SIGNIA
FINANCIAL GROUP INC.
Quality solutions for your financial needs.

Stronger into the Future

ANNUAL REPORT **2017**

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

Table of Contents

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1&2 Stanley Centre, Haggatt Hall, St. Michael, Barbados.

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E-mail: info@signiafinancial.com
www.signiafinancial.com

PEOPLE

Board of Directors

Sir Geoffrey Cave
K.A., C.B.E., B.C.H, LL.D (Hon.)
Chairman

Steven Whittingham
Director,
GraceKennedy

Mariame McIntosh Robinson
Director,
GraceKennedy

John Williams
Director,
Cave Shepherd

Howard Hall
Director, Massy United Insurance

Dwight Richardson
Director,
Independent

Desirée Cherebin
Director,
Independent

Peter Hall
Director,
Independent

STRENGTH

Management Team

Paul Ashby
Chief Executive Officer

Jacqueline Holder
Chief Operating Officer

Renee Trotman
Chief Financial Officer (Ag.)

Ayesha Maycock
Commercial & Investment Manager

Carol Prescod
Client Services Manager

Tracia Grant
Manager Retail Banking

Samantha Inniss
Manager Business Development & Foreign Exchange

RESULTS

Signia Teams

Deborah Clarke
Assistant Manager
Deposits

Quetta Rawlins
Assistant Manager
Internal Control

Sacha Simmons
Assistant Manager
Retail

Cherian Austin
Assistant Manager
Commercial

Sacha Aimes
Client Services Assistant

Tanya Allen
Credit Control Officer

Elisia Alleyne
Personal Banking
Assistant

Sherika Armstrong
Foreign Exchange & Business
Development Assistant

Thomas Atkins
Client Services Assistant

Shontel Barrow
Reconciliations Officer

Chelsey Best
Deposits/Accounts
Assistant

Caroline Bowen
Internal Control
Assistant

Ramon Boyce
Commercial & Investment
Assistant

Andrea Branford
Client Services Officer

GROWTH

Signia Teams

Joan Brewster
Regulatory Officer

Mario Chandler
Project Analyst

Orrie Chandler
Commercial Officer

Donelle Daniel
Client Services Officer

Bhari Dyall
Internal Control Officer

Carolyn Edey
Regulatory Officer

Felicia Harewood
Client Services Assistant

Ada Holder
Office Attendant

Jalissa Hurdle
Credit Control Assistant

Ann Johnson
Office Attendant

Karen Johnson
Commercial & Investment Assistant

Timothy Johnson
Client Services Officer

Kiera Jones
Accountant (Ag.)

David Knight
Client Services Officer

TRUST

Signia Teams

Shekita McCollin
Control Assistant

Nadia Mongerie
Reconciliations Officer

Salena Rice
Jr. Relationship Officer

Lauriel Small
Personal Banking Assistant

Shana Sobers
Control Officer

Natalie Stowe
Relationship Officer

Akeisha Thompson
Foreign Exchange Officer

Shanise Walkes
Client Services Officer

Sonia Weekes
Relationship Officer

Terry Williams
Investment & Relationship Officer

Attlee Yearwood
Client Services Assistant

TEAMWORK

Signia in the Community

The Signia Financial Activity Book

As a part of our company's vision of financial education in Barbados, Signia Financial has embarked on an initiative to introduce this information to our youth. We have developed "The Signia Financial Activity Book", which presents introductory concepts of investing, budgeting and other areas of financial management in an easily digestible format, that is perfect for young children. Members of the Signia team visited schools across the island distributing and reading these books to some of the enrolled students. This activity also provided an opportunity for the Signia team to discuss the importance of proper financial management with these students.

"#AdoptABook April" Book Drive

In keeping with our corporate social responsibility mandate, Signia has committed itself to aiding in the development of our nation's youth. We consider literacy to be a key area for development, because the child who reads has his imagination stimulated, and his vocabulary widened. With this and our pledge in mind, Signia undertook an initiative to support literacy in Barbados through the "#AdoptABook April" book drive. This project involved the collection of new and lightly used books from the public of Barbados for donation to three schools nominated by our social media community. After an overwhelming response, we were able spread the joy of reading even further, expanding our selection to five of Barbados' primary schools.

Signia in the Community

JCI Mathfanatix

Since 2015, Signia Financial has been supporting the Junior Chamber International (JCI). This is the largest non-profit organization in Barbados and is a member of an international grouping that spans over 100 countries. The young citizens who constitute their membership continually work towards creating an outstanding impact on their community. Their Mathfanatix Programme allows children to develop their mathematics skills by means of coaching for those preparing for the 11+ Examination. Signia Financial supports this endeavor, recognizing that childhood numeracy is key for the development of a well-rounded community.

Enriching the lives of others

Signia Financial believes that it is critical to give back to the community that has supported us over the years. We are proud to support several of our nation's charities including Soroptomists, Kiwanis, Cancer Support Services and the Barbados Diabetes Association among others. We have also lent our support to promising local artistes such as Neesha Woodz, Aziza, Tionne Hernandez and Sanctuary. In addition to this we have supported the development of our youth through sport. More specifically, we have been the proud sponsors of the Wildey Sports Club, UWI Blackbirds, High Tides Stingrays Swim Club and Shakira Douglin who all continue to excel in their respective disciplines.

We have committed ourselves to assisting in the development of youth across the island and this commitment has been our motivation for these initiatives. These projects represent our continued support to local arts, culture, music, sports and academics, as we aim to enrich the lives of these young people along the way.

Strength

is inherent capacity to manifest energy to endure, with the potential to thrive; and to resist.

A fearless pursuit of success needs a firm foundation.
Signia Financial provides support, every step of the way, so that the journey becomes easier, knowing that you have a helping hand. We look forward to the tasks ahead, providing guidance and ensuring your resilience...always.

Chairman's/CEO's Report

In the face of a challenging external environment the financial year ended December 31, 2017 was a creditable one for Signia Financial Group Inc. A Net Profit of $4.2M which represents an increase of 13.5% over our prior year performance of $3.7M was realised.

The Central Bank of Barbados reported that intensified inflationary pressures as a result of a declining tourism sector, deferred implementation of internationally-funded projects, tighter fiscal policies and increased indirect taxes contributed to modest economic growth of 1.0% during 2017.

The report further advised that the financial sector remained stable throughout the year and following the removal of the minimum savings rate by the Central Bank of Barbados in 2015, the sector has seen a downward trend of interest rates in both loans and deposits, with the average loan rate being reduced to 6.6% during 2017, the lowest rate in over a decade.

