

*Moving
Forward*
ANNUAL REPORT **2015**





Broad Street, Bridgetown

Originally called **Cheapside** but later changing names to **Exchange Street** and **New England Street**, Broad Street was officially named after the passing of an Act of Legislature in the early 1700s. It was very appropriately named, as it was the broadest street in Bridgetown.

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Vision

To be the leading regional finance company shaping Caribbean communities, through financial education, innovation and trusted financial solutions.

Mission

To lead the finance company market and maximize shareholder value, by providing high quality innovative financial solutions and an excellent customer experience through empowered, motivated employees.

Our Core Values

INTEGRITY

We exhibit integrity by always interacting with others ethically and honourably.

TRUST

We promise to exemplify trustworthiness in all our dealings.

RESPECT

We promise always to exhibit respect by empathizing and fully considering the diverse needs of others.

COMMITMENT

We are fully committed to achieving success for our customers, our community, our staff and ourselves.



Board of Directors



Geoffrey Cave
Chairman



Courtney Campbell
Director, GraceKennedy



Frank James
Director, GraceKennedy



John Williams
Director, Cave Shepherd



Frere Delmas
Director, Massy United
Insurance



Dwight Richardson
Director, Independent



Desirée Cherebin
Director, Independent



Peter Hall
Director, Independent

Management Team



Paul Ashby
Chief Executive Officer



Jacqueline Holder
Chief Operating Officer



Damian Branford
Chief Financial Officer



Margaret Wharton
Retail Banking Manager



Ayesha Maycock
Commercial & Investment Manager



Carol Prescod
Client Services Manager



The Mauby Seller

The word **mauby** comes from the Caribs, who referred to the liquid as **mabi**. In the mid 1900s the mauby seller carried the drink in a bucket on her head. Supported by a piece of cloth, the bucket would be tilted, tap turned on and mauby dispensed to customers on the street.

Signia Teams



Signia Teams



Signia Teams





Board and Shingle Buses

For over half a century, open-sided wooden buses - frequently called **board and shingle buses** - were privately owned and provided transportation services across Barbados. This photo, circa 1945, shows a lady stepping onto the running board, on which the conductor would walk to collect bus fares.



Signia in the Community

Despite a challenging economy, Signia Financial Group Inc. has been able to withstand market pressures and continued to fulfil its social contract. Over the past year, Signia has been able to make a valuable contribution to developing our communities, in the areas of Arts and Culture, Education, Sports, Health and the promotion of a rich Barbadian spirit of giving.

Arts & Culture

Signia assisted in the development of Soca, through our support for and association with Ian Webster (iWeb,) who demonstrates a wealth of talent and creativity as shown in his top five placement in the Pic-O-De-Crop Finals.

Strong positive values and a spirit of togetherness are fundamental attributes to our Signia family. To promote these values in our communities, we have continued our support for the Gospel arts through our alliance with Neesha Woodz, who has been a beacon for this genre, winning several awards during the past year.

Education

Every child deserves a comfortable environment to learn in and the supplies necessary to facilitate learning, in this regard, it was our pleasure to assist The Irving Wilson School (formerly the School for the Deaf and Blind) with repairs to its facility and the provision of school supplies. It is one of the few schools in Barbados that caters specifically to the needs of Autistic children. In December, Signia was honoured to present a cheque to the school's Principal, Wendy Blackman, which made the improvements a reality.



Signia in the Community

Sports

Many life lessons are learnt through sports, such as; unity, compromise, respect for authority, compliance to rules and the sharing of responsibility. These characteristics are benchmarks for a good community and society. To support the cultivation of these characteristics in our youth, Signia Financial sponsored the Wildey Junior Sports Club, which is comprised of a group of young men who find fulfilment in sporting activities, a pastime which so many Barbadians are passionate about.

Road Tennis is a sport indigenous to Barbados, in recent history, its popularity has once again surged among our communities, facilitating participation by persons of all ages, especially our youth. During the year, we supported the Community Development Department, by sponsoring a Road Tennis Tournament in The Ivy. The purpose of the Tournament was to raise funds, in an effort to support the Ivy under-13 footballers in raising funds to travel for a football tournament held in Trinidad and Tobago. The Tennis and the Football Tournaments were very successful.

Health

Health and wellness is a part of our social responsibility, during the year, we focused on lending some much needed support to persons impacted by Alzheimer's disease. We partnered with **Voice of Barbados 92.9 F.M.** in hosting a docu-series, presented by a veteran broadcaster, Mr. David Ellis. The focus of the series was to shed light on the issues faced by persons with dementia, the treatment required for Alzheimer's patients and signs to look for in early diagnosis of the illness.



General Community

Christmas was an exceptionally special time this year for some unsuspecting persons, as the Signia team embarked on an initiative called **"Random Acts of Kindness."** This initiative featured our own **Signia Secret Santa** who was dressed in corporate colours and provided kind gestures to persons who happened to be in the right location at the right time. These gestures were performed at random stops such as Queen Elizabeth Hospital, supermarkets and shopping centres in various parishes across the island. Signia's Secret Santa randomly paid bills, presented hampers to new mothers and even bought lunches for some persons. The recipients were very surprised and extremely happy to receive these gestures of kindness.





Cutting of the Canes

Cane-cutting has become entrenched in the history of this nation. For some, it is synonymous with the brutal days of slavery, but for others, the scent of newly cut canes is the essence of home. The end of the cane season is celebrated by the island's biggest celebration - Crop Over, which begins with the symbolic delivery of the last canes.

Chairman's/CEO's Report

Signia Financial Group Inc. can celebrate another successful year despite a number of challenging factors experienced by the Barbadian economy. Signia closed the December 31, 2015 financial year with a Net Profit position of \$3.7M, which is a 12.1% increase over the prior year's position of \$3.3M.

A number of policies implemented by the Barbados Government during the financial year continued to affect the middle to upper working class Barbadian by placing strain on their disposable incomes. Despite this, Signia was able to increase Loan Advances to \$169.8M, a 4.0% jump over the 2014 position of \$163.3M. There continued to be strong demand in retail banking, particularly for vehicle loans, with the commercial portfolio also performing at robust levels.

In April 2015, the Central Bank of Barbados removed the minimum savings rate of 2.5% on all saving instruments throughout the Banking Sector. This resulted in a decline in the interest rates offered by Commercial Banks to a range of 0.5% and 1.0%. This prompted the search for a greater return on investments and as a result, there was a noticeable increase in new depositors for the period. Year on year the deposit base thereby grew by 12.9% from \$164.2M to \$185.3M as at December 31, 2015.

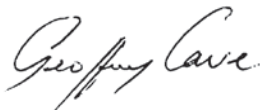
In light of the above, Signia Financial remained cognizant of its interest spreads while trying to remain competitive and was able to record Net Interest Income of \$10.6M, 7.1% higher than the \$9.9M in the prior year. There was also upward movement in Non Interest Income, ending the period at \$1.6M, a noteworthy jump over the \$1.4M recorded in 2014. The Stock Brokerage line of business was the main contributor to this movement as revenue exceeded the prior year position by 184.5 %.

In the financial industry there is always a watchful eye placed on Non Performing Loans and Signia has endeavored to be prudent and proactive in its approach when managing delinquency levels. As a result, Impairment Losses ended December 31, 2015 at \$1.4M, a 27.3% rise compared to the \$1.1M in 2014.

The company continues to be well capitalized, consistently above the minimum capital adequacy ratio of 8%, reflecting 15.9% as at year end.

The Barbados economy is expected to grow by 1.8% for 2016 as we follow the other world economies which have already commenced their recovery process. This has allowed the tourist industry to rebound with visitor arrivals for 2015 up by 13.8% and is expected to increase further by the end of 2016. Signia is confident that it will better its 2015 performance while bolstering efforts to reduce the delinquency portfolio.

In closing, on behalf of the Board of Directors, we wish to thank our customers and strategic partners for their continued support and to congratulate the Signia team for their tireless efforts and continued commitment to serving our customers with excellence.



