SigniaGlobe Financial Group Inc.
(formerly Signia Financial Group Inc.)

Financial Statements
December 31, 2018
(Amounts in Barbados dollars)

SigniaGlobe Financial Group Inc.
(formerly Signia Financial Group Inc.)

TABLE OF CONTENTS

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Independent auditor's report

To the Shareholder of SigniaGlobe Financial Group Inc.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SigniaGlobe Financial Group Inc. (formerly Signia Financial Group Inc.) (the Company) as at December 31, 2018, 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, 2018;
- the statement of changes in equity for the year then ended;
- the statement of comprehensive income 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, 2018 (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.

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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. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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

Bridgetown, Barbados
July 31, 2019

SigniaGlobe Financial Group Inc.
(formerly Signia Financial Group Inc.)
Balance Sheet
As at December 31, 2018

(Amounts in Barbados dollars)

	Notes	December 31 2018 $	December 31 2017 $
Assets			
Cash resources	4	**73,287,557**	21,012,247
Due from parent company	5	**28,886**	27,029
Financial investments	6	**8,659,080**	4,315,005
Loans and advances to customers	7	**345,248,962**	197,164,528
Property, plant and equipment	8	**5,954,652**	545,164
Intangible assets	9	**2,791,755**	13,884
Operating lease assets	10	**5,052,265**	209,364
Other assets	11	**5,894,047**	3,240,148
Deferred tax asset	12	–	203,232
Total assets		**446,917,204**	226,730,601
Liabilities			
Due to customers	13	**388,755,183**	188,530,174
Other liabilities	14	**7,580,238**	2,647,799
Shareholder loan	16	**11,371,936**	–
Asset tax payable	15	**542,997**	260,686
Current tax payable		**1,095,396**	802,615
Deferred tax liability	12	**62,016**	–
Total liabilities		**409,407,766**	192,241,274
Equity			
Share capital	17	**9,210,857**	9,210,857
Statutory and other reserves	18	**6,422,345**	5,614,225
Retained earnings		**21,876,236**	19,664,245
		37,509,438	34,489,327
Total liabilities and equity		**446,917,204**	226,730,601

Approved by the Board of Directors on July 30, 2019

Geoffrey Cave Director

Director

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

SigniaGlobe Financial Group Inc.
(formerly Signia Financial Group Inc.)

Statement of Changes in Equity

For the year ended December 31, 2018

(Amounts in Barbados dollars)

	Share capital $	Statutory and other reserves $	Retained earnings $	Total $
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 18)	–	626,671	(626,671)	–
Balance at December 31, 2017	**9,210,857**	**5,614,225**	**19,664,245**	**34,489,327**
Balance at January 1, 2018	9,210,857	5,614,225	19,664,245	34,489,327
Changes on initial application of IFRS 9 (note 2c)	–	–	(672,730)	(672,730)
Restated balance at January 1, 2018	9,210,857	5,614,225	18,991,515	33,816,597
Dividends (18.40 cents per share)	–	–	(1,694,631)	(1,694,631)
Profit for the year	–	–	5,412,092	5,412,092
Other comprehensive loss	–	–	(24,620)	(24,620)
Total comprehensive income	–	–	5,387,472	5,387,472
Transfer to statutory reserves (note 18)	–	808,120	(808,120)	–
Balance at December 31, 2018	**9,210,857**	**6,422,345**	**21,876,236**	**37,509,438**

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

SigniaGlobe Financial Group Inc.
(formerly Signia Financial Group Inc.)
Statement of Comprehensive Income
For the year ended December 31, 2018

(Amounts in Barbados dollars)

	Notes	December 31 2018 $	December 31 2017 $
Interest income		**21,836,422**	18,559,542
Interest expense		**(7,740,214)**	(6,296,190)
Net interest income	19	**14,096,208**	12,263,352
Impairment losses on loans and advances	7	**(2,726,458)**	(1,327,617)
Impairment losses on financial investments		**(262,549)**	–
Total impairment losses		**(2,989,007)**	(1,327,617)
Net interest income after impairment charges		**11,107,201**	10,935,735
Fee and commission income	20	**209,368**	190,715
Fee and commission expense	20	**(78,397)**	(52,224)
Net fee and commission income		**130,971**	138,491
Net lease income	21	**211,072**	41,878
Other operating income	22	**382,453**	290,800
Foreign exchange and brokerage income	23	**855,674**	749,068
Negative goodwill	29	**2,900,000**	–
Asset tax expense	15	**(1,070,606)**	(781,955)
Operating expenses	24	**(9,432,224)**	(5,784,906)
Profit before corporation tax		**5,084,541**	5,589,111
Taxation	12	**327,551**	(1,411,306)
Profit for the year		**5,412,092**	4,177,805
Other comprehensive income:			
Items that will not be reclassified to income			
Deferred income tax on remeasurement of employee benefits		**(24,620)**	–
Total comprehensive income for the year		**5,387,472**	4,177,805

