SIGNIA FINANCIAL GROUP INC.

Quality solutions for your financial needs.

Growing Together

Celebrating Youth and Excellence.

ANNUAL REPORT **2014**

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.

GREEN FINANCING SOLUTIONS

CONTENTS

1st Floor Carlisle House, Hincks Street, Bridgetown, Barbados.
1 & 2 Old Barbados Hardware Complex, Haggatt Hall, St. Michael, Barbados.

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Email: info@signiafinancial.com
www.signiafinancial.com

Growing Together. Celebrating Youth and Excellence.

Great winners know great sacrifice

Ian Webster, Pic-O-De-Crop Monarch 2013 & 2014 performing "Barbados is still my home" at the Pic-O-De-Crop Finals 2014

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

Teamwork divides the task and multiplies success.

Junior Duelling Challenge 2014 Winners – Kemar Husbands and Janee Denny – Samuel Jackman Prescod Polytechnic

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INTERNAL & CREDIT CONTROL

From left: Shana Sobers, Credit Control Officer; Quetta Rawlins, Assistant Manager Internal Control; Caroline Bowen, Internal/Credit Control Assistant; Tanya Allen, Internal Control Assistant; Jacqueline Holder, Chief Operating Officer; Bhari Dyall, Internal Control Assistant and sitting Lauriel Small, Internal Control Assistant.

FX & BUSINESS DEVELOPMENT

From left: Akeisha Thompson, FX & Commercial Assistant; Samantha Inniss, Business Development Officer/FX Trader and Krystal Bryan, Foreign Exchange Officer

COMPLIANCE & OPERATIONS

From left: Ada Holder, Office Attendant; Jacqueline Holder, Chief Operating Officer; Joan Brewster, Regulatory Officer and Karen Johnson, Personal Assistant.

SIGNIA TEAMS

COMMERCIAL & INVESTMENT

From left: Terry Williams, Investment & Wealth Management Officer; Sherika Armstrong, Commercial & Investment Assistant; Cherian Austin, Commercial Officer; Orrie Chandler, Commercial Officer and sitting Ayesha Maycock, Commercial & Investment Manager.

ACCOUNTS

From left: Shivram Bhajan, Kiera Jones, Reconciliation Officers; Damian Branford, Chief Financial Officer and Renee Trotman, Financial Accountant.

RETAIL BANKING

From left: Sacha Simmons, Senior Relationship Officer; Natalie Stowe and sitting Sonia Weekes, Relationship Officers and Margaret Wharton, Retail Banking Manager.

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SIGNIA TEAMS

CLIENT SERVICES

From top: Jelan Blenman, Administrative Assistant; Romar Morris, Recoveries Assistant; Carolyn Edey, Recoveries Assistant; Sabrina Mason, Administrative Assistant; Michelle Roachford, Receptionist/Admin. Assistant; Donelle Daniel, Recoveries Officer and Carol Prescod, Manager – Client Services (Missing: Andrea Branford, Recoveries Assistant)

HAGGATT HALL LOANS CENTRE

From top: Ann Johnson, Office Attendant; Salena Rice, Personal Banking Assistant; Tracia Grant, Assistant Manager Retail Banking; Elisia Alleyne, Personal Banking Assistant

DEPOSITS

From left: Deborah Clarke, Assistant Manager Deposits and Damian Branford, Chief Financial Officer.

Voices in sweet harmony
The St. Leonard's Boys' Choir, winners at the National Independence Festival of Creative Arts

Signia family celebrates together.
Signia Financial Group Children's Christmas Party

Signia Financial Group Inc. offering assistance to the job preparation workshop for the Disabled Community.

The interaction during the workshop was heart-warming; listening to the daily difficulties encountered by the disabled community and recognising how practical solutions could help them overcome some of those obstacles, contributed to the success of the workshop.

One of our self imposed mandates is to ensure that ours is a better Barbados and that our living must never be in vain, regardless of whether you are able or differently abled.

A commitment to the well-being of our communities.

There are segments in society which require greater assistance from corporate Barbados. The Psychiatric Hospital is one such area. While we have reached out to the community in various capacities, this presentation was an important one because of the increasing number of persons wih mental health challenges in Barbados.

Signia Financial has a commitment to the well-being of our communities which is the impetus that drives us to serve in the capacity of givers and doers, either through preventative care or rehabilitation care.

An inherent part of each society is its culture...

Barbados has a rich cultural heritage which is bursting at its seams for world class development and exposure. With this in mind we embraced the opportunity to support Ian Webster in his quest for a second Calypso Monarch championship in 2014. Though we were filled with elation when he captured the coveted title, we also recognised the exposure he generated to a young captive audience who could potentially seek to emulate his success.

The presentation was made by Signia Financial to Colbert Ashby president of the Disabled Community.

Through our sponsorship of the tent in which Ian performs (Headliners Calypso Tent) we hope to provide other young artistes with the opportunity to explore their culture and talents while expressing themselves in creative ways.

SIGNIA IN THE COMMUNITY

Presentation being made by Signia Financial to the Psychiatric Hospital.

Film and Creative Arts

The creative arts have been identified nationally as an area which has significant economic potential. As such it is imperative that we play our part in the development of our youth, towards excellence in this discipline. Our participation in the Keeping Up with the Joneses workshop allowed many young Barbadians to benefit from training in the film industry, some of the members also travelled to Hollywood which also enhanced their exposure.