Geoffrey Cave
Chairman
March 31, 2016
Bridgetown, Barbados



Paul Ashby
Chief Executive Officer
March 31, 2016
Bridgetown, Barbados

Five Year Highlights

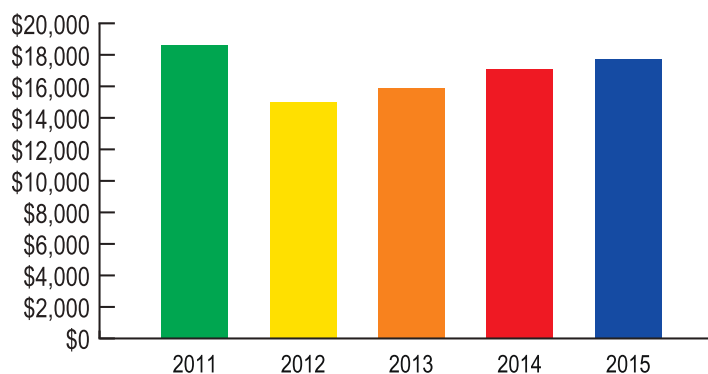
Expressed in thousands of Barbados dollars

Operating Results	2015 \$	2014 \$	2013 \$	2012 \$	2011 \$
Interest income	17,502	16,955	15,821	14,826	18,474
Interest expense	6,934	7,064	6,323	6,063	7,562
Net interest income	10,568	9,891	9,498	8,763	10,912
Profit before tax	4,810	4,397	4,336	4,160	4,823
Profit after tax	3,667	3,266	3,274	3,125	3,661

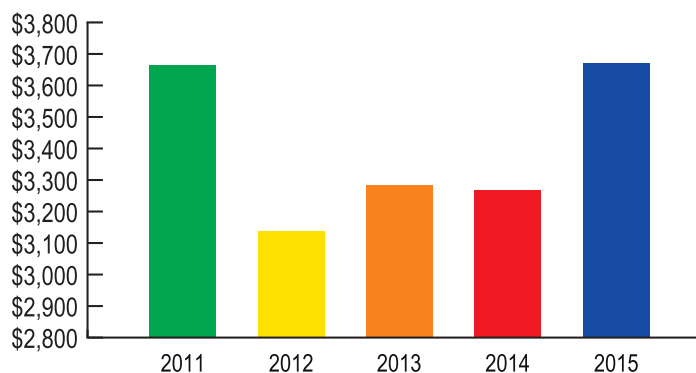
Financial Position

Loans and advances to customers	169,786	163,262	153,050	136,613	138,067
Total assets	220,046	194,759	186,252	167,280	159,779
Deposits from customers	185,266	164,190	158,362	141,800	135,205
Total liabilities	190,353	167,583	161,196	144,305	138,679

Interest Income 2011-2015



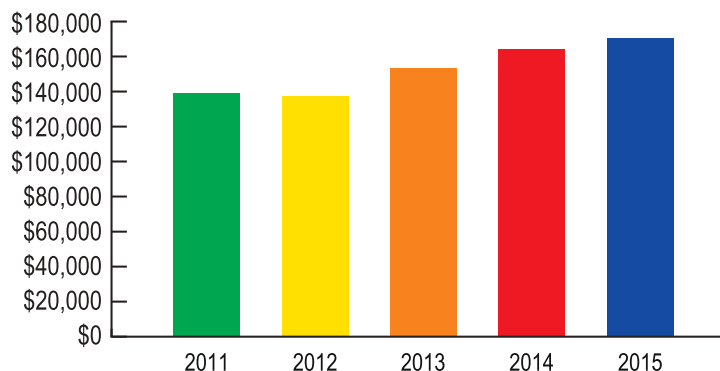
Net Income 2011-2015



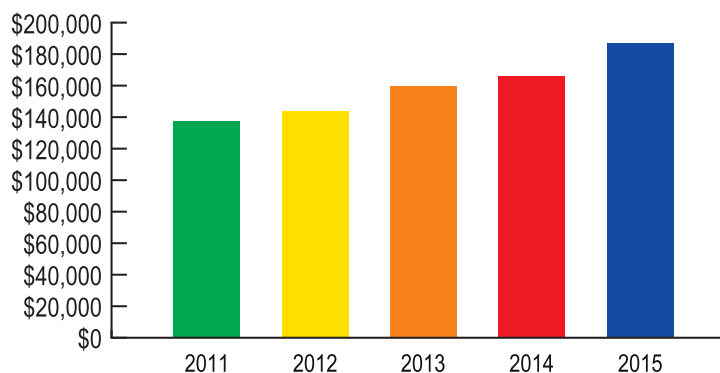
Five Year Highlights

Expressed in thousands of Barbados dollars

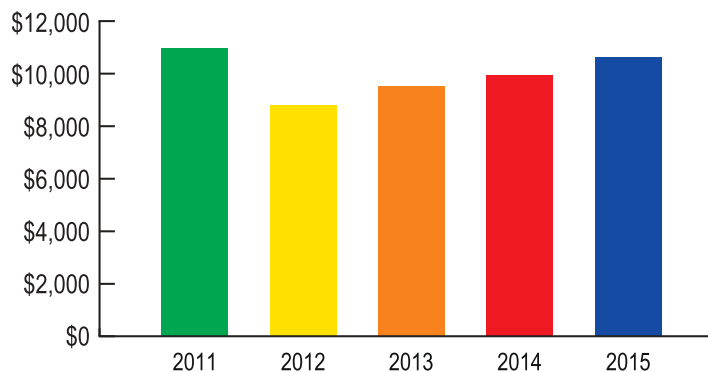
Loans 2011-2015



Deposits 2011-2015



Net Interest Income 2011-2015





INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Signia Financial Group Inc.

We have audited the accompanying financial statements of **Signia Financial Group Inc.**, which comprise the balance sheet as at December 31, 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Signia Financial Group Inc.** as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

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

PricewaterhouseCoopers SRW

April 25, 2016
Bridgetown, Barbados

Balance Sheet

As at December 31, 2015

(Amounts in Barbados dollars)


		December 31 2015 \$	December 31 2014 \$
	Notes		
Assets			
Cash resources	4	38,845,584	20,339,052
Treasury bills		7,471,650	7,473,564
Due from parent company	5	88,485	19,478
Loans and advances to customers	6	169,786,267	163,262,417
Property, plant and equipment	7	452,844	465,912
Intangible assets	8	510	48,791
Operating lease assets	9	474,581	522,958
Other assets	10	2,800,138	2,519,523
Deferred tax assets	11	126,286	107,103
Total assets		220,046,345	194,758,798
Liabilities			
Due to customers	12	185,265,723	164,190,055
Other liabilities	13	4,357,118	2,565,615
Asset tax payable	14	142,452	228,609
Current tax payable		588,076	598,476
Total liabilities		190,353,369	167,582,755
Equity			
Share capital	15	9,210,857	9,210,857
Statutory and other reserves	16	4,436,374	3,886,334
Retained earnings		16,045,745	14,078,852
		29,692,976	27,176,043
Total liabilities and equity		220,046,345	194,758,798

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

Approved by the Board of Directors on March 31, 2016



Director



Director

Statement of Changes in Equity

For the year ended December 31, 2015

(Amounts in Barbados dollars)

	Share capital \$	Statutory and other reserves \$	Retained earnings \$	Total \$
Balance at December 31, 2013	9,210,857	3,396,414	12,448,440	25,055,711
Dividends (12.44 cents per share)	-	-	(1,145,801)	(1,145,801)
Profit and total comprehensive income for the year	-	-	3,266,133	3,266,133
Transfer to statutory reserves (note 16)	-	489,920	(489,920)	-
Balance at December 31, 2014	9,210,857	3,886,334	14,078,852	27,176,043
Dividends (12.49 cents per share)	-	-	(1,150,000)	(1,150,000)
Profit and total comprehensive income for the year	-	-	3,666,933	3,666,933
Transfer to statutory reserves (note 16)	-	550,040	(550,040)	-
Balance at December 31, 2015	9,210,857	4,436,374	16,045,745	29,692,976

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

Statement of Comprehensive Income

For the year ended December 31, 2015

(Amounts in Barbados dollars)

		December 31 2015 \$	December 31 2014 \$
	Notes		
Interest income		17,502,234	16,954,825
Interest expense		(6,934,192)	(7,064,277)
Net interest income	17	10,568,042	9,890,548
Impairment losses on loans and advances	6	(1,374,404)	(1,088,932)
Net interest income after loan impairment charges		9,193,638	8,801,616
Fee and commission income	18	95,391	103,828
Fee and commission expense	18	(46,684)	(46,693)
Net fee and commission income		48,707	57,135
Net lease income	19	61,074	76,301
Other operating income	20	298,154	174,161
Foreign exchange and brokerage income	21	1,133,766	993,601
Asset tax	14	(407,063)	(228,609)
Operating expenses	22	(5,518,336)	(5,477,415)
Profit before corporation tax		4,809,940	4,396,790
Corporation tax expense	11	(1,143,007)	(1,130,657)
Profit and total comprehensive income for the year		3,666,933	3,266,133