The accompanying notes are an integral part of these financial statement

SigniaGlobe Financial Group Inc.
(formerly Signia Financial Group Inc.)
Statement of Cash Flows
For the year ended December 31, 2018

(Amounts in Barbados dollars)

	December 31 2018 $	December 31 2017 $
Cash flows from operating activities		
Profit before corporation tax	**5,084,541**	5,589,111
Adjustments for:		
Depreciation of property, plant and equipment and operating lease assets and amortisation of intangible assets	**1,249,219**	301,939
Impairment losses on financial assets	**2,989,007**	1,327,617
Gain on disposal of property, plant and equipment	**(4,947)**	(26,663)
Negative goodwill	**(2,900,000)**	–
Interest income	**(21,836,422)**	(18,559,542)
Interest expense	**7,740,214**	6,296,190
Gain on sale of operating lease assets and repossessed stock	**(126,596)**	(27,353)
	(7,804,984)	(5,098,701)
Changes in working capital		
Increase in restricted cash	**(695,056)**	(100,031)
(Increase)/decrease in due from parent company	**(1,857)**	12,369
Increase in loans and advances to customers	**(9,565,323)**	(6,599,052)
Net change in operating lease assets	**392,231**	(4,621)
(Increase)/decrease in other assets	**(1,082,909)**	1,296,878
Increase in due to customers	**27,463,804**	744,825
Increase/(decrease) in other liabilities	**2,266,254**	(77,806)
Increase in asset tax payable	**96,310**	69,486
Fees received	**545,082**	472,325
Taxation paid	**(1,508,457)**	(1,168,553)
Interest paid	**(7,452,944)**	(6,276,586)
Interest received	**21,329,594**	17,966,373
Net cash generated from operating activities	**23,981,745**	1,236,906
Cash flows generated from investing activities		
Cash acquired in acquisition (note 29)	**23,817,575**	–
Purchase of property, plant and equipment and intangible assets	**(227,111)**	(212,833)
Proceeds from the sale of property, plant and equipment	**29,680**	27,279
Purchase of treasury bills	**(12,502,266)**	(15,870,400)
Maturity of treasury bills	**12,473,427**	15,870,400
Purchase of financial investments	**(6,000,000)**	(8,500,000)
Maturity of financial investments	**6,000,000**	8,500,000
Net cash generated from/(used in) investing activities	**23,591,305**	(185,554)

SigniaGlobe Financial Group Inc.
(formerly Signia Financial Group Inc.)
Statement of Cash Flows
For the year ended December 31, 2018

(Amounts in Barbados dollars)

	December 31 2018 $	December 31 2017 $
Cash flows from financing activities		
Payment of dividends	**(1,694,631)**	(1,505,418)
Net increase/(decrease) in cash and cash equivalents	**45,878,419**	(454,066)
Cash and cash equivalents - beginning of year	**15,132,854**	15,586,920
Cash and cash equivalents - end of year	**61,011,273**	15,132,854
Represented by:		
Cash at bank (Note 4)	**59,009,011**	13,129,834
Short term deposits (Note 4)	**2,002,262**	2,003,020
	61,011,273	15,132,854
Non-cash investing and financing activities		
Payment for acquisition of Globe Finance (Note 29)	**(11,371,936)**	–
Proceeds from shareholder loan (Note 16)	**11,371,936**	–

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

(Amounts in Barbados dollars)

1 Incorporation, ownership and principal activities

Signia Financial Group Inc. 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. On September 4, 2018 Signia Financial Group Inc. changed its name to SigniaGlobe Financial Group Inc. (the Company) and acquired Globe Finance Inc. a company incorporated under the Laws of Barbados, licensed under the Financial Institutions Act and engaged in lending, motor vehicle leasing and deposit taking (note 29).

The Company's 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.

The Company's principal place of business is 'Shirley House', Hastings Main Road, Christ Church, 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 changes in equity, the statement of comprehensive income, the statement of cash flows and the notes to the financial statements.

These financial statements are prepared under the historical cost as modified by the revaluation of financial assets at FVOCI.

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.

