



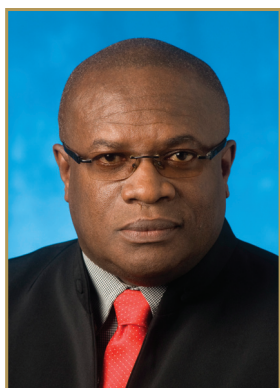
Needham's Point Holdings Ltd

Annual Report for March 31st, 2014



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Mr. Kenneth Gittens
Chairman

Board of Directors

The Board of Directors at the end of 31st March, 2014 was as follows:



Mr. Shawn Franklin
Deputy Chairman



Mr. Andrew Campbell



Zendorph Ellis



Mr. Gregory Hazzard



Mr. Luther Jones



Mr. Vincent Price



**Mrs. Allison
Smith-Padmore**



**Mrs. Juanita
Thorington-Powlett**

Legal Advisor

Mr. Michael Yearwood

Auditors

PricewaterhouseCoopers

Chief Executive Officer

Mr. Henderson Williams

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 15 month period ended March 31st, 2014.

The company during the course of the period, changed its financial year end from December 31st to March 31st, to coincide with the financial year of the major shareholder, the Government of Barbados. As a result, this report covers the 15 month period from January 1st, 2013 to March 31st, 2014, the comparative notes however, cover for the financial year January 1st, 2012 to December 31st, 2012.

During the 15 month reporting period, the company recorded revenues of \$79,173,894

from the hotel's operations, which resulted in a comprehensive profit of \$5,666,702. This positive performance has increased the company's total equity to \$132.46 million. The Board is pleased to present these results in this report.

The Board looks forward to some exciting projects in the next financial year. These include the impact of the expanded and upgraded gym, the completion of the new spa facility and the commencement of the refurbishment of the first phase of the hotel rooms. These projects are all intended to improve and modernise the facilities to the highest international standards and provide the best holiday experience to our visitors and patrons.

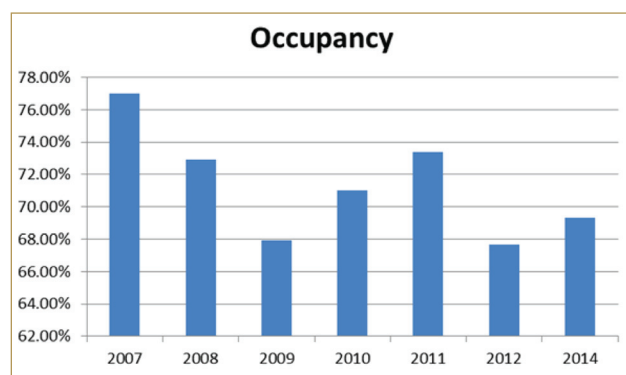
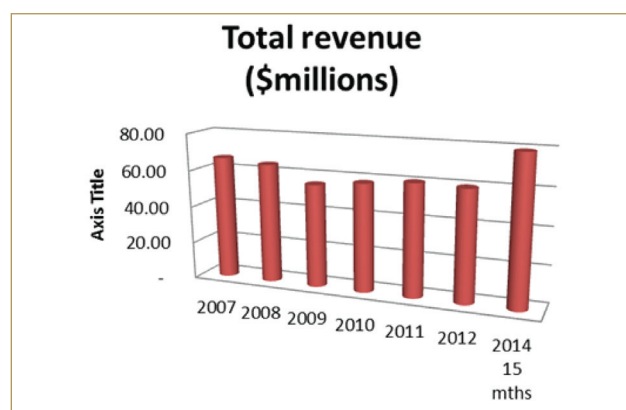
Mr. Kenneth Gittens
Chairman





Review of Operations

Despite the fact that the country experienced a decline in tourist arrivals of 6.2% in the 15 month period, the hotel was able to achieve a growth in its occupancy to 69.30% (March 2014) from 67.68% (December 2012) and an increase in its average daily rate by 6.4%. The improvement of the ADR is partly a consequence of the fact that the reporting period covers two (2) winter seasons. The total revenue was \$79,173,894 which covered the expanded period. The major driver of the increased revenue was the competitive marketing of the hotel in a period of sluggish arrivals, to increase market share and maintain occupancies. The net comprehensive income for the period was \$5,666,698, up from the \$322,722 for the year ended December 2012.