In addition to a challenging economic environment, the interest rate regime continues to provide an increasingly competitive market, however the company has demonstrated critical attention to delivering strong financial results and an excellent service experience for customers as it continues to build a client base through improvements in its product and service offerings.

From $191.8M in 2016, the loans and advances portfolio grew by 2.8% to $197.2M in 2017 and the deposit base increased by 0.4% from $187.8M in 2016 to $188.5M in 2017. Astute management of the company's interest rates ensured a reasonable spread was maintained which contributed in part to the improvement of the company's profitability and resulted in Net Interest Income of $12.3M, an increase of $1.0M over the 2016 income of $11.3M.

Throughout the year, the company maintained its capital adequacy ratio above the minimum requirement of 8% with a year-end ratio of 21.2%.

Ever mindful of the delinquency levels during difficult economic environments, there is a company-wide focus on the management of Non-Performing loans through the implementation of proactive measures, working closely with customers and ensuring that a high-quality loan portfolio is maintained. As at year end, the impairment losses on loans and advances decreased to $1.3M from $1.6M in 2016.

The year 2018 marks Signia's 15th Anniversary and we will continue to make our mark in the local financial sector, implement new strategies to meet customers' changing demands and build on the successes experienced thus far.

In conclusion, we would like to take this opportunity to thank our Board of Directors for their contribution to Signia. We also wish to express our gratitude to the Management and Staff of the company for their efforts in ensuring the success of the company and for serving our customers. Finally, we would like to acknowledge our customers for their continued patronage, confidence and trust.

Sir Geoffrey Cave
Chairman
March 26, 2018
Bridgetown, Barbados

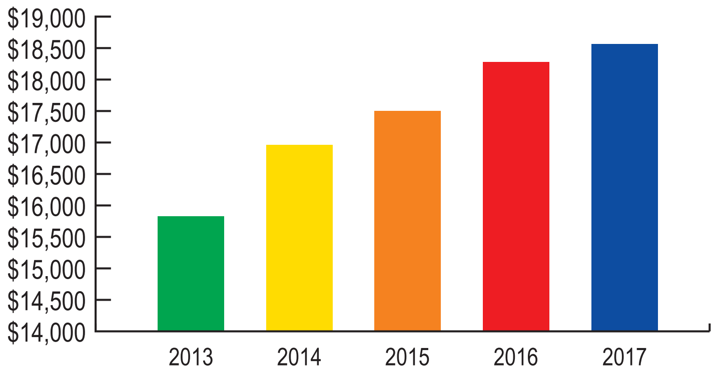
Paul Ashby
Chief Executive Officer
March 26, 2018
Bridgetown, Barbados

Five Year Highlights

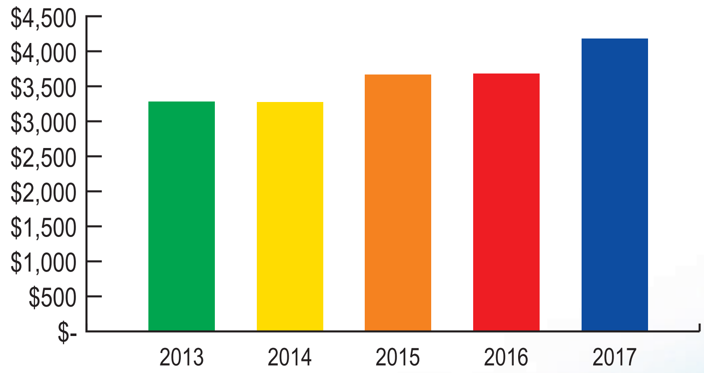
Expressed in thousands of Barbados dollars

Operating Results	2017 $	2016 $	2015 $	2014 $	2013 $
Interest income	**18,559**	18,272	17,502	16,955	15,821
Interest expense	**6,296**	6,954	6,934	7,064	6,323
Net interest income	**12,263**	11,318	10,568	9,891	9,498
Profit before tax	**5,589**	4,768	4,810	4,397	4,336
Profit after tax	**4,178**	3,675	3,667	3,266	3,274
Financial Position					
Loans and advances to customers	**197,165**	191,798	169,786	163,262	153,050
Total assets	**226,731**	223,081	220,046	194,759	186,252
Deposits from customers	**188,530**	187,766	185,266	164,190	158,362
Total liabilites	**192,241**	191,264	190,353	167,583	161,196

Interest Income 2013-2017



Net Income 2013-2017

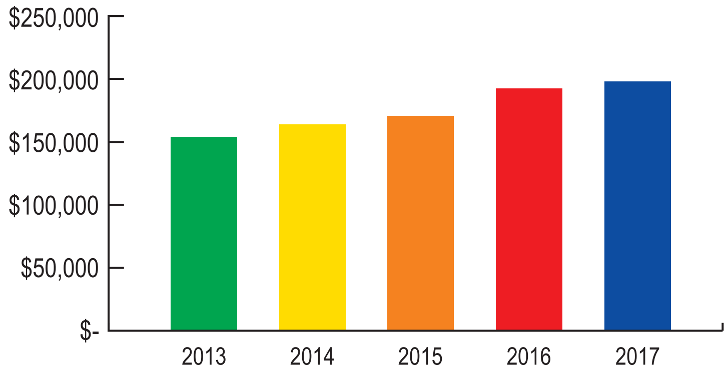


VISION

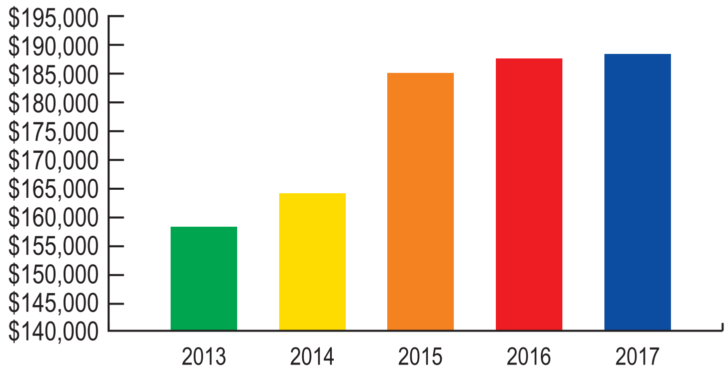
Five Year Highlights

Expressed in thousands of Barbados dollars

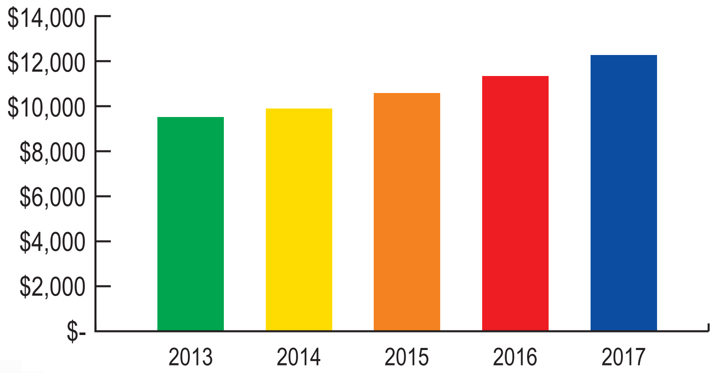
Loans 2013-2017



Deposits 2013-2017



Net Interest Income 2013-2017



PRUDENCE

Independent auditor's report

To the Shareholder of Signia Financial Group Inc.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Signia Financial Group Inc. (the Company) as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Annual Report for the year ended December 31, 2017 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report is made solely to the Company's shareholder, as a body corporate, 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 any 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 as a body corporate, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
April 30, 2018