Champions of Sport

The development of sports in Barbados is dependent not only on the support of the Government but also on the continued support from corporate entities. We are cognizant of the role we have to play in nurturing the talents and skills of our young athletes. The junior cricket team at the Wildey Sports Club is one of the sporting institutions we had the opportunity to assist in furthering their development. We eagerly look forward to the growth and success of the team and its members as they strive to be legends.

We're dedicated to supporting the rich, Barbadian heritage. Ian Webster performing at the Pic-O-De-Crop Finals 2014.

The sponsorship of the Junior Cricketers of the Wildey Sports Club is an ongoing investment in and commitment to the future.

Practice. Determination. Speed

Levi Cadogan – 2014 Caribbean and Central American Games
Silver Medalist – 100m sprint – 10.27 seconds

CHAIRMAN'S/CEO'S REPORT

Signia Financial Group Inc. recorded another strong performance during the financial year ended December 31, 2014. Although the implementation of an asset tax negatively impacted profitability by $229 thousand, the company recognised an overall improvement in profit before tax from $4.3 million in 2013 to $4.4 million in 2014.

The Barbadian economy grew marginally during 2014 recording growth of 0.2%. Unemployment in the country increased during the year to 12.7%, primarily as a result of job losses from the fiscal consolidation programme. There was also the introduction of the Municipal Solid Waste Tax as well as a Consolidation Tax in the fourth quarter of 2013; these measures have reduced the disposable income of individuals.

In spite of these challenges, Signia continued to operate profitably and grow its loan book. Advances increased by 6.7% from $153 million to $163.3 million, with retail loans being the major contributor to the increases in the loan portfolio. The company also realised an increase in its deposit base, recording growth in deposits from $158.4 million to $164.2 million or 3.7%.

High delinquency levels remain a concern for the financial sector, with the default level in the industry at the end of 2014 standing at 11.5%. However, Signia remains proactive in its approach to managing delinquency levels and working with its customers in this challenging environment. Signia's continued focus in this area allowed the company to contain impairment losses to $1.1 million, a decrease of 21.4% from the $1.4 million recorded in 2013.

Signia remains focused on managing its interest margins, recording net interest income of $9.9 million, 4.2% above the $9.5 million recorded in 2013.

Importantly, the company remains strongly capitalised with a capital adequacy ratio of 16.3% at the year end, well above the regulatory minimum capital adequacy ratio of 8%.

2015 is expected to be another challenging year, with little growth expected as measures continue to be put in place to control the national deficit. In this regard Signia will be consistent in its efforts to adequately manage its delinquency levels, as well as growing and diversifying its loan portfolio with quality loans.

On behalf of the Board of Directors, we wish to thank our loyal customers for their unwavering support and to congratulate the management and staff of Signia for their dedication and commitment to the company's success.

Geoffrey Cave
Chairman
March 20, 2015
Bridgetown
Barbados

Paul Ashby
Chief Executive Officer
March 20, 2015
Bridgetown
Barbados

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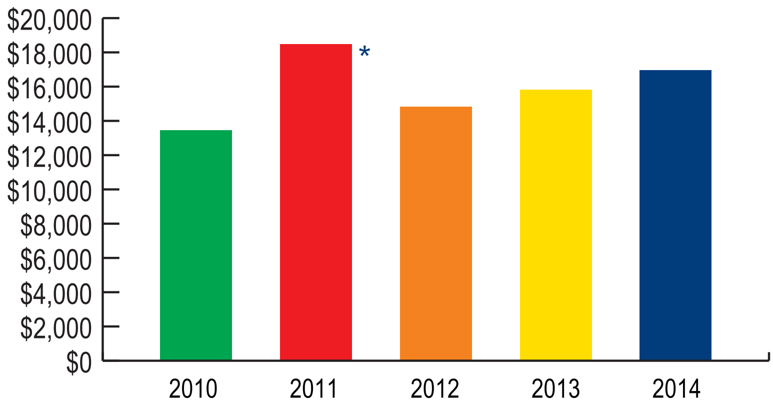
FIVE YEAR HIGHLIGHTS

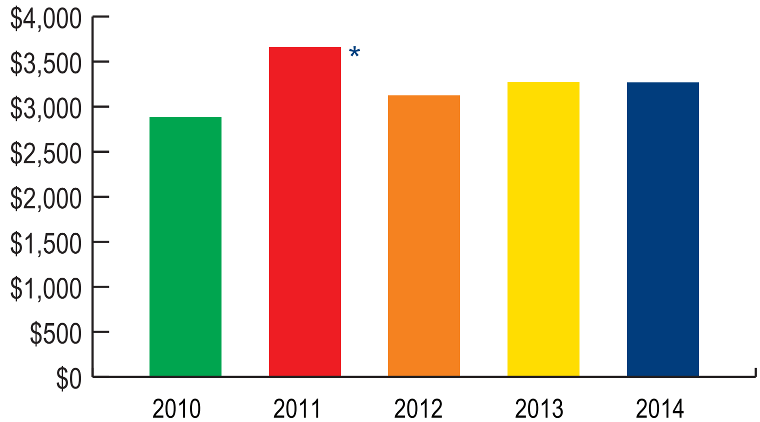
Expressed in thousands of Barbados dollars.