During the period, the hotel changed its General Manager and a renewed focus was placed on efficiency and cost control. Whilst improving guest satisfaction, the hotel was able to reduce

costs in several critical areas and hence enhance profitability. Noteworthy in this respect, is the reduction in utility cost as the result of the implementation of energy saving initiatives, identified in an energy audit commissioned the year before.

The program of planned enhancements to the hotel continued. The wireless capability was completed, with wireless access being made available in all rooms and public areas. Plans were in the advanced stage for the proposed relocation and expansion of the Gym and Fitness Center and a proposal is in hand to introduce a world class spa. This is in addition to a general upgrade and renovation of all guest rooms over the next two years.

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

PROJECTIONS FOR 2014/2015

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

During the period, the Directors commissioned a valuation of the property, which was completed by an independent professional valuer. The Auditors, in accordance with international auditing standards, had a peer review done by another professional valuer and the result was a significant difference in the opinions on the fair values of the company's assets. Based on the material differences arising from this exercise, the Directors have decided not to record any changes to the carrying value of the company's



property, plant and equipment but have a second valuation performed by an international valuer.

Board of Directors

During the period under review, the composition of the Board was changed with the appointment of Mr. Vincent Price, Mr. Zendorph Ellis and Mrs. Allison Smith-Padmore.

The Shareholder would like to take this opportunity to thank the following former Directors, Mr. George Bennett, Mr. Gilbert Rowe

and Mr. Michael Greenidge for their service to the company.

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





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, 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 15 month period 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.

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Basis for Qualified Opinion

The company's land is recorded at fair value based on an independent professional valuation performed in 2009. Buildings and other operating fixed assets are recorded at cost less accumulated depreciation. During the year ended March 31, 2014 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 \$306,000,000 made up of \$280,000,000 for the company's real property and \$26,000,000 for the furniture, fixtures and equipment. In accordance with International Auditing Standards - IAS 500, we have performed a peer review of the valuation report prepared by management's expert. Based on our expert's review, the company's property, plant and equipment fair market value is approximately \$200,000,000. The directors are unable to agree with the opinion of our expert and have not recorded any change in the carrying value of the company's property, plant and equipment at March 31, 2014. As a result of the significant differences in opinion on the fair value of the company's property, plant and equipment, the directors are in the process of having a second valuation performed and expect to have the matter resolved in the audited financial statements for the year ended 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 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, 2014, its financial performance and its cash flows for the 15 month period then ended in accordance with International Financial Reporting Standards.

Ricewaterhouse Coopers SRL

March 13, 2015
Bridgetown, Barbados

Needham's Point Holdings Limited

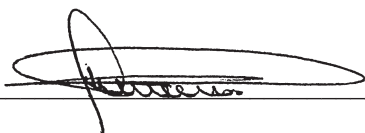
Balance Sheet

As of March 31, 2014

(expressed in Barbados dollars)