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

Statement of Cash Flows

For the year ended December 31, 2015

(Amounts in Barbados dollars)

	December 31 2015 \$	December 31 2014 \$
Cash flows from operating activities		
Profit before corporation tax	4,809,940	4,396,790
Adjustments for:		
Depreciation of property, plant and equipment and operating lease assets	493,067	606,329
Impairment losses on loans and advances	1,374,404	1,088,932
Gain on disposal of property, plant and equipment	(67,923)	-
Interest income	(17,502,234)	(16,954,825)
Interest expense	6,934,192	7,064,277
Gain on sale of operating lease assets and repossessed stock	(6,005)	(80,712)
	(3,964,559)	(3,879,209)
Changes in working capital		
Increase in restricted cash	(500,035)	(440,052)
Increase in due from parent company	(69,007)	(19,478)
Increase in loans and advances to customers	(7,900,155)	(11,394,256)
Net change in operating lease assets	(220,891)	205,042
(Increase)/decrease in other assets	(220,381)	111,026
Increase in due to customers	20,642,719	5,556,634
Increase in other liabilities	1,796,982	389,831
(Decrease)/increase in asset tax payable	(86,157)	228,609
Fees received	470,424	478,180
Taxation paid	(1,172,590)	(1,251,600)
Interest paid	(6,501,243)	(6,792,918)
Interest received	17,030,127	16,541,090
Net cash generated from/(used in) operating activities	19,305,234	(267,101)
Cash flows from investing activities		
Purchase of property, plant and equipment	(216,660)	(163,480)
Proceeds from the sale of property, plant and equipment	67,923	-
Purchase of treasury bills	(29,756,800)	(29,758,300)
Maturity of treasury bills	29,756,800	28,271,650
Purchase of investments	(18,500,000)	(12,000,000)
Maturity of investments	18,500,000	12,000,000
Net cash used in investing activities	(148,737)	(1,650,130)

Statement of Cash Flows (continued)

For the year ended December 31, 2015

(Amounts in Barbados dollars)

	December 31 2015	December 31 2014
	\$	\$
Cash flows from financing activities		
Payment of dividends	<u>(1,150,000)</u>	<u>(1,145,801)</u>
Net increase/(decrease) in cash and cash equivalents	18,006,497	(3,063,032)
Cash and cash equivalents - beginning of year	<u>15,059,795</u>	<u>18,122,827</u>
Cash and cash equivalents - end of year	<u>33,066,292</u>	<u>15,059,795</u>
Represented by:		
Cash at bank (Note 4)	27,040,387	10,535,220
Short term deposits (Note 4)	<u>6,025,905</u>	<u>4,524,575</u>
	<u>33,066,292</u>	<u>15,059,795</u>

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

Notes to Financial Statements

December 31, 2015
 (Amounts in Barbados dollars)

1. Incorporation, ownership and principal activities

Signia Financial Group Inc. (the Company) was incorporated under the Laws of Barbados on September 13, 1996. On January 2, 1998 the Company was granted a licence under the Financial Institutions Act 1996 to carry on business as a finance company. Its principal activities are the provision of term finance, motor vehicle leasing and the acceptance of deposits. The Company is also an authorised foreign exchange dealer and licensed stock broker.

The Company is wholly-owned by CSGK Finance Holdings Limited (CSGK), which is a company incorporated under the Laws of Barbados and is a joint venture between Cave Shepherd & Co. Limited, Massy United Insurance Company Limited, companies incorporated under the Laws of Barbados, and until March 25, 2014, Grace Kennedy & Company Limited (GK), a company incorporated in Jamaica. Effective March 26, 2014, GK transferred the shares it held in CSGK to First Global Holdings Limited, one of its subsidiaries incorporated in Jamaica.

The Company's principal place of business is located on the First Floor, Carlisle House, Hincks Street, Bridgetown, Barbados.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards, ("IFRS"). Significant accounting policies are set out below and have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements comprise the balance sheet, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes.

These financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, amendments and interpretations effective in 2015

The following amendments to published standards are mandatory for accounting periods beginning on or after January 1, 2015.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...continued

a) Basis of preparation ...continued

Annual improvements 2012 (effective annual periods on or after July 1, 2014 although endorsed for annual periods on or after February 1, 2015). These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:

- IFRS 2, 'Share-based payment'
- IFRS 3, 'Business Combinations'
- IFRS 8, 'Operating segments'
- IFRS 13, 'Fair value measurement'
- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'
- Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
- IAS 39, 'Financial instruments - Recognition and measurement'.

Annual improvements 2013 (effective annual periods on or after July 1, 2014 although endorsed for annual periods on or after January 1, 2015). The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:

- IFRS 1, 'First time adoption'
- IFRS 3, 'Business combinations'
- IFRS 13, 'Fair value measurement' and
- IAS 40, 'Investment property'.

New standards, amendments and interpretations to published standards that are not yet effective but have been early adopted by the Company

There are no standards that are not yet effective that have been early adopted by the Company.

New standards, amendments and interpretations to published standards that are not yet effective but will be relevant to the Company

- Amendment to IAS 1 'Presentation of financial statements' on the disclosure initiative effective January 1, 2016. These amendments are a part of the IASB initiative to impose presentation and disclosure in financial reports.
- IFRS 15 'Revenue from contracts with customers' effective for annual periods beginning on or after January 1, 2018, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Company is yet to assess the full impact of the standard.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...continued

a) Basis of preparation ...continued

- IFRS 9 'Financial Instruments' effective for annual periods beginning on or after January 1, 2018, simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value where the basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial asset. The Company is yet to assess the full impact of the standard.
- IFRS 16 'Leases' effective for annual periods beginning on or after January 1, 2019 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. The company is yet to assess the full impact of this standard.

b) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are converted 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.

c) Financial assets

The Company classifies its financial assets in accordance with IAS 39 categories. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...continued

c) Financial assets ...continued

Loans and receivables ...continued

Purchases and sales of financial assets are recognised on settlement date, the date on which the Company settles the purchase or sells the asset. Loans and receivables are reported in the balance sheet as loans and advances to financial institutions or customers or as investment securities. Financial assets are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables are initially recognised at fair value and subsequently carried at amortised cost.

d) Financial liabilities

Financial liabilities are measured at amortised cost, and are deposits from customers or banks.

e) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired, individually or collectively.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...continued

e) Impairment of financial assets ...continued

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income.

f) Deferred tax

Deferred tax 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. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment and operating lease assets and general bad debt provisions.

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which the profits arise. The tax effects of tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available to utilise against these losses.

g) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Notes to Financial Statements

December 31, 2015
 (Amounts in Barbados dollars)

2. Summary of significant accounting policies ...continued

g) Property, plant and equipment ...continued

Depreciation is provided on the straight-line method at the following annual rates considered appropriate to write off the cost of the assets over their estimated useful lives as follows:

Leasehold improvements	- 20% or over the life of the lease
Computer	- 14% - 33%
Furniture and equipment	- 10% - 50%
Motor vehicles	- 20%
Leased vehicles and equipment	- Over the term of the lease agreement.

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

h) Intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

i) Leases

i) *The Company is the lessor*

The leases entered into by the Company are primarily finance leases. When assets are held subject to a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Notes to Financial Statements

December 31, 2015
 (Amounts in Barbados dollars)

2. Summary of significant accounting policies ...continued

i) Leases ...continued

ii) The Company is the lessee

The total payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessee by way of penalty is recognised as an expense in the period in which termination has taken place.

j) Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans or leases that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and balances with three months or less maturity from the date of acquisition, including, amounts due from other banks.

l) Share capital

i) Share issue costs

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

ii) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's directors.

m) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees are recognised over the life of the loan. Commission and fees arising from third party transactions such as the collection of payments for service providers are recognised on completion of the transactions.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...continued

n) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing financial instruments using the effective interest method. Income from leasing of motor vehicles and from term deposits and investments is recognised using the effective interest method.

Once a financial asset has been written down as a result of impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring its impairment loss.

o) Employee retirement benefits

The Company's employees are members of the Cave Shepherd Group Defined Contribution Pension Plan. The plan is administered by Trustees and investments are held by an independent Custodial Trustee. Contributions to the plan are based on pensionable salary and are recognised as an employee benefit expense.

p) Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; if it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Company recognises no provisions for future operating losses.