Operating results	2014 $	2013 $	2012 $	2011* $	2010 $
Interest income	**16,955**	15,821	14,826	18,474	13,472
Interest expense	**7,064**	6,323	6,063	7,562	5,578
Net interest income	**9,891**	9,498	8,762	10,911	7,893
Profit before tax	**4,397**	4,336	4,160	4,823	3,858
Profit after tax	**3,266**	3,274	3,125	3,661	2,884
Financial Position					
Loans and advances to customers	**163,262**	153,050	136,613	138,067	128,758
Total assets	**194,759**	186,252	167,280	159,779	150,482
Deposits from customers	**164,190**	158,362	141,800	135,205	128,440
Total liabilities	**167,583**	161,196	144,305	138,679	133,043

Interest Income 2010-2014



Net Income 2010-2014

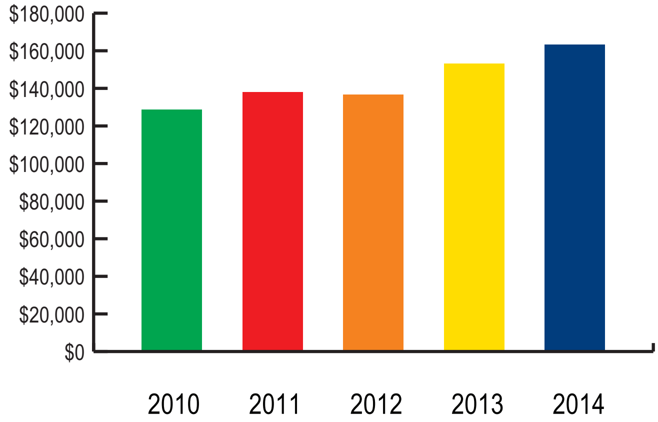


* *2011 is a 15-month period, other comparatives are 12 months*

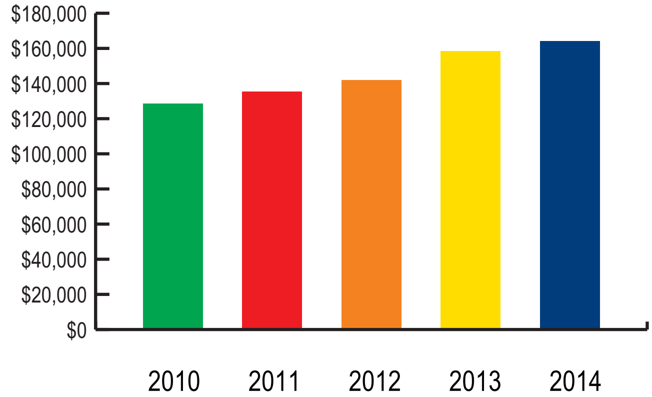
FIVE YEAR HIGHLIGHTS

Expressed in thousands of Barbados dollars.

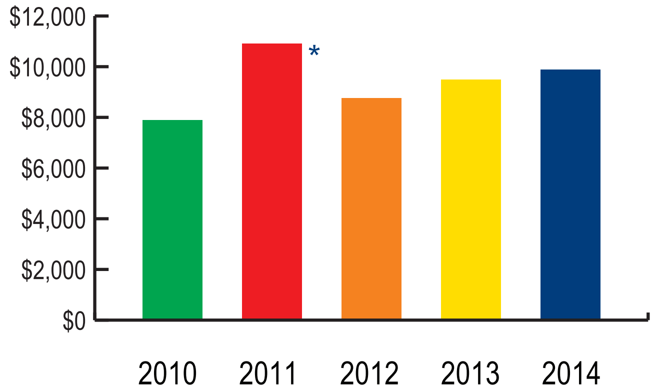
Loans 2010-2014



Deposits 2010-2014



Net Interest Income 2010-2014



* *2011 is a 15-month period, other comparatives are 12 months*

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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 of December 31, 2014, 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Signia Financial Group Inc.** as of December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SRL

April 13, 2015
Bridgetown, Barbados

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BALANCE SHEET

As of December 31, 2014
(Amounts in Barbados dollars)

	Notes	December 31 2014 $	December 31 2013 $
Assets			
Cash resources	4	20,339,052	22,962,032
Treasury bills		7,473,564	5,975,519
Due from parent company	5	19,478	–
Loans and advances to customers	6	163,262,417	153,049,631
Property, plant and equipment	7	465,912	536,933
Intangible assets	8	48,791	172,735
Operating lease assets	9	522,958	914,622
Other assets	10	2,519,523	2,611,097
Deferred tax asset	11	107,103	29,546
Total assets		194,758,798	186,252,115
Liabilities			
Due to customers	12	164,190,055	158,362,062
Other liabilities	13	2,565,615	2,192,480
Asset tax payable	14	228,609	–
Current tax payable		598,476	641,862
Total liabilities		167,582,755	161,196,404
Equity			
Share capital	15	9,210,857	9,210,857
Statutory and other reserves	16	3,886,334	3,396,414
Retained earnings		14,078,852	12,448,440
		27,176,043	25,055,711
Total liabilities and equity		194,758,798	186,252,115

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

Approved by the Board of Directors on March 20, 2015

Geoffrey Cave
Director

Director

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STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014
(Amounts in Barbados dollars)

	Share capital $	Statutory and other reserves $	Retained earnings $	Total $
Balance at December 31, 2012	**9,210,857**	**2,905,357**	**10,858,781**	**22,974,995**
Dividends (12.95 cents per share)	–	–	(1,193,000)	(1,193,000)
Profit and total comprehensive income for the year	–	–	3,273,716	3,273,716
Transfer to statutory reserves (note 16)	–	491,057	(491,057)	–
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**

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014
(Amounts in Barbados dollars)