	2014 \$	2012 \$
Assets		
Current assets		
Cash and cash equivalents (note 4)	15,989,617	16,266,991
Trade and other receivables (note 5)	7,412,527	7,004,736
Due from related parties (note 16)	230,733	359,081
Taxation recoverable	108,116	69,292
Inventories (note 6)	723,063	715,641
Current portion of deferred transaction costs (note 9)	143,285	143,285
	24,607,341	24,559,026
Non-current assets		
Property, plant and equipment (note 7)	242,350,072	245,891,004
Long-term portion of deferred transaction costs (note 9)	823,894	1,002,994
	267,781,307	271,453,024
Liabilities and Equity		
Current liabilities		
Trade and other payables (note 8)	7,792,319	9,531,377
Accrued interest (note 9)	2,376,791	3,721,830
Due to related parties (note 16)	571,569	588,222
Borrowings (note 9)	9,023,688	9,023,688
	19,764,367	22,865,117
Non-current liabilities		
Borrowings (note 9)	115,257,751	120,870,415
Deferred development grant (note 10)	291,662	916,667
	115,549,413	121,787,082
Total liabilities	135,313,780	144,652,199
Equity		
Share capital (note 11)	98,682,283	98,682,283
Revaluation surplus (note 7)	69,824,597	69,824,597
Accumulated deficit	(36,039,353)	(41,706,055)
	132,467,527	126,800,825
Total liabilities and equity	267,781,307	271,453,024

Approved by the Board of Directors on March 13, 2015



Director



Director

Needham's Point Holdings Limited

Statement of Changes in Equity

For the fifteen month period ended March 31, 2014

(with comparative figures for the year ended December 31, 2012)

(expressed in Barbados dollars)

	Share capital \$	Revaluation surplus \$	Accumulated deficit \$	Total \$
Balance - December 31, 2011	98,682,283	69,824,597	(42,028,777)	126,478,103
Net profit and total comprehensive profit for the year	—	—	322,722	322,722
Balance - December 31, 2012	98,682,283	69,824,597	(41,706,055)	126,800,825
Comprehensive income				
Net comprehensive income for the 15 month period	—	—	5,666,702	5,666,702
Balance - March 31, 2014	98,682,283	69,824,597	(36,039,353)	132,467,527

Needham's Point Holdings Limited

Statement of Comprehensive Income

For the fifteen month period ended March 31, 2014

(with comparative figures for the year ended December 31, 2012)

(expressed in Barbados dollars)

	2014 \$	2012 \$
Income		
Sales and room revenue	79,173,894	59,722,927
Cost of sales (note 15a)	<u>(7,264,044)</u>	<u>(5,786,799)</u>
Gross profit	71,909,850	53,936,128
Direct expenses (note 15b)	<u>(22,127,735)</u>	<u>(17,899,189)</u>
Departmental profit	49,782,115	36,036,939
Other income		
Amortisation of deferred development grant (note 10)	625,005	500,000
Interest income (note 4)	<u>318,592</u>	<u>272,618</u>
	<u>50,725,712</u>	<u>36,809,557</u>
Expenses		
Marketing and administrative expenses (note 15c)	<u>29,691,400</u>	<u>24,041,367</u>
Income before finance and fixed charges	<u>21,034,312</u>	<u>12,768,190</u>
Finance and fixed charges		
Interest and bank charges (note 9)	8,699,615	7,248,845
Depreciation (note 7)	6,626,412	5,164,616
Foreign exchange loss	6,544	26,888
Loss on disposal of plant and equipment	<u>35,039</u>	<u>5,119</u>
	<u>15,367,610</u>	<u>12,445,468</u>
Total comprehensive income for the period/year	<u><u>5,666,702</u></u>	<u><u>322,722</u></u>

Needham's Point Holdings Limited

Statement of Cash Flows

For the fifteen month period ended March 31, 2014

(with comparative figures for the year ended December 31, 2012)

(expressed in Barbados dollars)