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

3. Critical accounting estimates, and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

3. Critical accounting estimates, and judgments in applying accounting policies ...continued

a) Impairment losses on loans and advances

The Company reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgments as to whether there is a measurable decrease in the estimated future cash flows from individual loans before the decrease can be identified with the collective loans in that portfolio. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any difference between loss estimates and actual loss experience. To the extent management's estimate of cash flows differ by +/- 5%, the net income for the year would have increased by **\$190,226** (2014 - \$178,878) and decreased by **\$195,951** (2014 - \$180,186).

b) Corporation taxes

The Company is subject to corporation taxes in the jurisdiction in which it operates. Estimates are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences are recognised in the statement of comprehensive income.

c) Tax on assets

The Company is subject to a tax of 0.2% of its average domestic assets, which was enacted through the Tax on Assets Act 2015. Where the final asset tax outcome is different from the amount initially recorded, such differences are recognised in the statement of comprehensive income.

d) Provision

The Company is subject to VAT and recognises a liability or receivable during assessment periods. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of VAT receivable or payable in the period in which such determination is made. Where the actual final outcome differs from management's estimates by 10%, the Company will need to decrease or increase the VAT receivable by **\$52,019** (2014 - \$52,019).

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

4. Cash resources

	December 31 2015 \$	December 31 2014 \$
Cash	27,040,387	10,535,220
Short term deposits	6,025,905	4,524,575
Restricted cash	5,779,292	5,279,257
Total cash resources	38,845,584	20,339,052

The Company is required to maintain mandatory reserve deposits with the Central Bank of Barbados representing a percentage of deposit liabilities as cash or deposits with the central bank. These funds are not available to finance the Company's day to day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents. At December 31, 2015 mandatory deposits amounted to **\$5,566,990** (2014 - \$4,956,077).

5. Due from parent company

Amounts due from parent company bear no interest and have no stated terms of repayment.

6. Loans and advances to customers

	Corporate 2015 \$	Individual 2015 \$	Total December 2015 \$
Gross loans and advances	41,751,831	131,373,845	173,125,676
Less: impairment losses	(1,312,953)	(2,026,456)	(3,339,409)
Balance, end of year	40,438,878	129,347,389	169,786,267

	Corporate 2014 \$	Individual 2014 \$	Total December 2014 \$
Gross loans and advances	42,615,254	123,969,918	166,585,172
Less: impairment losses	(1,246,818)	(2,075,937)	(3,322,755)
Balance, end of year	41,368,436	121,893,981	163,262,417

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

6. Loans and advances to customers ...continued

Analysis of Loans by industry sector

	December 31 2015 \$	December 31 2014 \$
Education	161,452	18,601
Electricity, gas and water supply	2,305	23,861
Other financial corporations	377,706	356,915
Manufacturing	1,675,727	1,664,470
Transport, storage and communication	2,542,931	2,194,356
Hotels and restaurants	819,731	1,806,938
Agriculture	1,744,143	1,919,162
Health and social work	1,800,159	2,186,045
Construction	2,534,850	1,949,493
Real estate, renting and other business	30,092,827	30,163,376
Individuals and individual trusts	131,373,845	124,301,955
	173,125,676	166,585,172
Receivable 12 months or less after the reporting period	39,523,688	39,883,287
Receivable more than 12 months after the reporting period	133,601,988	126,701,885
	173,125,676	166,585,172

Loans and advances to customers are predominantly secured by the vehicles and title deeds relating to property financed under the individual contracts.

Impairment losses on loans and advances

	December 31 2015 \$	December 31 2014 \$
Increase in impairment losses on loans and advances	1,461,992	1,119,600
Amounts written off during the year as uncollectible	49,156	29,982
	1,511,148	1,149,582
Amounts received on loans previously written off	(136,744)	(60,650)
	1,374,404	1,088,932

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

6. Loans and advances to customers ...continued

Allowance for impairment losses

Movement in allowance for impairment losses:

	December 31			December 31		
	2015	2015	2015	2014	2014	2014
	\$	\$	\$	\$	\$	\$
	Specific	Collective	Total	Specific	Collective	Total
Balance, beginning of year	2,377,206	945,549	3,322,755	2,743,989	879,526	3,623,515
Increase in impairment losses	1,343,992	15,940	1,359,932	804,316	66,023	870,339
Loans written off during the year as uncollectible	(1,343,278)	-	(1,343,278)	(1,171,099)	-	(1,171,099)
Balance, end of year	<u>2,377,920</u>	<u>961,489</u>	<u>3,339,409</u>	<u>2,377,206</u>	<u>945,549</u>	<u>3,322,755</u>

At December 31, 2015, non-accrual loans amounted to **\$6,146,193** (2014 - \$4,257,910). There were no corporate loans written off during 2015 or 2014.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

6. Loans and advances to customers ...continued

Loans and advances to customers include finance lease receivables as follows:

Gross investment in finance lease receivables:

	December 31 2015 \$	December 31 2014 \$
No later than 1 year	2,420,935	2,850,177
Later than 1 year and no later than 5 years	5,179,266	4,969,098
	<u>7,600,201</u>	7,819,275
Unearned future finance income on finance leases	(1,084,541)	(1,096,002)
	<u>6,515,660</u>	6,723,273

The net investment in finance lease receivables may be analysed as follows:

No later than 1 year	1,957,576	2,385,662
Later than 1 year and no later than 5 years	4,558,084	4,337,611
	<u>6,515,660</u>	6,723,273

The carrying amount of finance lease receivables includes **\$2,532,212** (2014 - \$2,804,514) of unguaranteed residual value accruing to the benefit of the company.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

7. Property, plant and equipment

	Leasehold Improvements \$	Computers \$	Furniture & equipment \$	Motor vehicles \$	Total \$
At December 31, 2013					
Cost	370,308	436,711	502,470	512,817	1,822,306
Accumulated depreciation	(316,904)	(409,574)	(314,205)	(244,690)	(1,285,373)
Net book value	53,404	27,137	188,265	268,127	536,933
Year ended December 31, 2014					
Opening net book amount	53,404	27,137	188,265	268,127	536,933
Additions	-	155,901	7,579	-	163,480
Depreciation charge	(27,744)	(48,235)	(58,199)	(100,323)	(234,501)
Closing net book value	25,660	134,803	137,645	167,804	465,912
At December 31, 2014					
Cost	370,308	577,786	509,994	512,817	1,970,905
Accumulated depreciation	(344,648)	(442,983)	(372,349)	(345,013)	(1,504,993)
Net book value	25,660	134,803	137,645	167,804	465,912
Year ended December 31, 2015					
Opening net book amount	25,660	134,803	137,645	167,804	465,912
Additions	-	53,500	-	163,160	216,660
Depreciation charge	(24,612)	(59,761)	(50,243)	(95,112)	(229,728)
Closing net book value	1,048	128,542	87,402	235,852	452,844
At December 31, 2015					
Cost	370,308	628,981	508,408	480,117	1,987,814
Accumulated depreciation	(369,260)	(500,439)	(421,006)	(244,265)	(1,534,970)
Net book value	1,048	128,542	87,402	235,852	452,844

Notes to Financial Statements

December 31, 2015
 (Amounts in Barbados dollars)

8. Intangible assets

Computer software

	December 31 2015 \$	December 31 2014 \$
Cost		
Beginning and end of year	<u>377,076</u>	377,076
Accumulated depreciation		
Beginning of year	328,285	204,341
Charge for the year	<u>48,281</u>	123,944
End of year	<u>376,566</u>	328,285
Net book value		
End of year	<u>510</u>	48,791
Beginning of year	<u>48,791</u>	172,735

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

9. Operating lease assets

Leased vehicles and equipment

	December 31 2015 \$	December 31 2014 \$
Cost		
Beginning of year	833,853	1,238,401
Additions	416,311	219,351
Transfer to repossessed stock	(133,282)	(146,020)
Disposals	(447,098)	(477,879)
End of year	<u>669,784</u>	<u>833,853</u>
Accumulated depreciation		
Beginning of year	310,895	323,779
Charge for the year	215,058	247,884
Transfer to repossessed stock	(73,068)	(73,315)
Disposals	(257,682)	(187,453)
End of year	<u>195,203</u>	<u>310,895</u>
Net book value		
End of year	<u>474,581</u>	<u>522,958</u>
Beginning of year	<u>522,958</u>	<u>914,622</u>