	Notes	December 31 2014 $	December 31 2013 $
Interest income		16,954,825	15,820,558
Interest expense		(7,064,277)	(6,322,760)
Net interest income	17	9,890,548	9,497,798
Impairment losses on loans and advances	6	(1,088,932)	(1,363,449)
Net interest income after loan impairment charges		8,801,616	8,134,349
Fee and commission income	18	103,828	118,417
Fee and commission expense	18	(46,693)	(44,294)
Net fee and commission income		57,135	74,123
Net lease income	19	76,301	124,846
Other operating income/(loss)	20	174,161	(41,056)
Foreign exchange and brokerage income	21	993,601	1,187,510
Asset tax	14	(228,609)	–
Operating expenses	22	(5,477,415)	(5,143,438)
Profit before corporation tax		4,396,790	4,336,334
Corporation tax expense	11	(1,130,657)	(1,062,618)
Profit and total comprehensive income for the year		3,266,133	3,273,716

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

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STATEMENT OF CASH FLOWS

For the year ended December 31, 2014
(Amounts in Barbados dollars)

	December 31 2014 $	December 31 2013 $
Cash flows from operating activities		
Profit before corporation tax	4,396,790	4,336,334
Adjustments for:		
Depreciation of property, plant and equipment and operating lease assets	606,329	771,467
Impairment losses on loans and advances	1,088,932	1,363,449
Provision on VAT recoverable	–	47,985
Loss on disposal of property, plant and equipment	–	1,105
Interest income	(16,954,825)	(15,820,558)
Interest expense	7,064,277	6,322,760
Gain on sale of operating leased assets and repossessed stock	(80,712)	(39,964)
	(3,879,209)	(3,017,422)
Changes in working capital		
Increase in restricted cash	(440,052)	(349,675)
Increase/(decrease) in due from parent company	(19,478)	79,775
Increase in loans and advances to customers	(11,394,256)	(17,696,676)
Increase/(decrease) in other assets	111,026	(177,075)
Net change in operating lease assets	205,042	11,313
Increase in due to customers	5,556,634	16,469,411
Increase in other liabilities	389,831	191,178
Fees received during the year	478,180	533,601
Increase in asset tax payable	228,609	–
Taxation paid	(1,251,600)	(902,670)
Interest paid	(6,792,918)	(6,359,341)
Interest received	16,541,090	15,258,242
Net cash (used in)/generated from operating activities	(267,101)	4,040,661
Cash flows used in investing activities		
Purchase of property, plant and equipment	(163,480)	(223,408)
Purchase of treasury bills	(29,758,300)	(19,337,850)
Maturity of treasury bills	28,271,650	18,836,800
Purchase of investments	(12,000,000)	(17,000,000)
Maturity of investments	12,000,000	17,000,000
Net cash used in investing activities	(1,650,130)	(724,458)

STATEMENT OF CASH FLOWS continued

For the year ended December 31, 2014
(Amounts in Barbados dollars)

Cash flows from financing activities		
Payment of dividends	**(1,145,801)**	(1,193,000)
Net (decrease)/increase in cash and cash equivalents	**(3,063,032)**	2,123,203
Cash and cash equivalents – beginning of year	**18,122,827**	15,999,624
Cash and cash equivalents – end of year	**15,059,795**	18,122,827
Represented by:		
Cash at bank (Note 4)	**10,535,220**	13,094,830
Short term deposits (Note 4)	**4,524,575**	5,027,997
	15,059,795	18,122,827

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

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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, which is a company incorporated under the Laws of Barbados and is a joint venture between Cave Shepherd & Company Limited, Massy United Insurance Company Limited, companies incorporated under the Laws of Barbados, and GraceKennedy & Company Limited, a company 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 judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement 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 2014

The following amendments to published standards are mandatory for accounting periods beginning on or after January 1, 2014.

2. Summary of significant accounting policies ...continued

a) Basis of preparation ...continued

Standards, amendments and interpretations effective in 2014 ...continued

The amendments below did not have a significant impact on the financial statements:

- Amendment to IAS 32, 'Financial Instruments: Presentation,' this amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendment to IAS 36, 'Impairment of Assets', this amendment relates to the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less cost of disposal.

- Amendments to IAS 39, 'Financial Instruments: Recognition and Measurement' this amendment allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument is novated to effect clearing with a central counterparty, as a result of laws or regulation, if specific conditions are met.

- IFRIC 21, 'Levies', this interpretation on IAS 37, clarifies that an obligating event that gives rise to a liability to pay a levy, is the activity described in the relevant legislation that triggers the payment of the levy.

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

- 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 15, 'Revenue from contracts with customers' effective for annual periods beginning on or after January 1, 2017, 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.

2. Summary of significant accounting policies ...continued

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.

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.

2. Summary of significant accounting policies ...continued

e) Impairment of financial assets ...continued

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

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 that 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;

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.

2. Summary of significant accounting policies …continued

f) Deferred tax ...continued

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 against which these losses can be utilised.

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 income statement during the period in which they are incurred.

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.

2. Summary of significant accounting policies …continued

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 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.

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.

2. Summary of significant accounting policies …continued

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.

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 judgements 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 judgements 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.

December 31, 2014
(Amounts in Barbados dollars)

3. Critical accounting estimates, and judgements 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 income statement, the Company makes judgements 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 $178,878 (2013 – $173,606) and decreased by $180,186 (2013 – $178,839).

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 with an effective date of June 1, 2014. 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 (2013 – $52,019).