(Amounts in Barbados dollars)

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

a) Basis of preparation *...continued*

Standards, amendments and interpretations effective in 2018

The following amendments to published standards are mandatory for accounting periods beginning on or after January 1, 2018.

- IFRS 9 'Financial instruments' (effective January 1, 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The impact of the adoption of IFRS 9 is disclosed further in note 2 (c).
- IFRS 15 'Revenue from contracts with customers' (effective January 1, 2018). This is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The adoption of the standard has no material impact to the Company.
- Annual improvements 2014-2016 (effective January 1, 2018). These amendments impact two standards: IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10. IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture 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 new standards that are not yet effective that have been early adopted by the Company.

(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*

- IFRS 16 'Leases' was issued in January 2016 and is 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.

- IFRIC 23 'Uncertainty over income tax measurements' This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explain how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is currently assessing the impact of this interpretation.

(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

i) Financial assets - Policies under IFRS 9 applicable in 2018

The Company has adopted IFRS 9 with a date of transition of January 1, 2018. The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification, measurement and impairment of financial assets.

As permitted by IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings of the current period.

Classification and subsequent measurement

From January 1, 2018, the Company has classified its financial assets in the following measurement categories:

- Amortised cost or
- Fair value through other comprehensive income (FVOCI).

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:
- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

(Amounts in Barbados dollars)

2 Summary of significant accounting policies *…continued*

c) Financial assets *…continued*

i) Financial assets - Policies under IFRS 9 …continued

Business model test:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

Solely Payments of Principal and Interest test (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(Amounts in Barbados dollars)

2 Summary of significant accounting policies *…continued*

c) Financial assets *…continued*

i) Financial assets - Policies under IFRS 9 …continued

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Company subsequently measures equity investments at fair value through profit or loss unless the asset is not held for trading purposes and the Company makes an irrevocable election to designate the assets as FVOCI. This election is made on an instrument by instrument basis. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

The Company has elected to irrevocably designate at FVOCI its existing non-trading equity portfolio.

Credit risk measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

For debt securities, the Company examines the issuer's capital adequacy, financial performance, and liquidity position, to assess whether the issuer has experience significant increase in credit risk since the origination of the assets. The Company also considers if there is any negative press or adverse market information that may indicate changes in credit risk.

(Amounts in Barbados dollars)

2 Summary of significant accounting policies *…continued*

c) Financial assets *…continued*

i) Financial assets - Policies under IFRS 9 …continued

For loans and receivables, delinquency status is utilised as the main indicator for changes in credit risk. Credit management actions are triggered by movement in days past due. Accounts that are 30 days past due are considered to have experienced significant increase in credit risk. This criteria is also a backstop prescribed by IFRS 9. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cashflow/liquidity problems
- In short-term forbearance
- Known adverse change in financial conditions
- Known adverse changes in business or economic conditions in which the borrower operates

For debt securities, default is defined as the miss of contractual payment of principal or interests. For loans and receivables, the Company defines default based on the following criteria:
Quantitative criteria

- The borrower is more than 90 days past due on its contractual payments

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. Examples of these instances are:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenants

The criteria above are consistent with the definition of default used for internal credit risk management purposes.

Impairment measurement

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and the exposure arising from loan commitments. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(Amounts in Barbados dollars)

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

c) Financial assets *…continued*

i) Financial assets - Policies under IFRS 9 …continued

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future periods and for each individual exposure or collective segment. These three components are multiplied together and adjusted for forward looking information. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Forward-looking information

When incorporating forward looking information, such as macroeconomic forecasts, into determination of expected credit losses, the Company considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators utilised include but are not limited to GDP growth, unemployment rate and inflation rate. These variables and their associated impact on the ECL varies by financial instrument. Judgment has been applied in this process.

In addition to the base economic scenario, the Company also incorporated upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes each chosen scenario is representative of.

(Amounts in Barbados dollars)

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

c) Financial assets *...continued*

ii) Financial assets - Policies under IAS 39

Until the adoption of IFRS 9, the Company classified its financial assets in accordance with the following IAS 39 categories: loans and receivables and available-for-sale. Management determined 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.

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.

(Amounts in Barbados dollars)

2 Summary of significant accounting policies *…continued*

c) Financial assets *…continued*

ii) Financial assets - Policies under IAS 39 …continued

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.