Balance Sheet

As at December 31, 2017
(Amounts in Barbados dollars)

	Notes	December 31 2017 $	December 31 2016 $
Assets			
Cash resources	4	21,012,247	21,366,282
Due from parent company	5	27,029	39,398
Financial investments	6	4,315,005	4,314,649
Loans and advances to customers	7	197,164,528	191,797,615
Property, plant and equipment	8	545,164	535,707
Intangible assets	9	13,884	22,957
Operating lease assets	10	209,364	293,867
Other assets	11	3,240,148	4,510,651
Deferred tax assets	12	203,232	199,900
Total assets		226,730,601	223,081,026
Liabilities			
Due to customers	13	188,530,174	187,765,748
Other liabilities	14	2,647,799	2,750,608
Asset tax payable	15	260,686	191,200
Current tax payable		802,615	556,530
Total liabilities		192,241,274	191,264,086
Equity			
Share capital	16	9,210,857	9,210,857
Statutory and other reserves	17	5,614,225	4,987,554
Retained earnings		19,664,245	17,618,529
		34,489,327	31,816,940
Total liabilities and equity		226,730,601	223,081,026

Approved by the Board of Directors on March 26, 2018

Director

Director

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

Statement of Changes in Equity

For the year ended December 31, 2017

(Amounts in Barbados dollars)

	Share capital $	Statutory and other reserves $	Retained earnings $	Total $
Balance at December 31, 2015	**9,210,857**	**4,436,374**	**16,045,745**	**29,692,976**
Dividends (16.83 cents per share)	–	–	(1,550,569)	(1,550,569)
Profit and total comprehensive income for the year	–	–	3,674,533	3,674,533
Transfer to statutory reserves (Note 17)	–	551,180	(551,180)	–
Balance at December 31, 2016	**9,210,857**	**4,987,554**	**17,618,529**	**31,816,940**
Dividends (16.34 cents per share)	–	–	(1,505,418)	(1,505,418)
Profit and total comprehensive income for the year	–	–	4,177,805	4,177,805
Transfer to statutory reserves (Note 17)	–	626,671	(626,671)	–
Balance at December 31, 2017	**9,210,857**	**5,614,225**	**19,664,245**	**34,489,327**

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

PEOPLE

SIGNIA FINANCIAL GROUP INC.

Statement of Comprehensive Income

For the year ended December 31, 2017

(Amounts in Barbados dollars)

	Notes	December 31 2017 $	December 31 2016 $
Interest income		18,559,542	18,271,891
Interest expense		(6,296,190)	(6,953,700)
Net interest income	18	12,263,352	11,318,191
Impairment losses on loans and advances	7	(1,327,617)	(1,644,585)
Net interest income after loan impairment charges		10,935,735	9,673,606
Fee and commission income	19	190,715	132,533
Fee and commission expense	19	(52,224)	(52,239)
Net fee and commission income		138,491	80,294
Net lease income	20	41,878	68,206
Other operating income	21	290,800	242,044
Foreign exchange and brokerage income	22	749,068	686,264
Fair value gain on financial investments		–	313,565
Asset tax expense	15	(781,955)	(689,813)
Operating expenses	23	(5,784,906)	(5,606,302)
Profit before corporation tax		5,589,111	4,767,864
Corporation tax expense	12	(1,411,306)	(1,093,331)
Profit and total comprehensive income for the year		4,177,805	3,674,533

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

STRENGTH

Statement of Cash Flows

For the year ended December 31, 2017

(Amounts in Barbados dollars)

	December 31 2017 $	December 31 2016 $
Cash flows from operating activities		
Profit before corporation tax	5,589,111	4,767,864
Adjustments for:		
Depreciation of property, plant and equipment and operating lease assets and amortisation of intangible assets	301,939	340,328
Impairment losses on loans and advances	1,327,617	1,644,585
Gain on disposal of property, plant and equipment	(26,663)	(9,401)
Fair value gain on financial investments	–	(313,565)
Interest income	(18,559,542)	(18,271,891)
Interest expense	6,296,190	6,953,700
Gain on sale of operating lease assets and repossessed stock	(27,353)	(17,553)
	(5,098,701)	(4,905,933)
Changes in working capital		
Increase in restricted cash	(100,031)	(70)
Decrease in due from parent company	12,369	49,087
Increase in loans and advances to customers	(6,599,052)	(23,522,309)
Net change in operating lease assets	(4,621)	(5,022)
Decrease/(increase) in other assets	1,296,878	(1,659,977)
Increase in due to customers	744,825	2,838,658
Decrease in other liabilities	(77,806)	(1,641,594)
Increase in asset tax payable	69,486	48,749
Fees received	472,325	566,990
Taxation paid	(1,168,553)	(1,198,493)
Interest paid	(6,276,586)	(7,292,330)
Interest received	17,966,373	17,610,276
Net cash generated from/(used in) operating activities	1,236,906	(19,111,968)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(212,833)	(361,240)
Proceeds from the sale of property, plant and equipment	27,279	72,755
Purchase of treasury bills	(15,870,400)	(26,283,650)
Maturity of treasury bills	15,870,400	29,755,300
Purchase of investments	(8,500,000)	(18,500,000)
Maturity of investments	8,500,000	18,500,000
Net cash (used in)/generated from investing activities	(185,554)	3,183,165

Statement of Cash Flows *...continued*

For the year ended December 31, 2017

(Amounts in Barbados dollars)

	December 31 2017 $	December 31 2016 $
Cash flows from financing activities		
Payment of dividends	(1,505,418)	(1,550,569)
Net decrease in cash and cash equivalents	(454,066)	(17,479,372)
Cash and cash equivalents - beginning of year	15,586,920	33,066,292
Cash and cash equivalents - end of year	15,132,854	15,586,920
Represented by:		
Cash at bank (Note 4)	13,129,834	11,071,697
Short term deposits (Note 4)	2,003,020	4,515,223
	15,132,854	15,586,920

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

Notes to Financial Statements

December 31, 2017

(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 and Massy United Insurance Company Limited, companies incorporated under the Laws of Barbados, and First Global Holdings Limited, a subsidiary of Grace Kennedy & Company Limited, a company incorporated in Jamaica.