4. Cash resources

	December 31 2014 $	December 31 2013 $
Cash	10,535,220	13,094,830
Short term deposits	4,524,575	5,027,997
Restricted cash	5,279,257	4,839,205
Total cash resources	20,339,052	22,962,032

(Amounts in Barbados dollars)

4. Cash resources ...continued

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, 2014 mandatory deposits amounted to $4,956,077 (2013 – $4,765,787).

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 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**

	Corporate 2013 $	Individual 2013 $	Total December 2013 $
Gross loans and advances	41,203,721	115,469,425	156,673,146
Less: impairment losses	(1,362,219)	(2,261,296)	(3,623,515)
Balance, end of year	**39,841,502**	**113,208,129**	**153,049,631**

(Amounts in Barbados dollars)

6. Loans and advances to customers ...continued

Analysis of Loans by industry sector

	December 31 2014 $	December 31 2013 $
Recreational, personal and community work	–	10,096
Education	18,601	22,970
Electricity, gas and water supply	23,861	29,056
Other financial corporations	356,915	519,011
Manufacturing	1,664,470	895,551
Transport, storage and communication	2,194,356	1,532,475
Hotels and restaurants	1,806,938	1,879,997
Agriculture	1,919,162	2,042,337
Health and social work	2,186,045	2,304,466
Construction	1,949,493	2,162,699
Real estate, renting and other business	30,163,376	28,750,524
Individuals and individual trusts	124,301,955	116,523,964
	166,585,172	156,673,146
Receivable 12 months or less after the reporting period	39,883,287	40,115,674
Receivable more than 12 months after the reporting period	126,701,885	116,557,472
	166,585,172	156,673,146

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 2014 $	December 31 2013 $
Increase in impairment losses on loans and advances	1,119,600	1,427,344
Amounts written off during the year as uncollectible	29,982	28,267
	1,149,582	1,455,611
Amounts received on loans previously written off	(60,650)	(92,162)
	1,088,932	1,363,449

(Amounts in Barbados dollars)

6. Loans and advances to customers ...continued

Allowance for impairment losses

Movement in allowance for impairment losses:

	2014 $ Specific	2014 $ Collective	December 31 2014 $ Total	2013 $ Specific	2013 $ Collective	December 31 2013 $ Total
Balance, beginning of year	2,743,989	879,526	3,623,515	1,946,304	891,077	2,837,381
Increase in impairment losses	804,316	66,023	870,339	1,349,021	(11,551)	1,337,470
Loans written off during the year as uncollectible	(1,171,099)	–	(1,171,099)	(551,336)	–	(551,336)
Balance, end of year	2,377,206	945,549	3,322,755	2,743,989	879,526	3,623,515

At December 31, 2014, non-accrual loans amounted to $4,257,910 (2013 – $5,303,463). There were no corporate loans written off during 2014 or 2013.

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

Gross investment in finance lease receivables:

	December 31 2014 $	December 31 2013 $
No later than 1 year	2,850,177	3,013,741
Later than 1 year and no later than 5 years	4,969,098	4,622,882
	7,819,275	7,636,623
Unearned future finance income on finance leases	(1,096,002)	(1,025,225)
Net investment in finance lease receivables	6,723,273	6,611,398

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

	December 31 2014 $	December 31 2013 $
No later than 1 year	2,385,662	2,562,460
Later than 1 year and no later than 5 years	4,337,611	4,048,938
	6,723,273	6,611,398

December 31, 2014
(Amounts in Barbados dollars)

7. Property, plant and equipment

	Leasehold improvements $	Computers $	Furniture & equipment $	Motor vehicles $	Total $
At December 31, 2012					
Cost	359,534	459,997	412,557	433,825	1,665,913
Accumulated depreciation	(278,386)	(417,015)	(260,506)	(157,927)	(1,113,834)
Net book value	81,148	42,982	152,051	275,898	552,079
Year ended December 31, 2013					
Opening net book amount	81,148	42,982	152,051	275,898	552,079
Additions	29,682	7,781	106,952	78,993	223,408
Disposals	–	(194)	(911)	–	(1,105)
Depreciation charge	(57,426)	(23,432)	(69,827)	(86,764)	(237,449)
Closing net book value	53,404	27,137	188,265	268,127	536,933
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**

December 31, 2014
(Amounts in Barbados dollars)

8. Intangible assets

Computer software

	December 31 2014 $	December 31 2013 $
Cost		
Beginning and end of year	377,076	377,076
Accumulated depreciation		
Beginning of year	204,341	80,395
Charge for the year	123,944	123,946
End of year	328,285	204,341
Net book value		
End of year	48,791	172,735
Beginning of year	172,735	296,681

December 31, 2014
(Amounts in Barbados dollars)

9. Operating lease assets

Leased vehicles and equipment

	December 31 2014 $	December 31 2013 $
Cost		
Beginning of year	1,238,401	2,435,643
Additions	219,351	790,453
Transfer to repossessed stock	(146,020)	(395,002)
Disposals	(477,879)	(1,592,693)
End of year	833,853	1,238,401
Accumulated depreciation		
Beginning of year	323,779	964,934
Charge for the year	247,884	410,073
Transfer to repossessed stock	(73,315)	(156,128)
Disposals	(187,453)	(895,100)
End of year	310,895	323,779
Net book value		
End of year	522,958	914,622
Beginning of year	914,622	1,470,709