10. Other assets

	December 31 2015 \$	December 31 2014 \$
Prepaid expenses	397,895	346,492
Other receivables	506,977	680,784
Repossessed or end of lease stock	1,894,737	1,491,714
VAT recoverable	529	533
	<u>2,800,138</u>	<u>2,519,523</u>
Receivable 12 months or less after the reporting period	2,786,267	2,505,652
Receivable more than 12 months after the reporting period	13,871	13,871
	<u>2,800,138</u>	<u>2,519,523</u>

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

11. Taxation

	December 31 2015 \$	December 31 2014 \$
Current tax	1,162,190	1,208,214
Deferred tax credit	(19,183)	(77,557)
	<u>1,143,007</u>	<u>1,130,657</u>

The tax on the profit before corporation tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	December 31 2015 \$	December 31 2014 \$
Profit before corporation tax	<u>4,809,940</u>	4,396,790
Corporation tax at a tax rate of 25% (2014 - 25%)	1,202,485	1,099,198
Income subject to tax at different rate	(30,161)	(29,968)
Expenses deductible for tax	12,901	(37,039)
Prior year (over) under provision	(42,218)	98,466
Taxation charge for the year	<u>1,143,007</u>	<u>1,130,657</u>

The movement on the deferred tax account is as follows:

	December 31 2015 \$	December 31 2014 \$
Balance - beginning of year	107,103	29,546
Deferred tax credit for the year	19,183	77,557
Balance - end of year	<u>126,286</u>	<u>107,103</u>

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

11. Taxation ...continued

The deferred tax asset consists of the following components:

	December 31 2015 \$	December 31 2014 \$
Accelerated tax depreciation	456,347	517,136
Bad debt provision	(961,489)	(945,549)
	<u>(505,142)</u>	<u>(428,413)</u>
Deferred tax asset at corporation tax rate of 25% (2014 - 25%)	<u>(126,286)</u>	<u>(107,103)</u>

12. Due to customers

	December 31 2015 \$	December 31 2014 \$
Financial institutions		
Payable at fixed dates	27,762,804	25,156,467
Individuals		
Payable with notice	3,745,246	1,490,387
Payable at fixed dates	105,903,717	88,542,826
Business and government		
Payable with notice	4,435,483	3,980,847
Payable at fixed dates	40,807,329	42,575,579
Other		
Payable at fixed dates	<u>2,611,144</u>	<u>2,443,949</u>
Deposits due to customers	<u>185,265,723</u>	164,190,055
Payable with notice	8,180,729	5,471,234
Payable at fixed dates	<u>177,084,994</u>	<u>158,718,821</u>
	<u>185,265,723</u>	164,190,055
Payable 12 months or less after the reporting period	<u>101,276,138</u>	88,833,322
Payable more than 12 months after the reporting period	<u>83,989,585</u>	75,356,733
	<u>185,265,723</u>	164,190,055

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from **2.75%** to **5.5%** (2014 - 3% to 5.5%). **\$10,767,509** (2014 - \$11,138,551) of these deposits are held as security on loans and advances.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

13. Other liabilities

	December 31 2015 \$	December 31 2014 \$
Due to brokers and related customers	2,814,492	876,451
ICF loan	1,029,472	1,169,706
Other payables	513,154	519,458
	<u>4,357,118</u>	<u>2,565,615</u>
Payable 12 months or less after the reporting period	3,467,866	1,536,130
Payable more than 12 months after the reporting period	889,252	1,029,485

Industrial Credit Fund (ICF) loan represents variable rate loans on special terms due to the Central Bank of Barbados used to finance specific loans in designated sectors of the economy. Interest on amounts advanced is charged at **2% - 3%** (2014 - 3.25%) per annum.

14. Asset tax payable

	December 31 2015 \$	December 31 2014 \$
Beginning of year	228,609	-
Asset tax expense	407,063	228,609
Asset tax paid	(493,220)	-
	<u>142,452</u>	<u>228,609</u>
End of year	142,452	228,609

15. Share capital

Authorised:

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

Issued:

	December 31 2015 \$	December 31 2014 \$
9,210,857 common shares issued (2014 - 9,210,857)	<u>9,210,857</u>	<u>9,210,857</u>

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

16. Statutory and other reserves

Statutory reserve fund

	December 31 2015 \$	December 31 2014 \$
Balance, beginning of year	3,886,334	3,396,414
Transfer from retained earnings	550,040	489,920
	<hr/>	<hr/>
Balance, end of year	4,436,374	3,886,334

Section 33 of the Financial Institutions Act, 1996 requires that a minimum of 15% of annual net income be appropriated to a reserve fund until the balance of such fund equals the Company's share capital.

17. Net interest income

	December 31 2015 \$	December 31 2014 \$
Interest income		
Cash and other short term funds	70,402	131,145
Investment securities	428,741	382,441
Finance lease income	720,339	759,744
Credit related fees	581,978	590,910
Loans and advances	15,700,774	15,090,585
	<hr/>	<hr/>
	17,502,234	16,954,825
Interest expense		
Due to customers	(6,934,192)	(7,064,277)
	<hr/>	<hr/>
Net interest income	10,568,042	9,890,548

At December 31, 2015, interest income accrued on impaired financial assets amounted to **\$7,144** (2014 - \$11,290).

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

18. Net fee and commission income

	December 31 2015 \$	December 31 2014 \$
Fee and commission income		
Creditor life and other commissions	95,391	103,828
	<u>95,391</u>	<u>103,828</u>
Fee and commission expense		
Dealer commissions	46,684	46,693
	<u>48,707</u>	<u>57,135</u>

19. Net lease income

	December 31 2015 \$	December 31 2014 \$
Operating lease income	285,276	324,185
Depreciation expense	(215,058)	(247,884)
Lease repair expense	(9,144)	-
	<u>61,074</u>	<u>76,301</u>

20. Other operating income

	December 31 2015 \$	December 31 2014 \$
Profit on sale of operating lease assets and repossessed stock	281,767	169,238
Lease and other charges	16,387	4,923
	<u>298,154</u>	<u>174,161</u>

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

21. Foreign exchange and brokerage income

	December 31 2015 \$	December 31 2014 \$
Foreign exchange transaction gains and losses	767,241	865,081
Brokerage fees	366,525	128,520
	<u>1,133,766</u>	<u>993,601</u>

22. Operating expenses

	December 31 2015 \$	December 31 2014 \$
Staff costs (Note 23)	2,974,523	2,894,063
Administrative expenses	2,265,804	2,224,907
Depreciation of property, plant and equipment and intangible assets	278,009	358,445
	<u>5,518,336</u>	<u>5,477,415</u>

23. Staff costs

	December 31 2015 \$	December 31 2014 \$
Salaries and wages	2,651,261	2,587,467
National insurance contributions	160,173	158,617
Pension costs:		
- defined contribution plan	67,288	65,576
Other	95,801	82,403
	<u>2,974,523</u>	<u>2,894,063</u>

Notes to Financial Statements

December 31, 2015
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24. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits, and administrative services. The volumes of related party transactions and outstanding balances at year end and related expenses and income for the year are as follows:

	Directors and key management personnel	
	December 31 2015	December 31 2014
	\$	\$
Loans		
Loans outstanding at beginning of year	149,392	83,014
Loans issued during the year	68,218	83,500
Loan repayments during the year	(76,785)	(17,122)
	<hr/> 140,825	<hr/> 149,392
Loans outstanding at end of year		
Interest income earned	<hr/> 9,602	<hr/> 7,139

No provisions have been recognised in respect of loans given to related parties in 2015 and 2014.

Interest is payable at **6.5%** (2014 - 6.5%) per annum. These loans are secured predominantly by vehicles and have fixed terms of repayment.

Amounts due from parent company

	December 31 2015	December 31 2014
	\$	\$
CSGK Finance Holdings Ltd.	<hr/> 88,485	<hr/> 19,478

Amounts due from parent company bear no interest and have no stated terms of repayment.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

24. Related party transactions ...continued

	Directors and key management personnel	
	December 31 2015	December 31 2014
	\$	\$
Deposits		
Deposits at beginning of year	297,180	348,993
Deposits received during the year	358,671	82,111
Deposits repaid during the year	(58,964)	(133,924)
	<u>596,887</u>	<u>297,180</u>
Deposits at end of year		
Interest expense on deposits	<u>14,723</u>	<u>13,661</u>

Included in Due to customers is **\$3,082,196** (2014 - \$3,001,465) placed by a shareholder of the parent company.

	December 31 2015	December 31 2014
	\$	\$
Key management compensation		
Salaries and benefits	<u>1,152,895</u>	<u>1,056,403</u>

Directors' remuneration

In 2015, the total remuneration to the directors was **\$48,000** (2014 - \$48,000).