Prior to year end, the shareholder of Signia Financial Group Inc. signed a non-binding letter of intent with the shareholder of Globe Finance Inc. to acquire 100% of the shares in Globe Finance Inc. The transaction is expected to be completed during the second quarter of 2018 and is subject to regulatory approval.

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 statement of cash flows and the notes to the financial statements.

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.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

2. Summary of significant accounting policies *...continued*

a) Basis of preparation *...continued*

Standards, amendments and interpretations effective in 2017

The following amendments to published standards are mandatory for accounting periods beginning on or after January 1, 2017.

- Amendment to IAS 7 Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's disclosure initiative which continues to explore how financial statement disclosure can be improved.

- Amendments to IAS 12 'Income taxes' on Recognition of deferred tax assets for unrealized losses (effective for annual periods beginning on after 1 January 2017). These amendments on the recognition of deferred taxes for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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' addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after January 1, 2018 and early adoption is permitted.

  IFRS 9 replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVP&L).The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. For financial liabilities under IFRS 9, there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The new standard is not expected to impact the Company's financial liabilities.

2. Summary of significant accounting policies *...continued*

a) Basis of preparation *...continued*

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

- IFRS 9, 'Financial instruments'*...continued*

  The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date.

  In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. The Company has yet to assess the full impact of the impairment requirements of IFRS 9.

  IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. This aspect of the standard is optional for adoption; the Company is not expected to adopt the new hedging rules.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

2. Summary of significant accounting policies *...continued*

a) Basis of preparation *...continued*

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

- Amendments to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after January 1, 2018). This standard 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. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The company is assessing the impact of IFRS 15.

- IFRS 16 "Leases" was issued in January 2016 and effective for annual periods on or after January 1, 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Company is currently assessing the impact of the new standard on its financial statements.

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

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 the following IAS 39 categories: loans and receivables and available-for-sale. 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated in this category. They are included in financial investments on the balance sheet.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...*continued*

c) Financial assets ...*continued*

Recognition and measurement

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 financial investments. 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. Available-for-sale financial assets are initially measured at fair value and are subsequently re-measured at fair value using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

Changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognised in other comprehensive income are included in the statement of comprehensive income as gains and losses from financial investments.

Fair value

Fair value amounts represent the price (or estimates thereof) that would be agreed upon in an orderly transaction between market participants at valuation date.

d) Financial liabilities

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

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...*continued*

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 assets' 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; and
- 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.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

2. Summary of significant accounting policies *...continued*

e) Impairment of financial assets *...continued*

For an available-for-sale equity security, an impairment loss is recognised in the statement of comprehensive income if there has been a significant or prolonged decline in its fair value below its cost. Determination of what is significant or prolonged requires judgement which includes consideration of the volatility of the fair value, and the financial condition and financial viability of the investee.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not reversed in a subsequent period.

f) Current and 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 the collective allowance for impairment losses.

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, 2017

(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 term 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.

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.

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...*continued*

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 statement of cash flows, 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.

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.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

2. Summary of significant accounting policies ...*continued*

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.

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 differs by +/- 5%, the net income for the year would have increased by **$164,942** (2016 - $162,856) and decreased by **$174,308** (2016 - $173,264).

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

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

b) Valuation of equity investments

The Company uses internally developed models to estimate market values for unquoted equity investments. The estimated market value is based on best estimate assumptions and may vary substantially as these assumptions are varied. The models used for equity investments are based on value in use calculations, adjusted as appropriate for marketability restrictions and market risk factors. Information about the fair value techniques and sensitivity is disclosed in Note 27.

c) 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.

4. Cash resources

	December 31 2017 $	December 31 2016 $
Cash at bank	13,129,834	11,071,697
Short term deposits	2,003,020	4,515,223
Restricted cash	5,879,393	5,779,362
Total cash resources	21,012,247	21,366,282

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. 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, 2017 mandatory deposits amounted to **$5,826,916** (2016 - $5,508,354).

GROWTH

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

5. Due from parent company

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

6. Financial investments

	December 31 2017 $	December 31 2016 $
Treasury bills	3,996,440	3,996,084
Equity investments	318,565	318,565
Total financial investments	4,315,005	4,314,649

Equity investments are comprised of shares issued to the Company by the Barbados Stock Exchange (BSE) upon the demutualisation of the BSE in 2016. Prior to the demutualisation of the BSE the Company was classified as an ordinary member of the BSE and a contribution of $5,000 was recorded within other assets.

7. Loans and advances to customers

	Corporate 2017 $	Individual 2017 $	Total December 2017 $
Gross loans and advances	47,437,073	152,773,263	200,210,336
Less: impairment losses	(1,072,820)	(1,972,988)	(3,045,808)
Balance, end of year	**46,364,253**	**150,800,275**	**197,164,528**

	Corporate 2016 $	Individual 2016 $	Total December 2016 $
Gross loans and advances	47,685,390	146,901,430	194,586,820
Less: impairment losses	(736,110)	(2,053,095)	(2,789,205)
Balance, end of year	**46,949,280**	**144,848,335**	**191,797,615**

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

7. Loans and advances to customers *...continued*

Analysis of loans by industry sector

	December 31 2017 $	December 31 2016 $
Education	90,366	105,092
Financial corporations	5,577,560	5,533,836
Manufacturing	1,490,001	1,577,602
Transport, storage and communication	5,801,221	4,919,357
Hotels and restaurants	332,734	701,985
Agriculture	628,090	665,565
Health and social work	1,469,232	1,494,989
Construction	2,033,143	2,422,455
Real estate, renting and other business	30,691,437	31,043,958
Individuals and individual trusts	152,096,552	146,121,981
	200,210,336	194,586,820
Receivable 12 months or less after the reporting period	46,077,107	43,823,140
Receivable more than 12 months after the reporting period	154,133,229	150,763,680
	200,210,336	194,586,820

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 2017 $	December 31 2016 $
Increase in impairment losses on loans and advances	1,453,353	1,615,088
Amounts written off during the year as uncollectible	47,691	188,356
	1,501,044	1,803,444
Amounts received on loans previously written off	(173,427)	(158,859)
	1,327,617	1,644,585

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

7. Loans and advances to customers ...*continued*

Allowance for impairment losses

Movement in allowance for impairment losses:

	2017 $ Specific	2017 $ Collective	December 31 2017 $ Total	2016 $ Specific	2016 $ Collective	December 31 2016 $ Total
Balance, beginning of year	1,559,173	1,230,032	2,789,205	2,377,920	961,489	3,339,409
Increase/(decrease) in impairment losses	1,551,048	(97,695)	1,453,353	1,346,545	268,543	1,615,088
Loans written off during the year as uncollectible	(935,760)	–	(935,760)	(2,299,817)	–	(2,299,817)
Net movement on loans transferred to inventory	(260,990)	–	(260,990)	134,525	–	134,525
Balance, end of year	1,913,471	1,132,337	3,045,808	1,559,173	1,230,032	2,789,205

At December 31, 2017, net non-accrual loans amounted to **$4,381,546** (2016 - $6,017,862).