(Amounts in Barbados dollars)

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

c) Financial assets *…continued*

ii) Financial assets - Policies under IAS 39 …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.

iii) Reconciliation of balance sheet balances from IAS 39 to IFRS 9

The classification and measurement category and the carrying amount of financial assets in accordance with IAS 39 and IFRS 9 at January 1, 2018 are compared as follows:

	IAS 39 Measurement	Carrying value December 31, 2017 $	IFRS 9 Measurement	Carrying value January 1, 2018 $
Loans and receivables	Amortised cost	197,164,528	Amortised cost	197,531,340
Other assets	Amortised cost	3,240,148	Amortised cost	3,185,989
Available for sale-equity	FVOCI	318,565	FVOCI	318,565
Treasury bills	Amortised cost	3,996,440	Amortised cost	3,011,057
		204,719,681		204,046,951

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on January 1, 2018:

(Amounts in Barbados dollars)

2 Summary of significant accounting policies *…continued*

c) Financial assets *…continued*

iii) Reconciliation of balance sheet balances from IAS 39 to IFRS 9…continued

	IAS 39 carrying amount December 31, 2017 $	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018 $
Loans and advances				
Opening balance under IAS 39	197,164,528	–	–	197,164,528
Re-measurement: ECL allowance	–	–	366,812	366,812
Closing balance under IFRS 9	197,164,528	–	366,812	197,531,340
Other assets				
Opening balance under IAS 39	3,240,148	–	–	3,240,148
Re-measurement: ECL allowance	–	–	(54,159)	(54,159)
Closing balance under IFRS 9	3,240,148	–	(54,159)	3,185,989
Financial investments				
Opening balance under IAS 39	3,996,440	–	–	3,996,440
Re-measurement: ECL allowance	–	–	(985,383)	(985,383)
Closing balance under IFRS 9	3,996,440	–	(985,383)	3,011,057
Total financial assets - amortised cost	204,401,116	–	(672,730)	203,728,386

	IAS 39 carrying amount December 31, 2017 $	Reclass-ifications	Remeasure-ments	IFRS 9 carrying amount January 1, 2018 $'000
Financial investments at FVOCI				
Opening balance under IAS 39	318,565	–	–	318,565
Re-measurement ECL allowance	–	–	–	–
Closing balance under IFRS 9	318,565	–	–	318,565
Total financial assets at FVOCI	318,565	–	–	318,565

d) Financial liabilities

Financial liabilities are initially measured at fair value and then subsequently at amortised cost, and are primarily deposits from customers or banks.

(Amounts in Barbados dollars)

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

e) 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.

f) 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.

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:

Buildings	-	2%
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.

(Amounts in Barbados dollars)

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

g) Intangible assets

Intangible assets acquired in a business combination are recognised at their estimated fair values at the acquisition date. The intangible assets have a finite useful life and are carried at estimated realisable value less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the intangible assets which is 15 years for the Globe Finance Brand and 8 years for Core Deposits.

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.

h) 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.

i) 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’.

j) 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.

(Amounts in Barbados dollars)

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

k) 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.

l) 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.

m) 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.

n) Employee retirement benefits

The Company's employees are members of the Cave Shepherd & Co. Limited 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.

(Amounts in Barbados dollars)

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

o) 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.

p) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquiree comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the company

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

(Amounts in Barbados dollars)

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 estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future periods and for each individual exposure or collective segment. These three components are multiplied together and adjusted for forward looking information. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Forward-looking information

When incorporating forward looking information, such as macroeconomic forecasts, into determination of expected credit losses, the Company considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators utilised include but are not limited to GDP growth, unemployment rate and inflation rate. These variables and their associated impact on the ECL varies by financial instrument. Expert judgment has been applied in this process.

In addition to the base economic scenario, the Company also incorporated upside and downside scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The attributes of scenarios are reassessed at each reporting date. The scenario weightings takes account of the range of possible outcomes each chosen scenario is representative of.

(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 28 (d).

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.

In August 2018, the corporation tax rate for Barbados was increased from 25% to 30%. Subsequent to the year end, the Government of Barbados announced the reduction of corporate income tax rates to a sliding scale of 5.50% to 1% for fiscal periods beginning January 1, 2019.

4 Cash resources

	December 31 2018 $	**December 31 2017 $**
Cash at bank	**59,009,011**	13,129,834
Short term deposits	**2,002,262**	2,003,020
Restricted cash	**12,276,284**	5,879,393
Total cash resources	**73,287,557**	21,012,247

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, 2018 the Company was required to hold **$11,583,416** (2017 - $5,826,916) in mandatory deposits.