25. Contingent liabilities and commitments

a) Legal proceedings

No contingent liabilities associated with legal action have been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

25. Contingent liabilities and commitments ...continued

b) Commitments

Rental commitment is as follows:

	December 31 2015 \$	December 31 2014 \$
Within one year	99,118	237,642
Later than one year but no later than five years	10,000	39,118
	109,118	276,760

The Company had loan commitments as follows:

	December 31 2015 \$	December 31 2014 \$
Loan commitments	14,507,939	5,917,436

26. Financial instruments, financial risk and capital management

By its nature, the Company's activities expose it to a variety of financial risks such as credit risk, market risk (predominantly cash flow interest rate risk) and liquidity risk. The Company accepts deposits from customers at fixed interest rates over varying terms of maturity and seeks to earn the appropriate interest margin through lending to commercial and retail borrowers at fixed and variable rates over varying terms of maturity and by investing funds in high quality assets. This note presents information about the Company's exposure to each of the above financial risks, the Company's objectives, policies and procedures for measuring and managing these risks, as well as the Company's management of its capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Credit Committee and the Asset and Liability Committee ("ALCO") both of which include non-executive members and regularly report to the Board of Directors on their activities. In addition, the Board has established an Audit Committee to assist the directors in overseeing the reliability of the Company's financial statements, compliance with legal and regulatory requirements, external auditor independence, as well as business practices and ethical standards. The Audit Committee also oversees compliance with the Company's risk management policies and procedures, as well as reviews the adequacy of the risk management framework in relation to the potential risks which the Company faces.

Notes to Financial Statements

December 31, 2015
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26. Financial instruments, financial risk and capital management ...continued

a) Credit risk:

Credit risk arises from the possibility that counterparties may default on their obligations to the Company resulting in a financial loss to the Company. Credit risk is considered to be the most significant of the financial risks which the Company faces and as a result, the Company's financial risk management focuses heavily on managing its exposure to credit risk. Credit risk arises primarily from the Company's lending activities that result in loans and advances to customers, including finance leases, as well as investment activities that bring fixed income securities into the Company's investment portfolio.

The Board of Directors has delegated the responsibility for and oversight of credit risk management and control to the Credit Committee. In addition, the Credit Committee has responsibility for:

- reviewing internal credit policies and establishing approval limits;
- establishing portfolio composition limits;
- monitoring and assessing the loan portfolio to ensure that the Company's lending policies and practices are adhered to;
- reviewing and vetting the Company's lending policies and procedures for submission to the Board of Directors;
- approving or declining loan applications submitted to the Committee;
- reviewing and analysing delinquency statistics; and
- providing general guidance on lending practices.

The Company has formulated commercial and retail lending credit policies and guidelines. These policies and guidelines measure, manage, limit and control credit risk and the potential for concentration therein. These policies also cover collateral requirements, credit evaluations and ongoing credit assessments, risk grading and reporting, documentary and legal procedures, as well as compliance with regulatory requirements.

Authorised lending limits are established by the Credit Committee and approved by the Board of Directors. The Chief Executive Officer assigns lending limits to selected credit officers within which they can approve loans that conform to the Company's credit policies and guidelines. Management closely monitors the composition of the loan portfolio by industry sector and potential concentration of credit risk therein on a monthly basis - see Note 6 for analysis of loans by industry sector as of December 31, 2015 and December 31, 2014. All loans and advances are made to customers located within Barbados and as a result, there is no need to monitor the loan portfolio by geographic sector.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

Exposure to credit risk from loans and advances to customers, including net investment in finance leases, is further managed through the regular analysis of the ability of potential and existing borrowers to meet their contractual obligations. The Company's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. The following table illustrates the worst case scenario of credit risk exposure to the Company at December 31, 2015 and 2014, without taking into account any collateral held or other credit enhancements which may be in place. This table also includes the impact of loan commitments which are not recognised on the balance sheet.

	December 31 2015 \$	December 31 2014 \$
Credit risk exposure relative to financial assets reported on the balance sheet are as follows:		
Cash resources	38,845,584	20,339,052
Treasury bills	7,471,650	7,473,564
Due from parent company	88,485	19,478
Loans and advances to customers	169,786,267	163,262,417
Other assets	395,879	627,801
	216,587,865	191,722,312
Credit risk exposure relative to off-balance sheet items are as follows:		
Loan commitments	14,507,939	5,917,436
	231,095,804	197,639,748

The Company's main source of credit risk arises from its loans and advances which are inclusive of net investment in finance leases and when combined with loan commitments, represent **80%** (2014 - 86%) of the Company's maximum exposure to credit risk. As mentioned previously, the analysis does not take into account any security or collateral which is normally required by the Company on loans in an attempt to mitigate credit risk. The Company has specific policies in place detailing the requirement for acceptable collateral. Loans and advances to customers are typically secured by bills of sale on the underlying vehicles and mortgages over the underlying properties, as well as other forms of security such as stocks, bonds, mutual funds and the cash surrender values on borrower's life insurance policies. In order to further minimise credit risk, the Company may seek additional collateral from a borrower as soon as there is objective evidence of impairment or other similar indicators. The Company has not issued any financial guarantees.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

Cash and cash equivalents as well as short term deposits are all placed with other reputable financial institutions which have been pre-approved by the ALCO committee and which are considered to be financially secure. The level of credit risk arising from the remaining financial assets is not considered to be significant.

Loans and advances to customers are summarised as follows:

December 31, 2015

	Loans and Advances		Finance Leases		Total
	Corporate	Individual	Corporate	Individual	
	\$	\$	\$	\$	\$
Neither past due nor impaired	20,394,261	84,692,298	4,258,756	41,187	109,386,502
Past due but not impaired	12,827,564	43,179,167	1,785,727	41,923	57,834,381
Impaired	1,928,094	3,224,992	563,631	6,810	5,723,527
	35,149,919	131,096,457	6,608,114	89,920	172,944,410
Less: allowances for impairment losses	(1,340,679)	(1,816,357)	(175,563)	(6,810)	(3,339,409)
	33,809,240	129,280,100	6,432,551	83,110	169,605,001
Other loans and advances					181,266
Total loans and advances to customers					169,786,267

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

December 31, 2014

	Loans and Advances		Finance Leases		Total
	Corporate	Individual	Corporate	Individual	
	\$	\$	\$	\$	\$
Neither past due nor impaired	18,978,872	77,796,236	3,984,532	166,639	100,926,279
Past due but not impaired	15,547,496	42,312,000	2,123,396	164,936	60,147,828
Impaired	1,902,666	3,020,262	396,213	-	5,319,141
	36,429,034	123,128,498	6,504,141	331,575	166,393,248
Less: allowances for impairment losses	(1,346,165)	(1,864,146)	(112,444)	-	(3,322,755)
	35,082,869	121,264,352	6,391,697	331,575	163,070,493
Other loans and advances					191,924
Total loans and advances to customers					163,262,417

All other classes of financial assets are considered to be neither past due nor impaired.

The Company currently utilises the Central Bank of Barbados Asset Classification and Provisioning Guidelines rating system to assess its loan portfolio. Under this system, customers are segmented into the five rating categories, as summarised in the table overleaf, which reflect the full range of default probabilities. The Company assesses the probability of default of individual customers based on the aging of the portfolio of loans and advances which is then mapped to the Central Bank of Barbados' rating categories. This exercise is supplemented by the judgment of experienced credit officers within the Company. The table below shows the Company's internal rating and the associated impairment provision on loans and advances at December 31.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

Company's rating	Description	Impairment Allowance			
		2015 \$	2015 %	2014 \$	2014 %
1	Pass	-	-	-	-
2	Special mention	-	-	-	-
3	Substandard	839,823	35	1,288,041	54
4	Doubtful	327,213	14	319,424	13
5	Loss	1,210,884	51	769,741	32

Over time, exposures to default can migrate between classes as the probability of default increases for selected customers. The provisioning guidelines of the Central Bank of Barbados, while used internally for credit rating, can be contrasted with the impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date rather than expected impairment losses.