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

7. 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 2017 $	December 31 2016 $
No later than 1 year	2,901,477	2,920,246
Later than 1 year but no later than 5 years	6,500,464	7,317,886
	9,401,941	10,238,132
Unearned future finance income on finance leases	(1,146,967)	(1,401,703)
Net investment in finance lease receivables	8,254,974	8,836,429

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

No later than 1 year	2,398,669	2,351,521
Later than 1 year but no later than 5 years	5,856,305	6,484,908
	8,254,974	8,836,429

The carrying amount of finance lease receivables includes **$3,321,843** (2016 - $3,313,162) of unguaranteed residual value accruing to the benefit of the company.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

8. Property, plant and equipment

	Leasehold Improvements $	Computers $	Furniture & equipment $	Motor vehicles $	Total $
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
Year ended December 31, 2016					
Opening net book amount	1,048	128,542	87,402	235,852	452,844
Additions	–	66,615	107,220	159,910	333,745
Disposals	–	(141)	–	(63,214)	(63,355)
Depreciation charge	(1,048)	(73,922)	(36,016)	(76,541)	(187,527)
Closing net book value	–	121,094	158,606	256,007	535,707
At December 31, 2016					
Cost	370,308	661,416	614,561	432,414	2,078,699
Accumulated depreciation	(370,308)	(540,322)	(455,955)	(176,407)	(1,542,992)
Net book value	–	121,094	158,606	256,007	535,707
Year ended December 31, 2017					
Opening net book amount	–	121,094	158,606	256,007	535,707
Additions	49,086	43,375	30,377	89,995	212,833
Disposals	–	–	(616)	–	(616)
Depreciation charge	(4,091)	(72,250)	(40,437)	(85,982)	(202,760)
Closing net book value	**44,995**	**92,219**	**147,930**	**260,020**	**545,164**
At December 31, 2017					
Cost	419,394	689,847	588,821	442,409	2,140,471
Accumulated depreciation	(374,399)	(597,628)	(440,891)	(182,389)	(1,595,307)
Net book value	**44,995**	**92,219**	**147,930**	**260,020**	**545,164**

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

9. Intangible assets

Computer software

	December 31 2017 $	December 31 2016 $
Cost		
Beginning of year	404,571	377,076
Additions	–	27,495
End of year	404,571	404,571
Accumulated amortisation		
Beginning of year	381,614	376,566
Charge for the year	9,073	5,048
End of year	390,687	381,614
Net book value		
End of year	13,884	22,957
Beginning of year	22,957	510

VISION

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

10. Operating lease assets

Leased vehicles

	December 31 2017 $	December 31 2016 $
Cost		
Beginning of year	421,301	669,784
Additions	160,751	194,870
Transfer to repossessed stock	(37,745)	(98,631)
Disposals	(228,305)	(344,722)
End of year	316,002	421,301
Accumulated depreciation		
Beginning of year	127,434	195,203
Charge for the year (Note 20)	90,106	147,753
Transfer to repossessed stock	(11,373)	(43,095)
Disposals	(99,529)	(172,427)
End of year	106,638	127,434
Net book value		
End of year	209,364	293,867
Beginning of year	293,867	474,581

11. Other assets

	December 31 2017 $	December 31 2016 $
Prepaid expenses	371,901	321,346
Other receivables	887,643	2,533,329
Repossessed or end of lease stock	1,717,512	1,406,579
VAT recoverable	263,092	249,397
	3,240,148	4,510,651
Receivable 12 months or less after the reporting period	3,231,277	4,501,780
Receivable more than 12 months after the reporting period	8,871	8,871
	3,240,148	4,510,651

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

12. Taxation

	December 31 2017 $	December 31 2016 $
Current tax charge	1,414,638	1,166,946
Deferred tax credit	(3,332)	(73,615)
	1,411,306	1,093,331

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 2017 $	December 31 2016 $
Profit before corporation tax	5,589,111	4,767,864
Corporation tax at a tax rate of 25% (2016 - 25%)	1,397,278	1,191,966
Income subject to tax at different rate	(16,245)	(30,098)
Income not subject to tax	(6,340)	(82,499)
Expenses not deductible for tax	1,035	9,061
Prior year under provision	35,578	4,901
Taxation charge for the year	1,411,306	1,093,331

The movement on the deferred tax account is as follows:

	December 31 2017 $	December 31 2016 $
Balance - beginning of year	199,900	126,286
Deferred tax credit for the year	3,332	73,615
Balance - end of year	203,232	199,900

VALUES

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

12. Taxation ...*continued*

The deferred tax asset consists of the following components:

	December 31 2017 $	December 31 2016 $
Accelerated tax depreciation	319,410	430,433
Collective allowance for impairment losses	(1,132,337)	(1,230,032)
	(812,927)	(799,599)
Deferred tax asset at corporation tax rate of 25% (2016 - 25%)	(203,232)	(199,900)

13. Due to customers

	December 31 2017 $	December 31 2016 $
Financial institutions		
Payable at fixed dates	28,212,577	24,160,043
Individuals		
Payable with notice	4,168,500	4,393,734
Payable at fixed dates	109,567,358	112,505,463
Business and government		
Payable with notice	4,137,699	5,677,936
Payable at fixed dates	40,231,613	38,760,213
Other		
Payable at fixed dates	2,212,427	2,268,359
Deposits due to customers	188,530,174	187,765,748
Payable with notice	8,306,199	10,071,670
Payable at fixed dates	180,223,975	177,694,078
	188,530,174	187,765,748
Payable 12 months or less after the reporting period	96,977,911	103,094,203
Payable more than 12 months after the reporting period	91,552,263	84,671,545
	188,530,174	187,765,748

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from **1.5% to 5%** (2016 - 1.5% to 5.5%). **$7,480,083** (2016 - $7,269,654) of these deposits are held as security on loans and advances to customers.