10. Other assets

	December 31 2014 $	December 31 2013 $
Prepaid expenses	346,492	369,777
Other receivables	680,784	904,210
Repossessed or end of lease stock	1,491,714	1,337,110
VAT recoverable	533	–
	2,519,523	2,611,097
Receivable 12 months or less after the reporting period	2,505,652	2,601,661
Receivable more than 12 months after the reporting period	13,871	9,436
	2,519,523	2,611,097

December 31, 2014
(Amounts in Barbados dollars)

11. Taxation

	December 31 2014 $	December 31 2013 $
Current tax	1,208,214	1,193,555
Deferred tax credit	(77,557)	(130,937)
	1,130,657	1,062,618

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 2014 $	December 31 2013 $
Profit before corporation tax	4,396,790	4,336,334
Corporation tax at a tax rate of 25% (2013 – 25%)	1,099,198	1,084,084
Income subject to tax at different rate	(29,968)	(20,753)
Expenses deductible for tax	(37,039)	(15,500)
Prior year under provision	98,466	14,787
Taxation charge for the year	1,130,657	1,062,618

The movement on the deferred tax account is as follows:

	December 31 2014 $	December 31 2013 $
Balance – beginning of year	(29,546)	101,391
Deferred tax credit for the year	(77,557)	(130,937)
Balance – end of year	(107,103)	(29,546)

The deferred tax asset consists of the following components:

	December 31 2014 $	December 31 2013 $
Accelerated tax depreciation	517,135	761,339
Bad debt provision	(945,548)	(879,525)
	(428,413)	(118,186)
Deferred tax asset at corporation tax rate of 25% (2013 – 25%)	(107,103)	(29,546)

(Amounts in Barbados dollars)

12. Due to customers

	December 31 2014 $	December 31 2013 $
Financial institutions		
Payable at fixed dates	25,156,467	36,602,275
Individuals		
Payable with notice	1,490,387	1,446,240
Payable at fixed dates	88,542,826	71,576,629
Business and government		
Payable with notice	3,980,847	3,831,001
Payable at fixed dates	42,575,579	41,987,919
Other		
Payable at fixed dates	2,443,949	2,917,998
Deposits due to customers	164,190,055	158,362,062
Payable with notice	5,471,234	5,277,241
Payable at fixed dates	158,718,821	153,084,821
	164,190,055	158,362,062
Payable 12 months or less after the reporting period	75,356,733	98,098,203
Payable more than 12 months after the reporting period	88,833,322	60,263,859
	164,190,055	158,362,062

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from 3% to 5.5% (2013 – 3.5% to 5.5%). $11,138,551 (2013 – $10,988,193) of these deposits are held as security on loans and advances.

13. Other liabilities

	December 31 2014 $	December 31 2013 $
Due to brokers and related customers	876,451	637,026
ICF loan	1,169,706	1,253,237
Other payables	519,458	290,932
VAT payable	–	11,285
	2,565,615	2,192,480
Payable 12 months or less after the reporting period	1,536,130	1,068,663
Payable more than 12 months after the reporting period	1,029,485	1,123,817

(Amounts in Barbados dollars)

13. Other liabilities ...continued

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 3.25% (2013 – 3.25%) per annum.

14. Asset tax payable

	December 31 2014 $	December 31 2013 $
Asset tax payable	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 2014 $	December 31 2013 $
9,210,857 common shares issued (2013 – 9,210,857)	9,210,857	9,210,857

16. Statutory and other reserves

Statutory reserve fund

	December 31 2014 $	December 31 2013 $
Balance, beginning of year	3,396,414	2,905,357
Transfer from retained earnings	489,920	491,057
Balance, end of year	3,886,334	3,396,414

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.

December 31, 2014
(Amounts in Barbados dollars)

17. Net interest income

	December 31 2014 $	December 31 2013 $
Interest income		
Cash and other short term funds	131,145	156,171
Investment securities	382,441	364,115
Finance lease income	759,744	723,793
Credit related fees	590,910	555,283
Loans and advances	15,090,585	14,021,196
	16,954,825	15,820,558
Interest expense		
Customers	(7,064,277)	(6,322,760)
Net interest income	9,890,548	9,497,798

At December 31, 2014, interest income accrued on impaired financial assets amounted to $11,290 (2013 – $37,658).

18. Net fee and commission income

	December 31 2014 $	December 31 2013 $
Fee and commission income		
Creditor life and other commission	103,828	118,417
	103,828	118,417
Fee and commission expense		
Dealer commissions	46,693	44,294
	57,135	74,123

19. Net lease income

	December 31 2014 $	December 31 2013 $
Operating lease income	324,185	534,919
Depreciation expense	(247,884)	(410,073)
	76,301	124,846

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December 31, 2014
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20. Other operating income/(loss)

	December 31 2014 $	December 31 2013 $
Profit/(loss) on sale of operating leased assets & repossessed stock	169,238	(80,153)
Lease penalty and other charges	4,923	39,097
	174,161	(41,056)

21. Foreign exchange and brokerage income

	December 31 2014 $	December 31 2013 $
Foreign exchange transaction gains and losses	865,081	958,139
Brokerage fees	128,520	229,371
	993,601	1,187,510

22. Operating expense

	December 31 2014 $	December 31 2013 $
Staff costs (Note 23)	2,894,063	2,767,633
Administrative expenses	2,224,907	2,014,411
Depreciation of property, plant and equipment and intangible assets	358,445	361,394
	5,477,415	5,143,438

23. Staff costs

	December 31 2014 $	December 31 2013 $
Salaries and wages	2,587,467	2,450,331
National insurance contributions	158,617	152,420
Pension costs:		
– defined contribution plan	65,576	61,598
Other	82,403	103,284
	2,894,063	2,767,633

December 31, 2014
(Amounts in Barbados dollars)

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 2014 $	December 31 2013 $
Loans		
Loans outstanding at beginning of year	83,014	58,746
Loans issued during the year	83,500	30,449
Loan repayments during the year	(17,122)	(6,181)
Loans outstanding at end of year	149,392	83,014
Interest income earned	7,139	4,324

No provisions have been recognised in respect of loans given to related parties in 2014 and 2013.