The category of Pass typically includes loans which are current and loans where the financial condition of the borrower is generally sound. The Special Mention category includes loans which although up to date, may present credit challenges in the future either as a result of a potential deterioration in the borrower's ability to service the loan or through the impairment of the collateral associated with the loan. Loans are assigned to the Substandard category where well defined credit weaknesses exist such as insufficient cash flow to service the loan and where the Company may have to renegotiate the terms of the loan or obtain the collateral. The Doubtful category consists of loans where the collection of the full contractual amounts due is questionable or improbable. In this category, the possibility of incurring a financial loss exists but other factors may be present which could improve the current situation. Finally, the category of Loss is used where the loan is deemed uncollectible and it is not considered practical or desirable to pursue further recovery efforts.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

Based on this system, the credit quality of the Company's loans and advances to customers which are neither past due nor impaired can be categorised as follows:

December 31 2015

	Loans and Advances		Finance Leases		Total
	Corporate	Individual	Corporate	Individual	
	\$	\$	\$	\$	\$
Internal rating scheme					
1. Pass	17,324,736	80,308,692	4,105,053	41,187	101,779,668
2. Special Mention	3,065,663	4,321,678	-	-	7,387,341
3. Sub-standard	3,862	61,928	153,703	-	219,493
4. Doubtful	-	-	-	-	-
5. Loss	-	-	-	-	-
	20,394,261	84,692,298	4,258,756	41,187	109,386,502

December 31 2014

	Loans and Advances		Finance Leases		Total
	Corporate	Individual	Corporate	Individual	
	\$	\$	\$	\$	\$
Internal rating scheme					
1. Pass	16,659,315	76,507,915	3,984,532	166,639	97,318,401
2. Special Mention	2,283,982	1,203,314	-	-	3,487,296
3. Sub-standard	35,575	85,007	-	-	120,582
4. Doubtful	-	-	-	-	-
5. Loss	-	-	-	-	-
	18,978,872	77,796,236	3,984,532	166,639	100,926,279

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

64% (2014 - 62%) of the Company's overall portfolio of loans and advances to customers are categorised within the two top grades of the internal rating system.

Included within the table overleaf, are loans with renegotiated terms amounting to **\$564,508** (2014 - \$996,152). Loans with renegotiated terms are considered to be loans which have been restructured due to deterioration in the borrower's financial position and where the Company may have made concessions that it would not otherwise consider under normal circumstances.

A financial asset is considered to be past due when a counterparty has failed to make a payment when contractually due. Impairment may not be considered appropriate where the level of security/collateral available is adequate and/or where the stage of collection efforts is sufficiently advanced. The table below summarises the carrying value of loans and advances to customers which are past due but which management, based on individual assessments, does not consider impaired:

December 31, 2015

	Corporate \$	Individual \$	Total Loans \$
Past due 1 to 5 days	9,638,462	28,201,989	37,840,451
Past due 6 to 30 days	-	341,978	341,978
Past due 31 to 60 days	1,013,005	10,222,591	11,235,596
Past due 61 to 90 days	1,238,395	3,228,020	4,466,415
Past due over 90 days	937,702	1,184,589	2,122,291
	12,827,564	43,179,167	56,006,731

	Corporate \$	Individual \$	Finance Leases \$
Past due 1 to 5 days	11,987	-	11,987
Past due 6 to 30 days	845,986	39,196	885,182
Past due over 30 days	884,995	45,486	930,481
	1,742,968	84,682	1,827,650

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

December 31, 2014

	Corporate \$	Individual \$	Total Loans \$
Past due 1 to 5 days	11,821,292	24,271,388	36,092,680
Past due 6 to 30 days	1,859,652	10,061,930	11,921,582
Past due 31 to 60 days	622,328	2,927,937	3,550,265
Past due 61 to 90 days	509,897	3,909,245	4,419,142
Past due over 90 days	734,327	1,141,500	1,875,827
	15,547,496	42,312,000	57,859,496
	Corporate \$	Individual \$	Finance Leases \$
Past due 1 to 5 days	1,947,207	-	1,947,207
Past due 6 to 30 days	122,070	164,936	287,006
Past due over 30 days	54,119	-	54,119
	2,123,396	164,936	2,288,332

Impairment and provisioning policies:

Where there is objective evidence of impairment, as a result of one or more events that have occurred subsequent to the initial recognition of a loan, the Company establishes an allowance for impairment losses that represents its estimate of the incurred losses within its loan portfolio. Objective evidence that a loan is impaired includes observable data that comes to the attention of the Company that a loss event has occurred such as significant financial difficulty of a borrower or a breach of the loan agreement by way of default or delinquency in interest and principal payments. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for groups of homogeneous loans in respect of losses that have been incurred but have not been identified on loans subject to the specific impairment assessment. The specific loss component is determined by comparing the individual carrying amount of the impaired loan with its recoverable amount. The recoverable amount is in turn calculated by comparing the fair value of the collateral to the carrying value or assessing the present value of the future expected cash flows associated with each past due loan. In determining the collective loan loss allowance, observable historical data, experience and judgment is employed.

Notes to Financial Statements

December 31, 2015
 (Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

a) Credit risk: ...continued

Impairment and provisioning policies: ...continued

As at December 31, 2015, the total allowance for impairment against loans and advances to customers amounted to **\$3,339,409** (2014 - \$3,322,755) of which **\$961,489** (2014 - \$945,549) represents the portfolio provision. Included within Note 6 is an analysis showing the movement in this allowance during the year ended December 31, 2015 and December 31, 2014.

The fair value of the collateral for individually impaired loans is as follows:

	2015	2014
	\$	\$
Fair value of collateral	<u>2,957,538</u>	2,658,166

b) Market risk:

Market risk is the risk that changes in market prices such as interest rate, equity prices and foreign exchange rates will affect the Company's income or the value of its financial instruments. The Company is not exposed to price risk in that it holds no listed equity investments. Similarly, the Company is not directly exposed to changes in foreign exchange rates given that the Company does not hold significant foreign currency denominated monetary assets or liabilities. The most significant type of market risk to which the Company is exposed is interest rate risk, which generally includes cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, whereas fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's financial instruments are measured at amortised cost and as a result, the company is not directly exposed to fair value interest rate risk. However, the Company is exposed to fluctuations in the prevailing levels of market interest rates whereby net interest margins may increase as a result of these changes or may be reduced in the event that unexpected movements take place.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

b) Market risk: ...continued

Interest rate risk

Assuming that the interest bearing financial assets and liabilities as at December 31, 2015 were to remain until maturity or settlement without any action by the Company to alter the resulting interest rate risk exposure, an immediate and sustained increase/decrease of 100 basis points in market rates across all maturities would result in an insignificant increase/decrease in the net income of the following year.

Management closely monitors net interest margins, as well as other related ratios such as interest earned to average loans and interest incurred to average deposits. The ALCO Committee's responsibilities include ensuring adherence to the Company's policies and procedures concerning asset and liability management, which in addition to liquidity risk, addresses interest rate risk.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

b) Market risk: ...continued

Interest rate risk ...continued

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts categorised by the earlier of maturity or contractual repricing:

December 31, 2015

	Up to 3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Non interest bearing \$	Total \$
Assets						
Cash resources	33,066,292	-	-	-	5,779,292	38,845,584
Treasury bills	7,471,650	-	-	-	-	7,471,650
Due from parent	-	-	-	-	88,485	88,485
Loans and advances to customers	11,729,563	25,791,927	100,006,628	32,258,149	-	169,786,267
Other assets	-	-	-	-	395,879	395,879
Total financial assets	52,267,505	25,791,927	100,006,628	32,258,149	6,263,656	216,587,865
Liabilities						
Customer deposits	27,547,035	73,729,103	83,989,585	-	-	185,265,723
Other liabilities	1,029,472	-	-	-	3,156,697	4,186,169
Total financial liabilities	28,576,507	73,729,103	83,989,585	-	3,156,697	189,451,892
Total repricing gap	23,690,998	(47,937,176)	16,017,043	32,258,149	3,106,959	27,135,973

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

b) Market risk: ...continued

Interest rate risk ...continued

December 31, 2014

	Up to 3 months \$	3-12 months \$	1-5 years \$	Over 5 years \$	Non interest bearing \$	Total \$
Assets						
Cash resources	15,059,795	-	-	-	5,279,257	20,339,052
Treasury bills	7,473,564	-	-	-	-	7,473,564
Due from parent	-	-	-	-	19,478	19,478
Loans and advances to customers	10,981,373	27,057,968	94,174,145	31,048,931	-	163,262,417
Other assets	-	-	-	-	627,801	627,801
Total financial assets	33,514,732	27,057,968	94,174,145	31,048,931	5,926,536	191,722,312
Liabilities						
Customer deposits	22,292,848	66,540,474	75,356,733	-	-	164,190,055
Other liabilities	1,169,710	-	-	-	1,214,787	2,384,497
Total financial liabilities	23,462,558	66,540,474	75,356,733	-	1,214,787	166,574,552
Total repricing gap	10,052,174	(39,482,506)	18,817,412	31,048,931	4,711,749	25,147,760

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

b) *Market risk: ...continued*

Foreign exchange risk

The Company is exposed to foreign exchange risk arising primarily from exposure to the United States dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management manages this risk by limiting its exposure to United States dollar which has a fixed parity to the functional currency of the Company. This fixed parity allows management to predict with relative certainty the potential outcome of foreign exchange transactions and the likely impact on the Company's performance. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. At December 31, 2015, all the Company's financial assets and liabilities are denominated in Barbados Dollars with the exception of **\$1.386** (2014 - \$1.999) million in cash and **\$1.231** (2014 - \$1.969) million in liabilities.

c) *Liquidity risk:*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations as they fall due.