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

14. Other liabilities

	December 31 2017 $	December 31 2016 $
Due to brokers and related customers	1,117,901	1,218,076
ICF loan	748,930	889,236
Other payables	780,968	643,296
	2,647,799	2,750,608
Payable 12 months or less after the reporting period	2,039,092	2,001,592
Payable more than 12 months after the reporting period	608,707	749,016

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%** (2016 - 2% - 3%) per annum.

15. Asset tax payable

	December 31 2017 $	December 31 2016 $
Beginning of year	191,200	142,452
Asset tax expense	781,955	689,813
Asset tax paid	(712,469)	(641,064)
End of year	260,686	191,200

16. Share capital

Authorised:

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

Issued:

	December 31 2017 $	December 31 2016 $
9,210,857 common shares issued (2016 - 9,210,857)	9,210,857	9,210,857

STRENGTH

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

17. Statutory and other reserves

	December 31 2017 $	December 31 2016 $
Balance, beginning of year	4,987,554	4,436,374
Transfer from retained earnings	626,671	551,180
Balance, end of year	5,614,225	4,987,554

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.

18. Net interest income

	December 31 2017 $	December 31 2016 $
Interest income		
Cash and other short term funds	9,694	94,485
Investment securities	195,653	407,163
Finance lease income	762,412	726,351
Credit related fees	617,222	641,175
Loans and advances	16,974,561	16,402,717
	18,559,542	18,271,891
Interest expense		
Due to customers	(6,296,190)	(6,953,700)
Net interest income	12,263,352	11,318,191

At December 31, 2017, interest income accrued on impaired financial assets amounted to **$17,116** (2016 - $11,562).

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

19. Net fee and commission income

	December 31 2017 $	December 31 2016 $
Fee and commission income		
Creditor life and other commissions	190,715	132,533
Fee and commission expense		
Dealer commissions	52,224	52,239
	138,491	80,294

20. Net lease income

	December 31 2017 $	December 31 2016 $
Operating lease income	132,506	218,745
Depreciation expense (Note 10)	(90,106)	(147,753)
Lease repair expense	(522)	(2,786)
	41,878	68,206

21. Other operating income

	December 31 2017 $	December 31 2016 $
Profit on sale of operating lease assets and repossessed stock	283,390	230,768
Lease and other charges	7,410	11,276
	290,800	242,044

GROWTH

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

22. Foreign exchange and brokerage income

	December 31 2017 $	December 31 2016 $
Foreign exchange transaction gains and losses	569,315	509,358
Brokerage fees	179,754	176,906
	749,068	686,264

23. Operating expenses

	December 31 2017 $	December 31 2016 $
Staff costs (Note 24)	3,181,998	3,050,838
Administrative expenses	2,391,075	2,362,889
Depreciation of property, plant and equipment and intangible assets	211,833	192,575
	5,784,906	5,606,302

24. Staff costs

	December 31 2017 $	December 31 2016 $
Salaries and wages	2,835,776	2,675,648
National insurance contributions	161,634	182,521
Pension costs:		
- defined contribution plan	65,125	64,133
Other	119,463	128,536
	3,181,998	3,050,838

TRUST

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

25. Related party transactions

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

	Directors and key management personnel	
	December 31 2017 $	December 31 2016 $
Loans and advances		
Loans and advances outstanding at beginning of year	107,610	140,825
Loans and advances issued during the year	350,261	14,000
Loan repayments during the year	(60,839)	(47,215)
Loans and advances outstanding at end of year	397,031	107,610
Interest income earned	22,099	7,206

No provisions have been recognised in respect of loans given to related parties in 2017 and 2016.

Interest is payable at 6% (2016 - 6%) per annum. These loans are secured predominantly by vehicles and have fixed terms of repayment.

Amounts due from parent company

	December 31 2017 $	December 31 2016 $
CSGK Finance Holdings Ltd.	27,029	39,398

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

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

25. Related party transactions *...continued*

	Directors and key management personnel	
	December 31 2017 $	December 31 2016 $
Deposits		
Deposits at beginning of year	549,020	596,887
Deposits received during the year	454,232	51,443
Deposits repaid during the year	(177,926)	(99,310)
Deposits at end of year	825,326	549,020
Interest expense on deposits	17,102	23,270

Included in amounts due to customers is **$1,026,969** (2016 - $1,000,000) placed by a shareholder of the parent company. Included in loans and advances are finance leases held by a related party in the amount of **$172,975** (2016 - $111,114).

	December 31 2017 $	December 31 2016 $
Key management compensation		
Salaries and benefits	1,245,991	1,074,591

Directors' remuneration

In 2017, the total remuneration to the directors was **$36,000** (2016 - $36,000).

26. 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, 2017
(Amounts in Barbados dollars)

26. Contingent liabilities and commitments ...*continued*

b) Commitments

Rental commitment is as follows:

	December 31 2017 $	December 31 2016 $
Within one year	336,943	275,943
Later than one year but no later than five years	604,408	855,951
	941,351	1,131,894

The Company had loan commitments as follows:

	December 31 2017 $	December 31 2016 $
Loan commitments	5,781,980	6,770,238

27. 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 and internal 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, 2017

(Amounts in Barbados dollars)

27. 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 7 for analysis of loans by industry sector as of December 31, 2017 and December 31, 2016. 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, 2017
(Amounts in Barbados dollars)

27. 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, 2017 and December 31, 2016, 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 2017 $	December 31 2016 $
Credit risk exposure relative to financial assets reported on the balance sheet are as follows:		
Cash resources	21,012,247	21,366,282
Treasury bills	3,996,440	3,996,084
Due from parent company	27,029	39,398
Loans and advances to customers	197,164,528	191,797,615
Other assets	774,494	2,481,614
	222,974,738	219,680,993
Credit risk exposure relative to off-balance sheet items are as follows:		
Loan commitments	5,781,980	6,770,238
	228,756,718	226,451,231

VISION

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management *...continued*

a) Credit risk: *...continued*

The Company's main source of credit risk arises from its loans and advances which are inclusive of net investment in finance lease receivables and when combined with loan commitments, represent **89%** (2016 - 88%) 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.