Interest is payable at 6.5% (2013 – 6.5%) per annum. These loans are secured predominantly by vehicles and have fixed terms of repayment.

Amounts due from parent company

	December 31 2014 $	December 31 2013 $
CSGK Finance Holdings Ltd.	19,478	–

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

(Amounts in Barbados dollars)

24. Related party transactions ...continued

	Directors and key management personnel	
	December 31 2014 $	December 31 2013 $
Deposits		
Deposits at beginning of year	**348,993**	306,052
Deposits received during the year	**82,111**	117,537
Deposits repaid during the year	**(133,924)**	(74,596)
Deposits at end of year	**297,180**	348,993
Interest expense on deposits	**13,661**	14,286

	December 31 2014 $	December 31 2013 $
Key management compensation		
Salaries and benefits	**1,056,403**	1,018,381

Directors' remuneration

In 2014, the total remuneration to the directors was $48,000 (2013 – $44,635).

25. Contingent liabilities and commitments

a) Legal proceedings

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

December 31, 2014
(Amounts in Barbados dollars)

25. Contingent liabilities and commitments ...continued

b) Commitments

Rental commitment is as follows:

	December 31 2014 $	December 31 2013 $
Within one year	237,642	282,229
Later than one year no later than five years	39,118	276,760
	276,760	558,989

The Company had loan commitments as follows:

	December 31 2014 $	December 31 2013 $
Loan commitments	5,917,436	6,634,580

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 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 contain 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.

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 polices 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 analyzing 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 polices 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.

Authorized 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, 2014 and December 31, 2013. 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.

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, 2014 and 2013, 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 recognized on the balance sheet.

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

	December 31 2014 $	December 31 2013 $
Credit risk exposure relative to financial assets reported on the balance sheet are as follows:		
Cash and cash equivalents	15,059,795	18,122,872
Treasury bills	7,473,564	5,975,519
Due from parent company	19,478	–
Loans and advances to customers	163,262,417	153,049,631
Other assets	627,801	801,332
	186,443,055	177,949,354
Credit risk exposure relative to off-balance sheet items are as follows:		
Loan commitments	5,917,436	6,634,580
	192,360,491	184,583,934

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 88% (2013 – 87%) 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 minimize 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.

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.

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

Loans and advances to customers are summarized as follows:

December 31, 2014

	Loans and Advances		Finance Leases		
	Corporate	Individual	Corporate	Individual	Total
	$	$	$	$	$
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

December 31, 2014
(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

December 31, 2013

	Loans and Advances		Finance Leases		
	Corporate	Individual	Corporate	Individual	Total
	$	$	$	$	$
Neither past due nor impaired	12,400,987	77,034,140	4,641,819	45,673	94,122,619
Past due but not impaired	20,158,231	34,761,107	1,461,195	82,002	56,462,535
Impaired	1,758,068	3,490,903	572,977	–	5,821,948
	34,317,286	115,286,150	6,675,991	127,675	156,407,102
Less: allowances for impairment losses	(1,367,090)	(2,064,158)	(192,267)	–	(3,623,515)
	32,950,196	113,221,992	6,483,724	127,675	152,783,587
Other loans and advances					266,044
Total loans and advances to customers					**153,049,631**

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

The Company currently utilizes 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 summarized in the table below, 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 judgement 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, 2014 and December 31, 2013.

		Impairment Allowance			
		2014	2014	2013	2013
		$	%	$	%
Company's rating	Description				
1	Pass	–	–	–	–
2	Special mention	–	–	–	–
3	Substandard	**1,288,041**	**54**	1,446,123	53
4	Doubtful	**319,424**	**13**	108,132	4
5	Loss	**769,741**	**32**	1,189,734	43

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

a) Credit risk: ...continued

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.

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 categorized as follows:

December 31, 2014

	Loans and Advances		Finance Leases		
	Corporate	Individual	Corporate	Individual	Total
	$	$	$	$	$
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

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

December 31, 2013

	Loans and Advances		Finance Leases		
	Corporate	Individual	Corporate	Individual	Total
	$	$	$	$	$
1. Pass	9,858,127	73,800,233	4,641,819	45,673	88,345,852
2. Special Mention	2,542,860	3,128,767	–	–	5,671,627
3. Sub-standard	–	105,140	–	–	105,140
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	12,400,987	77,034,140	4,641,819	45,673	94,122,619

62% (2013 – 61%) 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 above, are loans with renegotiated terms amounting to $996,152 (2013 – $2,261,611). 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 summarizes 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, 2014
(Amounts in Barbados dollars)

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

a) Credit risk: …continued

December 31, 2014

	Corporate	Individuals	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

	Finance Leases
	$
Past due 1 to 5 days	1,947,207
Past due 6 to 30 days	287,006
Past due over 30 days	54,119
	2,288,332

December 31, 2013

	Corporate	Individuals	Total Loans
	$	$	$
Past due 1 to 5 days	15,549,921	22,757,667	38,307,588
Past due 6 to 30 days	2,073,103	7,939,819	10,012,922
Past due 31 to 60 days	65,000	228,102	293,102
Past due 61 to 90 days	472,383	2,745,135	3,217,518
Past due over 90 days	1,997,824	1,090,384	3,088,208
	20,158,231	34,761,107	54,919,338

	Finance Leases
	$
Past due 1 to 5 days	1,255,315
Past due 6 to 30 days	287,882
Past due over 30 days	–
	1,543,197

(Amounts in Barbados dollars)

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

a) *Credit risk: ...continued*

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 each loan which is past due 90 days or later 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 judgement is employed.