5 Due from parent company

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

(Amounts in Barbados dollars)

6 Financial investments

	Treasury bills at amortised cost $	Debt securities at amortised cost $	Equity Investments at FVOCI $	Total $
Balance December 31, 2017	3,996,440	–	318,565	4,315,005
Acquired from Globe Finance	–	8,000,000	–	8,000,000
Derecognition of GOB securities	(3,996,440)	(8,000,000)	–	(11,996,440)
Recognition of GOB securities	1,819,028	10,330,501	–	12,149,529
Ending gross financial investments	1,819,028	10,330,501	318,565	12,468,094
Less: Impairment on initial application of IFRS 9	(985,383)	–	–	(985,383)
Less: Globe Finance impairment allowance	–	(1,810,761)	–	(1,810,761)
Less: increase in impairment allowance	257,772	(1,270,642)	–	(1,012,870)
Balance December 31, 2018	**1,091,417**	**7,249,099**	**318,565**	**8,659,080**

7 Loans and advances to customers

	Corporate 2018 $	Individual 2018 $	Total December 2018 $
Opening gross loans and advances	47,437,073	152,773,263	200,210,336
Acquired from Globe Finance	60,498,788	87,742,233	148,241,021
Movement in loans and advances	1,127,908	5,833,602	6,961,510
Ending gross loans and advances	109,063,769	246,349,098	355,412,867
Less: Globe Finance impairment losses	(2,888,439)	(4,435,931)	(7,324,370)
Less: increase in impairment losses	(1,118,965)	(1,720,570)	(2,839,535)
Balance, end of year	**105,056,365**	**240,192,597**	**345,248,962**

(Amounts in Barbados dollars)

7 Loans and advances to customers *…continued*

	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**

Analysis of loans by industry sector

	December 31 2018 $	December 31 2017 $
Education	**149,082**	90,366
Financial corporations	**5,607,853**	5,577,560
Manufacturing	**2,042,865**	1,490,001
Transport, storage and communication	**7,295,063**	5,801,221
Hotels and restaurants	**2,011,745**	332,734
Agriculture	**9,289,579**	628,090
Health and social work	**7,119,204**	1,469,232
Construction	**6,859,728**	2,033,143
Electricity, gas and water supply	**1,112,107**	–
Real estate, renting and other business	**77,996,434**	30,691,437
Individuals and individual trusts	**235,929,207**	152,096,552
	355,412,867	200,210,336
Receivable 12 months or less after the reporting period	**82,668,600**	46,077,107
Receivable more than 12 months after the reporting period	**272,744,267**	154,133,229
	355,412,867	200,210,336

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

(Amounts in Barbados dollars)

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

Impairment losses on loans and advances

	December 31 2018 $	December 31 2017 $
Increase in impairment losses on loans and advances	**3,084,231**	1,453,353
Amounts written off during the year as uncollectible	**99,092**	47,691
	3,183,323	1,501,044
Amounts received on loans previously written off	**(456,865)**	(173,427)
	2,726,458	1,327,617

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

Gross investment in finance lease receivables:

	December 31 2018 $	December 31 2017 $
No later than 1 year	**5,791,482**	2,901,477
Later than 1 year but no later than 5 years	**14,633,295**	6,500,464
	20,424,777	9,401,941
Unearned future finance income on finance leases	**(2,391,030)**	(1,146,967)
Net investment in finance lease receivables	**18,033,747**	8,254,974

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

No later than 1 year	**4,826,359**	2,398,669
Later than 1 year but no later than 5 years	**13,207,388**	5,856,305
	18,033,747	8,254,974

The carrying amount of finance lease receivables includes **$5,752,363** (2017 - $3,321,843) of unguaranteed residual value accruing to the benefit of the Company.

(Amounts in Barbados dollars)

8 Property, plant and equipment

	Land & buildings $	Leasehold improvements $	Computers $	Furniture & equipment $	Motor vehicles $	Total $
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
Year ended December 31, 2018						
Opening net book amount	–	44,995	92,219	147,930	260,020	545,164
Additions	–	12,707	85,631	36,776	91,995	227,109
Acquired from Globe Finance	4,990,573	–	27,003	388,850	110,885	5,517,311
Disposals	–	–	–	–	(24,733)	(24,733)
Depreciation charge	(48,838)	(41,590)	(57,888)	(67,986)	(93,897)	(310,199)
Closing net book value	**4,941,735**	**16,112**	**146,965**	**505,570**	**344,270**	**5,954,652**
At December 31, 2018						
Cost	4,990,573	432,101	798,661	984,426	617,022	7,822,783
Accumulated depreciation	(48,838)	(415,989)	(651,696)	(478,856)	(272,752)	(1,868,131)
Net book value	**4,941,735**	**16,112**	**146,965**	**505,570**	**344,270**	**5,954,652**