Cash and cash equivalents as well as short term deposits are all placed with 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.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

a) Credit risk: ...*continued*

Loans and advances to customers are summarised as follows:

December 31, 2017

	Loans and advances		Finance leases		
	Corporate	Individual	Corporate	Individual	Total
	$	$	$	$	$
Neither past due nor impaired	32,730,529	115,629,676	4,866,373	148,530	153,375,108
Past due but not impaired	6,094,668	32,808,738	2,489,150	98,476	41,491,032
Impaired	959,988	3,101,562	551,790	306,407	4,919,747
	39,785,185	151,539,976	7,907,313	553,413	199,785,887
Less: allowances for impairment losses	(888,004)	(1,952,052)	(184,816)	(20,936)	(3,045,808)
	38,897,181	149,587,924	7,722,497	532,477	196,740,079
Other loans and advances					424,449
Total loans and advances to customers					197,164,528

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

a) Credit risk: ...*continued*

December 31, 2016

	Loans and advances		Finance leases		
	Corporate	Individual	Corporate	Individual	Total
	$	$	$	$	$
Neither past due nor impaired	22,647,958	96,301,184	5,002,771	92,112	124,044,025
Past due but not impaired	16,082,688	46,637,415	3,234,127	30,190	65,984,420
Impaired	519,357	3,136,908	495,058	120,333	4,271,656
	39,250,003	146,075,507	8,731,956	242,635	194,300,101
Less: allowances for impairment losses	(608,669)	(2,042,373)	(127,441)	(10,722)	(2,789,205)
	38,641,334	144,033,134	8,604,515	231,913	191,510,896
Other loans and advances					286,719
Total loans and advances to customers					**191,797,615**

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 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 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, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

a) Credit risk: ...*continued*

Company's rating	Description	Impairment Allowance 2017 $	2017 %	2016 $	2016 %
1	Pass	–	–	–	–
2	Special mention	–	–	–	–
3	Substandard	486,515	25	468,878	30
4	Doubtful	367,545	20	311,749	20
5	Loss	1,059,411	55	778,546	50

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, 2017

(Amounts in Barbados dollars)

27. 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, 2017

	Loans and advances		Finance leases		
	Corporate $	Individual $	Corporate $	Individual $	Total $
Internal rating scheme					
1. Pass	23,036,991	100,333,702	4,866,373	148,530	128,385,596
2. Special Mention	9,693,538	15,246,121	–	–	24,939,659
3. Sub-standard	–	49,853	–	–	49,853
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	32,730,529	115,629,676	4,866,373	148,530	153,375,108

December 31 2016

	Loans and advances		Finance leases		
	Corporate $	Individual $	Corporate $	Individual $	Total $
Internal rating scheme					
1. Pass	17,896,065	86,835,800	5,002,771	92,112	109,826,748
2. Special Mention	4,751,893	9,411,648	–	–	14,163,541
3. Sub-standard	–	53,736	–	–	53,736
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	22,647,958	96,301,184	5,002,771	92,112	124,044,025

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management *...continued*

a) Credit risk: *...continued*

78% (2016 - 65%) 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 **$255,203** (2016 - **$557,389**). 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, 2017

	Corporate $	Individual $	Total Loans $
Past due 1 to 5 days	3,157,575	18,304,314	**21,461,889**
Past due 6 to 30 days	1,058,984	5,122,671	**6,181,655**
Past due 31 to 60 days	456,303	6,751,805	**7,208,108**
Past due 61 to 90 days	921,908	1,939,730	**2,861,638**
Past due over 90 days	499,898	690,218	**1,190,116**
	6,094,668	**32,808,738**	**38,903,406**

	Corporate $	Individual $	Finance Leases $
Past due 1 to 5 days	292,107	78,050	**370,157**
Past due 6 to 30 days	1,972,230	20,426	**1,992,656**
Past due over 30 days	224,813	–	**224,813**
	2,489,150	**98,476**	**2,587,626**

GROWTH

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

a) Credit risk: ...*continued*

December 31, 2016

	Corporate $	Individual $	Total Loans $
Past due 1 to 5 days	7,851,622	30,288,100	38,139,722
Past due 6 to 30 days	4,713,411	4,146,415	8,859,826
Past due 31 to 60 days	1,900,310	7,352,089	9,252,399
Past due 61 to 90 days	317,624	3,389,652	3,707,276
Past due over 90 days	1,299,721	1,461,159	2,760,880
	16,082,688	46,637,415	62,720,103

	Corporate $	Individual $	Finance Leases $
Past due 1 to 5 days	132,962	–	132,962
Past due 6 to 30 days	2,879,658	30,190	2,909,848
Past due over 30 days	221,507	–	221,507
	3,234,127	30,190	3,264,317

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.

TRUST

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management *...continued*

a) Credit risk: *...continued*

Impairment and provisioning policies: ...continued

As at December 31, 2017, the total allowance for impairment against loans and advances to customers amounted to **$3,045,808** (2016 - $2,789,205) of which **$1,132,337** (2016 - $1,230,032) represents the collective portfolio provision. Included within Note 7 is an analysis showing the movement in this allowance during the year ended December 31, 2017 and December 31, 2016.

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

	December 31 2017 $	December 31 2016 $
Fair value of collateral	2,353,831	2,235,255

b) Market risk:

Market risk is the risk that changes in market prices such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the value of its financial instruments. 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.

27. 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, 2017 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.

Management reserves the right to adjust interest rates to address negative interest rate exposure.

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

27. 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, 2017

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non interest bearing $	Total $
Assets						
Cash resources	15,132,854	–	–	–	5,879,393	21,012,247
Financial investments	3,996,440	–	–	–	318,565	4,315,005
Due from parent	–	–	–	–	27,029	27,029
Loans and advances to customers	11,315,530	32,784,330	116,904,453	36,160,215	–	197,164,528
Other assets	–	–	–	–	774,494	774,494
Total financial assets	30,444,824	32,784,330	116,904,453	36,160,215	6,999,481	223,293,303
Liabilities						
Customer deposits	35,775,439	61,202,472	91,552,263	–	–	188,530,174
Other liabilities	35,055	105,165	499,895	108,815	1,543,852	2,292,782
Total financial liabilities	35,810,494	61,307,637	92,052,158	108,815	1,543,852	190,822,956
Total repricing gap	(5,365,670)	(28,523,307)	24,852,295	36,051,140	5,455,629	32,470,347

COMMITMENT

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management *...continued*

b) Market risk: *...continued*

Interest rate risk ...continued

December 31, 2016

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non interest bearing $	Total $
Assets						
Cash resources	15,586,920	–	–	–	5,779,362	21,366,282
Financial investments	3,996,084	–	–	–	318,565	4,314,649
Due from parent	–	–	–	–	39,398	39,398
Loans and advances to customers	9,605,999	32,188,035	112,362,742	37,640,839	–	191,797,615
Other assets	–	–	–	–	2,481,614	2,481,614
Total financial assets	29,189,003	32,188,035	112,362,742	37,640,839	8,618,939	219,999,558
Liabilities						
Customer deposits	36,635,847	66,458,356	84,671,545	–	–	187,765,748
Other liabilities	35,055	105,165	531,177	217,839	1,691,733	2,580,969
Total financial liabilities	36,670,902	66,563,521	85,202,722	217,839	1,691,733	190,346,717
Total repricing gap	(7,481,899)	(34,375,486)	27,160,020	37,423,000	6,927,206	29,652,841