	2014 \$	2012 \$
Cash flows from operating activities		
Net income for the period/year	5,666,702	322,722
Adjustment for:		
Interest income	(318,592)	(272,618)
Depreciation	6,626,412	5,164,616
Deferred revenue amortised	(625,005)	(500,000)
Finance costs	8,699,615	7,248,845
Loss on disposal of plant and equipment	6,544	5,119
Operating profit before working capital changes	20,055,676	11,968,684
(Decrease)/increase/in trade and other receivables	(407,791)	132,410
(Decrease)/increase in due from related parties	128,348	(359,081)
(Increase)/decrease in inventories	(7,422)	93,808
(Decrease)/increase in trade and other payables	(1,739,058)	984,319
Decrease in due to related parties	(16,653)	(700,749)
Cash generated from operations	18,013,100	12,119,391
Interest paid	(10,044,654)	(7,129,731)
Taxes paid	(38,823)	—
Net cash generated from operating activities	7,929,623	4,989,660
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,092,025)	(754,900)
Interest received	318,592	287,910
Net cash used in investing activities	(2,773,433)	(466,990)
Cash flows from financing activities		
Repayment of borrowings	(5,612,664)	(4,491,275)
Bond transaction costs expensed/(deferred)	179,100	143,285
Net cash used in financing activities	(5,433,564)	(4,347,990)
(Decrease)/increase in cash and cash equivalents for the period/year	(277,374)	174,680
Cash and cash equivalents - beginning of period/year	16,266,991	16,092,311
Cash and cash equivalents - end of period/year	15,989,617	16,266,991
Cash and cash equivalents comprise:		
Cash at bank	15,989,617	16,266,991

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(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 financial reporting period the Company changed its year end from December 31 to March 31.

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, 2014

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

a) Basis of preparation ...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, 2014

(expressed in Barbados dollars)

3 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: bank overdraft, 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, 2014

(expressed in Barbados dollars)

2 Significant accounting policies ...continued

h) Property, plant and equipment

Land and buildings are stated at the most recent valuation less subsequent depreciation for buildings. 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% - 33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %
Other operating assets	33 $\frac{1}{3}$ %

Increases in the carrying amount arising on revaluation of land and buildings 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, 2014

(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, 2014

(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, 2014

(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.

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.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

3 Financial risk management ...continued

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:

	2014 \$	2012 \$
Guest ledger	1,422,756	1,477,988
Existing customers (less than 6 months) with no default in the last 12 months	2,922,928	2,586,082
Existing customers (more than 6 months) with no default in the last 12 months	19,368	164,546
Total trade receivables	4,365,052	4,228,616

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(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, 2014			
Trade and other payables	7,792,319	—	7,792,319
Accrued interest	2,376,791	—	2,376,791
Due to related parties	571,569	—	571,569
Borrowings	9,023,688	149,344,003	158,367,691
	19,764,367	149,344,003	169,108,370

As at December 31, 2012

Trade and other payables	9,531,377	—	9,531,377
Accrued interest	3,721,830	—	3,721,830
Due to related party	588,222	—	588,222
Borrowings	10,917,782	175,902,934	186,820,716
	24,759,211	175,902,934	200,662,145

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, 2014

(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, except for the convertible bond disclosed in note 9.

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.

	20144 \$	2012 \$
CIBC FirstCaribbean International Bank - operating account BBD	3,377,771	4,446,558
CIBC FirstCaribbean International Bank - property, plant and equipment account	5,809,675	5,058,428
CIBC FirstCaribbean International Bank - operating account USD	1,738,011	1,819,949
Cashiers and other cash	146,539	163,344
CIBC FirstCaribbean International Bank - fixed deposit	4,917,621	4,778,712
	15,989,617	16,266,991

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

5 Trade and other receivables

	2014 \$	2012 \$
Trade receivables:		
Guest ledger	1,611,167	1,477,988
City ledger	2,972,050	2,489,349
	4,583,217	3,967,337
Other receivables	1,177,210	1,985,232
Prepayments	1,704,704	1,106,169
	7,465,131	7,058,738
Less: Provision for doubtful accounts	(52,604)	(54,002)
	7,412,527	7,004,736

6 Inventories

	2014 \$	2012 \$
Food	103,589	133,670
Beverage	249,150	231,012
Other operating inventories	370,324	350,959
	723,063	715,641

