of the Bondholder on the following dates and prices:

Exercise date	Conversion prices
September 1, 2013	Bds\$1.00
September 1, 2014	Bds\$1.02
September 1, 2015	Bds\$1.05
September 1, 2016	Bds\$1.15
September 1, 2017	Bds\$1.20

Based on the convertible option, the Bonds represent a compound financial instrument with a liability component and an equity conversion component. The fair value of the liability component included in long-term borrowings is calculated using a market interest rate for an equivalent non-convertible bond. The difference between the fair market value of the convertible bond and the non-convertible bond represents the equity portion of the financial instrument.

The fair value of the Convertible Fixed Rate Guaranteed Bonds was \$64,462,917 (2014 - \$67,791,335) at the end of the period.

	2015 \$	2014 \$
Interest payable b/fwd	1,242,740	2,618,630
Interest expense	5,414,795	6,716,712
Interest paid	(5,400,001)	(8,092,602)
Interest payable c/fwd	1,257,534	1,242,740

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

9 Borrowings ...continued

ii) Long term borrowing ...continued

Transaction costs incurred on issuing the bond are amortized over the ten (10) year life of the bond.

	2015 \$	2014 \$
Deferred transaction costs		
Bond issue fees incurred	1,432,849	1,432,849
Amortisation of deferred transaction costs	(597,010)	(465,670)
	835,839	967,179
Less current portion	(143,285)	(143,285)
	692,554	823,894

10 Deferred development grant

	2015 \$	2014 \$
Hilton International	5,000,000	5,000,000
Less amortisation	(5,000,000)	(4,708,338)
	—	291,662

Hilton International agreed to advance Needham's Point Holdings Limited an amount of \$5,000,000. The funds were disbursed for the final payment of furnishings and equipment.

The money is repayable in full in the event that the management agreement is terminated prior to commencement of the operating term. In the event that termination occurs after commencement of the Operating Term, through no fault of Hilton's, Needham's Point Holdings Limited shall repay to Hilton International a proportion based on the period from termination of the management agreement until the end of the initial operating term divided by twenty (20) full calendar years. (Note 17)

Amortisation is calculated on a straight line basis at the rate of depreciation for furnishings and equipment:

	2015 \$	2014 \$
Charge for the period	291,662	625,005

11 Share capital

The Company is authorized to issue an unlimited number of common shares without nominal or par value. At March 31, 2015 and March 31, 2014, 98,682,283 shares had been issued and outstanding.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

12 Taxation

The tax on the company's net loss for the year differs from the theoretical amount that would arise using the statutory rate as follows:

	2015 \$	2014 \$
Net income for the year	<u>1,528,221</u>	<u>5,666,702</u>
Tax calculated at statutory rate of 25%	382,055	1,416,676
Decrease in deferred tax asset not recorded	(5,117,721)	(4,263,969)
Tourism Development Act expenditure incurred during the year	(1,105,435)	—
Market development allowance	(469,778)	(526,013)
Loan interest allowance	(326,910)	(464,657)
Income not subject to tax	(72,916)	(156,252)
Expenses not deductible for tax	6,710,705	1,573,580
Prior year under provision - deferred tax	<u>—</u>	<u>2,420,635</u>
Tax charge for the year	<u>—</u>	<u>—</u>

At year end the company has a deferred tax asset which has not been recognised due to the uncertainty of future taxable income against which the deferred tax asset can be utilised. The deferred tax asset consists of the following components:

	2015 \$	2014 \$
Delayed tax depreciation	517,896	1,285,161
Unutilised tax losses (note 13)	792,575	8,484,646
Bad debt provision	54,002	54,002
Qualifying capital expenditure under the Tourism Development Act (note 14)	<u>154,331,850</u>	<u>166,343,400</u>
	<u>155,696,323</u>	<u>176,167,209</u>
Deferred tax asset at corporation tax rate of 25%	<u>38,924,081</u>	<u>44,041,802</u>

The delayed tax depreciation has no expiry date. The expiry dates of the unutilised tax losses and the Tourism Development expenditure are disclosed in notes 13 and 14.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

13 Tax losses

Tax losses are available for set off against future taxable income within nine years from the date incurred. The tax losses are as follows:

Income year	Balance b/fwd \$	Utilised \$	Expired \$	Balance c/fwd \$	Expiry date
2006	7,692,071	(3,153,633)	(4,538,438)	—	2015
2007	342,819	—	—	342,819	2016
2008	449,756	—	—	449,756	2017
	<u>8,484,646</u>	<u>(3,153,633)</u>	<u>(4,538,438)</u>	<u>792,575</u>	

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

14 Tourism Development Act relief

The company is an approved hotel under the Tourism Development Act and as such it is entitled to set-off the cost of certain qualifying capital expenditure incurred on buildings and amenities against taxable income for the next fifteen years from the date of such expenditure. The amount available for set-off is as follows:

Income year	Balance b/fwd \$	Incurred \$	Expired \$	Balance c/fwd \$	Expiry date
2000	16,433,291	—	(16,433,291)	—	2014
2001	6,276,711	—	—	6,276,711	2015
2002	35,131,641	—	—	35,131,641	2016
2003	63,074,974	—	—	63,074,974	2017
2004	45,222,337	—	—	45,222,337	2018
2008	204,446	—	—	204,446	2022
2015	—	4,421,741	—	4,421,741	2029
	<u>166,343,400</u>	<u>4,421,741</u>	<u>(16,433,291)</u>	<u>154,331,850</u>	

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

15 Expenses by nature

a) Cost of sales

	2015 \$	2014 \$
Food	4,237,775	5,432,326
Beverage	1,139,419	1,390,732
Telecom and leisure	346,438	440,986
	<u>5,723,632</u>	<u>7,264,044</u>

b) Direct expenses

	2015 \$	2014 \$
Salaries and other staff costs	10,505,743	14,392,755
Cleaning and laundry	1,240,998	3,141,311
Supplies including executive lounge	2,329,932	1,802,225
Other expenses	945,228	1,026,202
Music and entertainment	435,823	939,388
Commissions	616,080	679,638
Telephone and fax	107,545	146,216
	<u>16,181,349</u>	<u>22,127,735</u>

c) Marketing and administrative expenses

	2015 \$	2014 \$
Wages and salaries	7,232,167	7,843,844
Utilities	4,554,341	5,453,076
Management fees (note 16)	3,393,277	4,629,690
Property and maintenance	1,758,969	2,536,338
Selling and marketing	1,156,610	1,324,409
Miscellaneous expenses	2,519,590	2,209,835
Insurance	1,750,769	2,317,074
Credit card expenses	955,929	1,370,364
Land tax	506,250	636,356
Arbitration costs	264,600	—
Professional fees	136,669	80,590
Bad debts written off	49,460	194,167
Security	517,601	546,493
IT costs	284,658	485,730
Travel	133,498	63,434
	<u>25,214,388</u>	<u>29,691,400</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2015

(expressed in Barbados dollars)

16 Related party transactions

i) Management fees

The management fee is paid to Hilton International and is charged at the following rates:

Basic fee - 3% of revenue

Incentive fee - 10% of adjusted net operating profit

The adjusted net operating profit is calculated as the net income for the year after deducting the basic management fee.

ii) Due from/(to) related parties

	2015 \$	2014 \$
Due from related parties		
Needham's Point Development Inc.	—	4,377
Hilton International - Watford	15,631	226,356
	15,631	230,733
Due to related parties		
Needham's Point Development Inc.	5,164	—
Hilton International Miami	58,904	345,737
Hilton International (Barbados) Ltd.	91,671	225,832
	155,739	571,569

17 Contingent liability

Per the Amending Agreement dated November 10, 2003 between the company and Hilton International Co., the company received US\$5,000,000 noted as Key Money to be used US\$2,500,000 for the purchase of fixed assets and US\$2,500,000 for pre-opening expenses. In the event that the operation agreement between Hilton International and Needham's Point Holdings is terminated before 20 full calendar years through no fault of Hilton International, then Needham's Point Holdings shall repay to Hilton a proportion of the Key Money based on the unexpired portion of the 20 years.

18 Comparative figures

Certain prior year figures have been reclassified to conform with the current year's financial statement presentation.