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

27. 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 the 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, 2017, all the Company's financial assets and liabilities are denominated in Barbados Dollars with the exception of **$0.933** (2016 - $1.748) million in cash and **$0.689** (2016 - $1.166) million in liabilities.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to price risk because of investments held and classified on the balance sheet as available-for-sale financial assets. The Company mitigates this risk by holding a portfolio of securities within specified limits set by the ALCO. An increase/decrease of +/- 10.00% would result in an increase/decrease of **$31,857** in the carrying values of equity investments.

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;

27. Financial instruments, financial risk and capital management ...*continued*

c) Liquidity risk: ...*continued*

- 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 $13 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%** (2016 - 6.8%). The line of credit of $10 million currently has an effective rate of **7.7%** (2016 - 7.7%).

No amounts have been drawn down on these facilities at December 31, 2017 and December 31, 2016. 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, 2017
(Amounts in Barbados dollars)

27. 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 3 months $	3 - 12 months $	1-5 years $	Over 5 years $	Total $
December 31, 2017					
Due to customers	35,867,599	61,201,512	100,267,933	–	197,337,044
Other liabilities	1,424,078	514,206	543,393	112,874	2,594,551
Loan commitments	5,781,980	–	–	–	5,781,980
Total financial liabilities	43,073,657	61,715,718	100,811,326	112,874	205,713,575

	Up to 3 months $	3 - 12 months $	1-5 years $	Over 5 years $	Total $
December 31, 2016					
Due to customers	36,739,387	66,932,533	94,454,544	–	198,126,464
Other liabilities	1,436,708	452,785	590,359	226,969	2,706,821
Loan commitments	6,770,238	–	–	–	6,770,238
Total financial liabilities	44,946,333	67,385,318	95,044,903	226,969	207,603,523

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, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

d) Fair value:

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy based on the degree to which the fair values are observable as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.
- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices).
- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

The following table shows the financial assets carried at fair value at December 31 on a recurring basis by level of the fair value hierarchy.

2017	Level 1 $	Level 2 $	Level 3 $	Total $
Available-for-sale:				
Equity investments	–	–	318,565	318,565
Total assets	**–**	**–**	**318,565**	**318,565**

2016	Level 1 $	Level 2 $	Level 3 $	Total $
Available-for-sale:				
Equity investments	–	–	318,565	318,565
Total assets	**–**	**–**	**318,565**	**318,565**

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

d) Fair value: ...*continued*

The table below provides information about the fair value measurements using significant unobservable inputs (Level 3).

Description	Fair value at December 31, 2017 $	Fair value at December 31, 2016 $	Valuation technique	Unobservable inputs	Range of inputs 2017	Range of inputs 2016	Relationship of unobservable inputs to fair value
Equity investments	**318,565**	318,565	Discounted cash flows	Discount for lack of marketability and liquidation	**30%**	30%	The effect of a 1% increase would decrease the fair value by $3,511 and a 1% decrease would increase the fair value by $3,466

The following table presents the movement in Level 3 instruments for the year.

	December 31 2017 $	December 31 2016 $
Beginning of year	**318,565**	–
Additions	**–**	318,565
End of year	**318,565**	318,565

The fair value hierarchy of other financial instruments not carried at fair value but for which fair value disclosure is required is set out below. Of the Company's financial assets amounting to **$223,293,303** (2016 - $219,999,558), $222,974,738 falls within the IAS 39 category of loans and receivables whereas $318,565 falls within the category of available-for-sale. The Company's financial liabilities amounting to **$190,822,963** (2016 - $190,346,724) all fall within the IAS 39 category of financial liabilities measured at amortised cost.

STRENGTH

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

d) Fair value: ...*continued*

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:

	December 31, 2017		December 31, 2016	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Loans and advances to customers				
Individuals	150,563,110	151,804,951	144,585,278	149,655,052
Corporate and other entities	46,601,418	47,166,162	47,212,337	45,280,700
Financial liabilities				
Due to customers				
Financial Institutions	28,212,577	28,061,123	24,160,043	23,941,851
Individuals	113,735,858	113,589,072	116,899,197	113,807,631
Business and government	44,369,312	44,217,006	44,438,149	43,939,032
Other	2,212,427	2,205,976	2,268,359	2,251,953

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, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

d) Fair value: ...*continued*

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.

December 31, 2017

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash resources	21,012,247	–	–	21,012,247
Treasury bills	–	3,996,440	–	3,996,440
Due from parent company	–	27,029	–	27,029
Other assets	–	774,494	–	774,494
Total	**21,012,247**	**4,797,963**	**–**	**25,810,210**
Liabilities				
Other liabilities	–	2,292,789	–	2,292,789
Total	**–**	**2,292,789**	**–**	**2,292,789**

GROWTH

Notes to Financial Statements

December 31, 2017
(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

d) Fair value: ...*continued*

December 31, 2016

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash resources	21,366,282	–	–	21,366,282
Treasury bills	–	3,996,084	–	3,996,084
Due from parent company	–	39,398	–	39,398
Other assets	–	2,481,614	–	2,481,614
Total	**21,366,282**	**6,517,096**	**–**	**27,883,378**
Liabilities				
Other liabilities	–	2,580,976	–	2,580,976
Total	**–**	**2,580,976**	**–**	**2,580,976**

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.

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.

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

27. Financial instruments, financial risk and capital management ...*continued*

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.

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, 2017, the Company's capital adequacy ratio was **21.17%** (2016 - 19.93%).

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.

Notes to Financial Statements

December 31, 2017

(Amounts in Barbados dollars)

27. 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 2017 $	December 31 2016 $
Tier 1 Capital		
Share capital	9,210,857	9,210,857
Statutory and other reserves	5,614,225	4,987,554
Retained earnings	19,664,245	17,618,529
Total qualifying Tier 1 capital	34,489,327	31,816,940
Risk-weighted assets		
On-balance sheet	157,163,212	152,905,162
Off-balance sheet	5,781,980	6,770,238
Total risk-weighted assets	162,945,192	159,675,400
Capital adequacy ratio	21.17%	19.93%

Notes

COMMITMENT

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VISION

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