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

7 Property, plant and equipment

	Land \$	Buildings \$	Furniture, fittings, plant and equipment \$	Other operating assets \$	Computer equipment \$	Total \$
Period ended December 31, 2012						
Opening net book amount	88,200,000	155,865,790	6,144,745	—	95,304	250,305,839
Additions	—	—	603,546	—	151,354	754,900
Disposals	—	—	(5,560)	—	—	(5,560)
Accumulated depreciation on disposals	—	—	441	—	—	441
Depreciation charge	—	(3,589,999)	(1,522,507)	—	(52,110)	(5,164,616)
Closing net book amount	88,200,000	152,275,791	5,220,665	—	194,548	245,891,004
At December 31, 2012						
Cost or valuation	88,200,000	179,578,123	19,903,591	4,440,114	2,155,134	294,276,962
Accumulated depreciation	—	(27,302,332)	(14,682,926)	(4,440,114)	(1,960,586)	(48,385,958)
Net book amount	88,200,000	152,275,791	5,220,665	—	194,548	245,891,004

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

7 Property, plant and equipment ...continued

	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

During 2009 the land was evaluated to fair value based on land tax valuations. The increase of \$69,824,597 was taken to the revaluation surplus.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

8 Trade and other payables

	2014 \$	2012 \$
Trade payables	3,292,254	3,061,951
Accrued expenses	3,500,237	3,992,579
Advance deposits	999,828	2,476,847
	<u>7,792,319</u>	<u>9,531,377</u>

9 Borrowings

i) Short term borrowing/related party transactions

	2014 \$	2012 \$
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>9,023,688</u>

The short-term interest-bearing advance made by the Government of Barbados to enable the company to meet its contractual obligation, bears interest at a rate of 2.5% per annum. Interest expense incurred for the year amounted to \$145,732 (2012 - \$139,952). At period end accrued interest of \$1,021,315 (2012 - \$961,784) was recorded.

ii) Long term borrowings

	2014 \$	2012 \$
a) CIBC FirstCaribbean International Bank	35,935,669	40,831,667
b) National Insurance Board	3,678,889	4,395,555
c) Royal Fidelity	80,000,000	80,000,000
	<u>119,614,558</u>	<u>125,227,222</u>
Less: current portion (i)	(4,356,807)	(4,356,807)
	<u>115,257,751</u>	<u>120,870,415</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

9 Borrowings ...continued

ii) Long term borrowing ...continued

- a) The loan balance of \$35,935,669 (2012 - \$40,831,667) 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, 2014, this equated to 2.4893% (2012 - 2.6875%). 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 \$112,737 (2012 - \$141,416) 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 \$3,678,889 (2012 - \$4,395,555) 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, 2014

(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 non-current 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.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

9 Borrowings ...continued

iii) Long term borrowing ...continued

The fair value of the Convertible Fixed Rate Guaranteed Bonds was \$67,791,335 (2012 - \$73,048,842) at the end of the period.

	2014 \$	2012 \$
Interest payable b/fwd	2,618,630	2,618,630
Interest expense	6,716,712	5,415,435
Interest paid	(8,092,602)	(5,415,435)
	<hr/>	<hr/>
Interest payable c/fwd	1,242,740	2,618,630

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

	2014 \$	2012 \$
Deferred transaction costs		
Bond issue fees incurred	1,432,849	1,432,849
Amortisation of deferred transaction costs	(465,285)	(286,570)
	<hr/>	<hr/>
	967,179	1,146,279
Less current portion	(143,285)	(143,285)
	<hr/>	<hr/>
	823,894	1,002,994

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

10 Deferred development grant

	2014 \$	2012 \$
Hilton International	5,000,000	5,000,000
Less amortisation	(4,708,338)	(4,083,333)
	<u>291,662</u>	<u>916,667</u>

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:

	2014 \$	2012 \$
Charge for the period	<u>625,005</u>	<u>500,000</u>

11 Share capital

The Company is authorized to issue an unlimited number of common shares without nominal or par value. At March 31, 2014 and December 31, 2012, 98,682,283 shares had been issued and outstanding.