(Amounts in Barbados dollars)

9 Intangible assets

	Brand $	Core deposits $	Computer software $	Total $
As at December 31, 2017				
Cost	–	–	404,571	404,571
Accumulated depreciation	–	–	(390,687)	(390,687)
Net book value	–	–	13,884	13,884
Year ended December 31, 2018				
Opening net book value	–	–	13,884	13,884
Additions	400,000	2,500,000	–	2,900,000
Amortisation charge	(8,889)	(104,167)	(9,073)	(122,129)
Closing net book value	**391,111**	**2,395,833**	**4,811**	**2,791,755**
At December 31, 2018				
Cost	400,000	2,500,000	404,571	3,304,571
Accumulated depreciation	(8,889)	(104,167)	(399,760)	(512,816)
Net book value	**391,111**	**2,395,833**	**4,811**	**2,791,755**

The Company recorded $2,900,000 in intangible assets following the acquisition of Globe Finance (note 29).

(Amounts in Barbados dollars)

10 Operating lease assets

Leased vehicles

	December 31 2018 $	December 31 2017 $
Cost		
Beginning of year	**316,002**	421,301
Acquired from Globe Finance	**5,957,791**	–
Additions	**113,970**	160,751
Transfer to repossessed stock	**(63,677)**	(37,745)
Disposals	**(474,132)**	(228,305)
End of year	**5,849,954**	316,002
Accumulated depreciation		
Beginning of year	**106,638**	127,434
Charge for the year (note 21)	**816,891**	90,106
Transfer to repossessed stock	**(8,549)**	(11,373)
Disposals	**(117,291)**	(99,529)
End of year	**797,689**	106,638
Net book value		
End of year	**5,052,265**	209,364
Beginning of year	**209,364**	293,867

(Amounts in Barbados dollars)

11 Other assets

	December 31 2018 $	December 31 2017 $
Prepaid expenses	**561,325**	371,901
Other receivables	**2,937,969**	887,643
Repossessed or end of lease stock	**2,117,228**	1,717,512
VAT recoverable	**277,525**	263,092
	5,894,047	3,240,148
Receivable 12 months or less after the reporting period	**5,857,471**	3,231,277
Receivable more than 12 months after the reporting period	**36,575**	8,871
	5,894,047	3,240,148

12 Taxation

	December 31 2018 $	December 31 2017 $
Current tax charge	**1,825,386**	1,414,638
Deferred tax credit	**(2,152,937)**	(3,332)
	(327,551)	1,411,306

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

	December 31 2018 $	December 31 2017 $
Profit before corporation tax	**5,084,541**	5,589,111
Corporation tax at a tax rate of 30% (2017 - 25%)	**1,525,362**	1,397,278
Income subject to tax at different rate	**(18,496)**	(16,245)
Income not subject to tax	**(245,442)**	(6,340)
Expenses not deductible for tax	**99,896**	1,035
Prior year (over)/under provision - current tax	**(19,135)**	35,578
Prior year over provision - deferred tax	**(153,763)**	–
Current year under provision	**809,874**	–
Tax effect of rate at which deferred tax is computed	**241,010**	–
Effect of change in tax rate during the year on deferred tax balance	**(1,911,755)**	–
Taxation charge for the year	**327,551**	1,411,306

(Amounts in Barbados dollars)

12 Taxation *...continued*

The movement on the deferred tax account is as follows:

	December 31 2018 $	December 31 2017 $
Balance - beginning of year	**203,232**	199,900
Acquired from Globe Finance	**(2,418,185)**	–
Deferred tax credit for the year	**2,152,937**	3,332
Balance - end of year	**(62,016)**	203,232

The deferred tax (liability)/asset consists of the following components:

	December 31 2018 $	December 31 2017 $
Accelerated tax depreciation	**(3,147,141)**	(319,410)
Collective allowance for impairment losses	**1,629,807**	1,132,337
Severance payments accrued	**373,886**	–
Interest accrued not yet received	**(532,660)**	–
	(1,676,108)	812,927
Deferred tax (liability)/asset at corporation tax rate of 3.7% (2017 - 25%)	**(62,016)**	203,232

(Amounts in Barbados dollars)