The Board of Directors has delegated the responsibility for and oversight of liquidity risk management to the ALCO. The ALCO's responsibilities include but are not limited to:

- monitoring management's adherence to policies and procedures that are established to ensure adequate liquidity at all times;
- establishing asset and liability pricing policies to protect the liquidity structure, as well as to assess the probability of various 'liquidity shocks' and interest rate scenarios;
- ensuring compliance with the Company's asset and liability policies and procedures which address the management of liquidity, foreign exchange and interest rate risk;
- managing the balance sheet and ensuring that business strategies are consistent with liquidity requirements; and
- establishing and monitoring relevant liquidity and prudential ratios, as well as specific balance sheet targets.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

c) Liquidity risk: ...continued

The Company is exposed to daily requirements for its available cash resources arising from maturing customer deposits, the advancement of loans and other cash settled transactions. The Company does not maintain sufficient cash resources to meet all of these liquidity needs, as historical industry and company-specific experience has shown that a high level of reinvestment of maturing funds can be predicted with a high level of certainty. The Company, however, has two committed lines of credit in the combined amount of \$8 million upon which it can draw to meet unforeseen and unexpected liquidity needs; the line of credit of \$3 million currently has an effective rate of **6.8%** (2014 - 6.8%). The line of credit of \$5 million currently has an effective rate of **7.7%** (2014 - 7.7%).

No amounts have been drawn down on these facilities at December 31, 2015 and December 31, 2014. The table below shows the undiscounted cash flows on the basis of their earliest contractual maturities. Expected cash flows from these instruments can vary significantly from this analysis. For example, customer deposits are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

Management prepares daily cash flow forecasts to assess liquidity needs in the period ahead. These cash flow forecasts report the current level of liquid resources along with customer deposits maturing within 90 days and after 90 days and maturing investments in the period ahead. Additionally, management closely monitors net free cash flows, as well as the concentration of customer deposits.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

c) Liquidity risk: ...continued

The table below represents the Company's cash flows payable under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date.

	Up to three months \$	Three to twelve months \$	One to five years \$	Over five years \$	Total \$
As at December 31, 2015					
Due to customers	27,632,161	74,484,721	94,966,955	-	197,083,837
Other liabilities	2,925,276	443,986	617,054	365,344	4,351,660
Total financial liabilities	30,557,437	74,928,707	95,584,009	365,344	201,435,497

As at December 31, 2014

Due to customers	22,371,467	67,078,194	84,854,996	-	174,304,657
Other liabilities	939,245	504,949	643,963	507,588	2,595,745
Total financial liabilities	23,310,712	67,583,143	85,498,959	507,588	176,900,402

The Company holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise:

- Cash resources excluding restricted cash
- Certificate of deposits
- Treasury bills
- Committed lines of available credit

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

d) Financial instruments by category and fair value:

At December 31, 2015 the Company's financial assets amounting to **\$216,587,865** (2014 - \$191,722,312) all fall within the IAS 39 category of 'loans and receivables' whereas the Company's financial liabilities amounting to **\$189,451,892** (2014 - \$166,574,552) all fall within the IAS 39 category of 'financial liabilities measured at amortised cost'. The following table sets out the carrying value of the Company's loans and advances to customers and due to customers along with their estimated fair values:

	Carrying value		Fair value	
	December 31 2015 \$	December 31 2014 \$	December 31 2015 \$	December 31 2014 \$
Financial assets				
Loans and advances to customers				
Individuals	129,347,389	121,893,981	131,364,469	123,561,987
Corporate and other entities	40,438,878	41,368,436	40,730,703	41,148,075
Financial liabilities				
Due to customers				
Financial Institutions	27,762,804	25,156,467	26,882,202	24,546,427
Individuals	109,648,963	90,033,213	102,340,117	84,848,504
Business and government	45,242,812	46,556,426	43,544,922	45,395,508
Other	2,611,144	2,443,949	2,528,845	2,356,837

The fair values of loans and deposits are estimated by applying current loan and deposit rates on the existing portfolio, while taking into consideration current payments and time to maturity. These fair values are classified within level 3 of the fair value hierarchy.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

d) Financial instruments by category and fair value: ...continued

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy other assets and liabilities (by class) not measured at fair value at December 31, but for which fair value is disclosed.

	Level 1	Level 2	Level 3
	\$	\$	\$
2015			
Assets			
Cash resources	38,845,584	-	-
Treasury bills	7,471,650	-	-
Due from parent company	-	88,485	-
Other assets	-	395,879	-
Total	46,317,234	484,364	-
Liabilities			
Due to brokers and related customers	-	2,814,492	-
ICF loan	-	1,029,472	-
Other payables	-	342,205	-
Total	-	4,186,169	-
2014			
Assets			
Cash resources	20,339,052	-	-
Treasury bills	7,473,564	-	-
Due from parent company	-	19,478	-
Other assets	-	627,801	-
Total	27,812,616	624,279	-
Liabilities			
Due to brokers and related customers	-	876,451	-
ICF loan	-	1,169,706	-
Other payables	-	338,340	-
Total	-	2,384,497	-

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

d) *Financial instruments by category and fair value: ...continued*

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate fair value are as follows:

i) Short-term financial assets and liabilities

The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets and liabilities comprise cash and cash equivalents, short term deposits, treasury bills, amounts due from parent company and other liabilities.

ii) Longer-term financial assets and liabilities

The estimated fair value of loans and advances to customers represents the discounted amount of the estimated future cash flows expected to be received. Loans and advances are reported net of provisions for impairment losses.

iii) The estimated fair value of customer deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable with notice. The estimated fair value of customer deposits represents the discounted amount of the principal and interest due to customers on fixed rate deposits using interest rates for new debt.

e) *Capital management:*

The Company's objectives when managing its capital are to:

- comply with the capital requirements established by the Central Bank of Barbados;
- safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholder and benefits to other stakeholders; and
- maintain a strong capital base to support the growth and development of its business, as well as to maintain customer and market confidence.

Capital adequacy and the use of regulatory capital are reviewed and monitored monthly by the Company's management so as to ensure compliance with the capital requirements imposed externally by the Central Bank of Barbados. The required information concerning capital adequacy is reported to the ALCO and filed with the Central Bank of Barbados on a quarterly basis.

Notes to Financial Statements

December 31, 2015
(Amounts in Barbados dollars)

26. Financial instruments, financial risk and capital management ...continued

e) Capital management: ...continued

The Central Bank of Barbados requires that the Company:

- hold no less than a minimum level of stated capital of \$2,000,000; and
- maintain a ratio of regulatory capital to risk-weighted assets at or above the prescribed minimum requirement of 8%.

The Company's regulatory capital consists entirely of Tier 1 capital, which is comprised of share capital, retained earnings and other reserves created by the appropriation of retained earnings. As at December 31, 2015, the Company's capital adequacy ratio was **15.87%** (2014 - 16.27%).

Throughout the current year the Company complied with the capital requirements relevant to its licensing and there has been no material change in the Company's management of capital during the year compared with the prior year.

The table below summarises the composition of regulatory capital of the Company.

	December 31 2015 \$	December 31 2014 \$
Tier 1 Capital		
Common shares	9,210,857	9,210,857
Statutory and other reserves	4,436,374	3,886,334
Retained earnings	16,045,745	14,078,852
Total qualifying Tier 1 capital	<u>29,692,976</u>	<u>27,176,043</u>
Risk-weighted assets		
On-balance sheet	172,574,750	161,131,934
Off-balance sheet	14,507,939	5,917,436
Total risk-weighted assets	<u>187,082,689</u>	<u>167,049,370</u>
Capital adequacy ratio	<u>15.87%</u>	<u>16.27%</u>

Notes



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