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(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:

	2014 \$	2012 \$
Net income for the year	<u>5,666,702</u>	<u>322,722</u>
Tax calculated at statutory rate of 25%	1,416,676	80,681
Decrease in deferred tax asset not recorded	(4,459,662)	(533,194)
Market development allowance	(526,013)	(186,515)
Loan interest allowance	(464,657)	(133,472)
Income not subject to tax	(156,252)	(125,000)
Expenses not deductible for tax	1,769,276	897,500
Prior year under provision – deferred tax	<u>2,420,632</u>	<u>—</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:

	2014 \$	2012 \$
Delayed tax depreciation	502,380	7,523,927
Unutilised tax losses (note 13)	8,484,646	19,301,748
Bad debt provision	54,002	54,002
Qualifying capital expenditure under the Tourism Development Act (note 14)	<u>166,343,400</u>	<u>166,343,400</u>
	<u>175,384,428</u>	<u>193,223,077</u>
Deferred tax asset at corporation tax rate of 25%	<u>43,846,107</u>	<u>48,305,769</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, 2014

(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:

Year	Balance b/fwd \$	Adjustment \$	Utilised \$	Balance c/fwd \$	Expiry date
2005	7,175,892	(3,120,877)	(4,055,015)	—	2014
2006	11,333,281	—	(3,641,210)	7,692,071	2015
2007	342,819	—	—	342,819	2016
2008	449,756	—	—	449,756	2017
	<u>19,301,748</u>	<u>(3,120,877)</u>	<u>(7,696,225)</u>	<u>8,484,646</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	Tourism Development Act relief \$	Expiry date
2000	16,433,291	2014
2001	6,276,711	2015
2002	35,131,641	2016
2003	63,074,974	2017
2004	45,222,337	2018
2008	204,446	2022
2009		2023
	<u>166,343,400</u>	

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(expressed in Barbados dollars)

15 Expenses by nature

a) Cost of sales

	2014 \$	2012 \$
Food	5,432,326	4,334,146
Beverage	1,390,732	1,113,538
Telecom and leisure	440,986	339,115
	<u>7,264,044</u>	<u>5,786,799</u>

b) Direct expenses

	2014 \$	2012 \$
Salaries and other staff costs	14,392,755	11,807,639
Cleaning and laundry	3,141,311	2,657,491
Supplies including executive lounge	1,802,225	1,602,245
Other expenses	1,026,202	529,888
Music and entertainment	939,388	528,069
Commissions	679,638	663,503
Telephone and fax	146,216	110,354
	<u>22,127,735</u>	<u>17,899,189</u>

c) Marketing and administrative expenses

	2014 \$	2012 \$
Wages and salaries	7,784,434	6,272,926
Utilities	5,453,076	5,228,153
Management fees (note 16)	4,629,691	3,199,255
Property and maintenance	2,536,338	1,846,254
Selling and marketing	1,324,409	899,241
Miscellaneous expenses	2,269,245	1,839,206
Insurance	2,317,074	1,811,133
Credit card expenses	1,370,364	1,037,017
Land tax	636,356	511,614
Arbitration costs	—	184,898
Professional fees	80,590	99,548
Bad debts written off	194,167	248,846
Security	546,493	429,881
IT costs	485,730	407,480
Travel	63,434	25,915
	<u>29,691,400</u>	<u>24,041,367</u>

Needham's Point Holdings Limited

Notes to Financial Statements

March 31, 2014

(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

	2014 \$	2012 \$
Due from related parties		
Needham's Point Development Inc.	4,377	4,226
Hilton International - Watford	<u>226,356</u>	<u>354,855</u>
	<u>230,733</u>	<u>359,081</u>
Due to related parties		
Hilton International Miami	345,737	316,480
Hilton International (Barbados) Ltd.	<u>225,832</u>	<u>271,742</u>
	<u>571,569</u>	<u>588,222</u>

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.