13 Due to customers

	December 31 2018 $	December 31 2017 $
Financial institutions		
Payable with notice	**28,984**	–
Payable at fixed dates	**51,773,668**	28,212,577
Individuals		
Payable with notice	**5,503,005**	4,168,500
Payable at fixed dates	**240,324,982**	109,567,358
Business and government		
Payable with notice	**8,634,434**	4,137,699
Payable at fixed dates	**80,312,930**	40,231,613
Other		
Payable at fixed dates	**2,177,180**	2,212,427
Deposits due to customers - payable with notice at fixed dates	**388,755,183**	188,530,174
Payable with notice	**14,166,423**	8,306,199
Payable at fixed dates	**374,588,760**	180,223,975
	388,755,183	188,530,174
Payable 12 months or less after the reporting period	**237,177,814**	96,977,911
Payable more than 12 months after the reporting period	**151,577,369**	91,552,263
	388,755,183	188,530,174

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from **1.5% to 7%** (2017 - 1.5% to 5.5%). **$2,530,242** (2017 - $7,480,083) of these deposits are held as security on loans and advances to customers.

(Amounts in Barbados dollars)

14 Other liabilities

	December 31 2018 $	December 31 2017 $
Due to brokers and related customers	**4,378,946**	1,117,901
ICF loan	**608,681**	748,930
Other payables	**2,592,611**	780,968
	7,580,238	2,647,799
Payable 12 months or less after the reporting period	**7,103,673**	2,039,092
Payable more than 12 months after the reporting period	**476,565**	608,707

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%** (2017 - 2% - 3%) per annum.

15 Asset tax payable

	December 31 2018 $	December 31 2017 $
Beginning of year	**260,686**	191,200
Asset tax expense	**1,070,606**	781,955
Asset tax paid	**(788,295)**	(712,469)
End of year	**542,997**	260,686

(Amounts in Barbados dollars)

16 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 volume 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 2018 $	**December 31 2017 $**
Loans and advances		
Loans and advances outstanding at beginning of year	**397,031**	107,610
Loans and advances issued during the year	**3,935,782**	350,261
Loan repayments during the year	**(206,313)**	(60,839)
Loans and advances outstanding at end of year	**4,126,500**	397,031
Interest income earned	**22,894**	22,099

Included in the loans to related parties is a loan to a shareholder of the parent company issued during the year for $3,880,000. This loan is secured and has an interest rate of 5.5% per annum. Interest is payable monthly. The principal is payable in semi-annual installments of $970,000 beginning June 2019.

No provisions have been recognised in respect of loans given to related parties in 2018 or 2017.

Interest is payable on all other loans and advances at **5.5% - 6%** (2017 - 6%) per annum.

Amounts due from parent company

	December 31 2018 $	**December 31 2017 $**
CSGK Finance Holdings Limited	**28,886**	27,029

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

(Amounts in Barbados dollars)

16 Related party transactions *...continued*

Shareholder loan

During 2018, the Company entered into an agreement for an unsecured non-interest-bearing loan in the amount of $11,371,937 with its parent company to finance the purchase of the net assets of Globe Finance Inc. The principal is repayable via semi-annual payments of $600,000 beginning June 2020. This loan is for a period of five (5) years.

The Company also entered into a facility agreement with its parent company who entered into a non-revolving term facility with a commercial bank. A facilitation fee is to be paid to the parent company for entering into the agreement. The fee is to be paid at a rate of 4% of $12,000,000 per annum for the first three (3) years of the facility after which the facilitation fee shall be based on the Barbados lending rate less 4% per annum.

	Directors and key management personnel	
	December 31 2018 $	**December 31 2017 $**
Deposits		
Deposits at beginning of year	**825,326**	549,020
Deposits received during the year	**956,407**	454,232
Deposits repaid during the year	**(43,032)**	(177,926)
Deposits at end of year	**1,738,701**	825,326
Interest expense on deposits	**104,059**	17,102

Included in amounts due to customers is **$1,054,075** (2017 - $1,026,969) 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 **$144,281** (2017 - $172,975).

	December 31 2018 $	**December 31 2017 $**
Key management compensation		
Salaries and benefits	**1,415,058**	1,245,991

Directors' remuneration

In 2018, the total remuneration to the directors was **$36,000** (2017 - $36,000).

(Amounts in Barbados dollars)

17 Share capital

Authorised:

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

Issued:

	December 31 2018 $	December 31 2017 $
9,210,857 common shares issued (2017 - 9,210,857)	**9,210,857**	9,210,857

18 Statutory and other reserves

	December 31 2018 $	December 31 2017 $
Balance, beginning of year	**5,614,225**	4,987,554
Transfer from retained earnings	**808,120**	626,671
Balance, end of year	**6,422,345**	5,614,225

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.