As at December 31, 2014, the total allowance for impairment against loans and advances to customers amounted to $3,322,755 (2013 – $3,623,515) of which $2,377,206 (2013 – $2,743,990) represents individually impaired loans and the remaining amount of $945,549 (2013– $879,526) represents the portfolio provision. Included within Note 6 is an analysis showing the movement in this allowance during the year ended December 31, 2014 and December 31, 2013.

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

	2014 $	2013 $
Fair value of collateral	**2,658,166**	2,697,249

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 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

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

b) Market risk: ...continued

financial instruments are measured at amortized 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.

Interest rate risk:

Assuming that the interest bearing financial assets and liabilities as at December 31, 2014 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.

December 31, 2014
(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, 2014

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Non interest bearing	Total
	$	$	$	$	$	$
Assets						
Cash and cash equivalents	15,059,795	–	–	–	–	15,059,795
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	647,279	186,443,055
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	(567,508)	19,868,503

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(Amounts in Barbados dollars)

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

b) *Market risk: …continued*

Interest rate risk: …continued

December 31, 2013

	Up to 3 months	3-12 months	1-5 years	Over 5 years	Non interest bearing	Total
	$	$	$	$	$	$
Assets						
Cash and cash equivalents	18,122,827	–	–	–	–	18,122,827
Treasury bills	5,975,519	–	–	–	–	5,975,519
Loans and advances to customers	10,552,914	27,973,395	88,212,390	26,310,932	–	153,049,631
Other assets	–	–	–	–	801,332	801,332
Total financial assets	34,651,260	27,973,395	88,212,390	26,310,932	801,332	177,949,309
Liabilities						
Customer deposits	25,909,074	72,189,129	60,263,859	–	–	158,362,062
Other liabilities	1,253,241	–	–	–	818,176	2,071,417
Total financial liabilities	27,162,315	72,189,129	60,263,859	–	818,176	160,433,479
Total repricing gap	7,488,945	(44,215,734)	27,948,531	26,310,932	(16,844)	17,515,830

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, 2014, all the Companies' financial assets and liabilities are denominated in Barbados Dollars with the exception of $1.999 (2013 – $2.088) million in cash and $1.969 (2013 – $2.011) million in liabilities.

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

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.

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%. (2013 – 6.8%). The line of credit of $5 million currently has an effective rate of 7.7% (2013 – 7.7%).

No amounts have been drawn down on these facilities at December 31, 2014 and December 31, 2013. 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.

(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 $	Total $
As at December 31, 2014				
Liabilities				
Due to customers	22,371,467	67,078,194	84,854,996	174,304,657
Other liabilities	939,245	504,949	1,151,551	2,595,745
Total financial liabilities	23,310,712	67,583,143	86,006,547	176,900,402
As at December 31, 2013				
Due to customers	26,009,627	73,388,879	67,440,067	166,838,573
Other liabilities	714,681	278,001	1,246,672	2,239,354
Total financial liabilities	26,724,308	73,666,880	68,686,739	169,077,927

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

(Amounts in Barbados dollars)

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

d) Financial instruments by category and fair value:

At December 31, 2014 the Company's financial assets amounting to $186,443,055, (2013 – $177,949,309) all fall within the IAS 39 category of 'loans and receivables' whereas the Company's financial liabilities amounting to $166,574,552 (2013 – $160,433,479) 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 2014 $	December 31 2013 $	December 31 2014 $	December 31 2013 $
Financial assets				
Loans and advances to customers				
Individuals	**121,893,981**	113,208,128	**123,561,987**	115,661,932
Corporate and other entities	**41,368,436**	39,841,503	**41,148,075**	40,223,602
Financial liabilities				
Due to customers				
Financial Institutions	**25,156,467**	36,602,275	**24,546,427**	35,941,532
Individuals	**90,033,213**	73,022,869	**84,848,504**	71,174,791
Business and government	**46,556,426**	45,818,920	**45,395,508**	44,843,033
Other	**2,443,949**	2,917,998	**2,356,837**	2,868,710

The fair value 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.

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 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.

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

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

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 shareholders 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.

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, 2014, the Company's capital adequacy ratio was 16.27% (2013 – 15.55%).

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.

December 31, 2014
(Amounts in Barbados dollars)

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

e) Capital management: ...continued

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

	December 31 2014 $	December 31 2013 $
Tier 1 Capital		
Common shares	9,210,857	9,210,857
Statutory and other reserves	3,886,334	3,396,414
Retained earnings	14,078,852	12,448,440
Total qualifying Tier 1 capital	27,176,043	25,055,711
Risk-weighted assets		
On-balance sheet	161,131,934	154,542,843
Off-balance sheet	5,917,436	6,634,580
Total risk-weighted assets	167,049,370	161,177,423
Capital adequacy ratio	16.27%	15.55%

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