19 Net interest income

	December 31 2018 $	December 31 2017 $
Interest income		
Cash and other short term funds	**215**	9,694
Investment securities	**134,616**	195,653
Finance lease income	**956,279**	762,412
Credit related fees	**680,696**	617,222
Loans and advances	**20,064,616**	16,974,561
	21,836,422	18,559,542
Interest expense		
Due to customers - payable with notice at fixed dates	**(7,740,214)**	(6,296,190)
Net interest income	**14,096,208**	12,263,352

(Amounts in Barbados dollars)

20 Net fee and commission income

	December 31 2018 $	December 31 2017 $
Fee and commission income		
Creditor life and other commissions	**209,368**	190,715
Fee and commission expense		
Dealer commissions	**78,397**	52,224
	130,971	138,491

21 Net lease income

	December 31 2018 $	December 31 2017 $
Operating lease income	**1,036,955**	132,506
Depreciation expense (note 10)	**(816,891)**	(90,106)
Lease repair expense	**(8,992)**	(522)
	211,072	41,878

22 Other operating income

	December 31 2018 $	December 31 2017 $
Profit on sale of operating lease assets and repossessed stock	**294,560**	283,390
Lease and other charges	**87,893**	7,410
	382,453	290,800

(Amounts in Barbados dollars)

23 Foreign exchange and brokerage income

	December 31 2018 $	December 31 2017 $
Foreign exchange transaction gains and losses	**653,657**	569,315
Brokerage fees	**202,017**	179,754
	855,674	749,068

24 Operating expenses

	December 31 2018 $	December 31 2017 $
Staff costs (Note 25)	**3,977,351**	3,181,998
Administrative expenses (Note 26)	**5,022,545**	2,391,075
Depreciation of property, plant and equipment and intangible assets	**432,328**	211,833
	9,432,224	5,784,906

25 Staff costs

	December 31 2018 $	December 31 2017 $
Salaries and wages	**3,480,970**	2,835,776
National Insurance contributions	**256,177**	161,634
Pension costs:		
- defined contribution plan	**108,100**	65,125
Other	**132,104**	119,463
	3,977,351	3,181,998

(Amounts in Barbados dollars)

26 Administrative expenses

	December 31 2018 $	December 31 2017 $
Integration expenses	**1,235,566**	–
Advertising and marketing expense	**319,752**	254,714
Professional fees	**692,759**	298,108
Rent expense	**370,737**	284,962
Repairs and maintenance	**182,566**	10,309
Technology expenses	**202,108**	218,463
Other expenses	**2,019,057**	1,324,519
	5,022,545	2,391,075

27 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.

b) Commitments

Rental commitment is as follows:

	December 31 2018 $	December 31 2017 $
Within one year	**60,557**	336,943
Later than one year but no later than five years	**–**	604,408
	60,557	941,351

The Company had loan commitments as follows:

	December 31 2018 $	December 31 2017 $
Loan commitments	**11,090,531**	5,781,980

(Amounts in Barbados dollars)

28 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.

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.

(Amounts in Barbados dollars)

28 Financial instruments, financial risk and capital management *…continued*

a) Credit risk: …continued

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, 2018 and December 31, 2017. All loans and advances are made to customers located within Barbados and as a result, there is no need to monitor the loan portfolio by geographic sector.

Exposure to credit risk from loans and advances to customers, including net investment in finance leases, is further managed through the regular analysis of the ability of potential and existing borrowers to meet their contractual obligations.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	2018					2017
	ECL Staging					
Debt securities - amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Credit grade:						
Investment grade	-	-	-	-	-	3,996,440
Non-investment grade	-	-	-	-	-	-
Watch	-	-	-	-	-	-
Default	-	-	-	12,149,529	12,149,529	-
Gross carrying amount	-	-	-	12,149,529	12,149,529	3,996,440
Loss allowance	-	-	-	(3,809,014)	(3,809,014)	-
Carrying amount	-	-	-	8,340,515	8,340,515	3,996,440

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

	2018					2017
	ECL Staging					
Loans and advances to customers - amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Credit grade:						
Investment grade	288,300,908	-	-	-	288,300,908	175,591,125
Non-Investment grade	-	-	-	-	-	-
Watch	-	36,224,234	-	-	36,224,234	18,231,336
Default	-	-	9,476,130	21,411,595	30,887,725	6,387,875
Gross carrying amount	288,300,908	36,224,234	9,476,130	21,411,595	355,412,867	200,210,336
Loss allowance	(1,273,587)	(356,220)	(3,554,320)	(4,979,778)	(10,163,905)	(3,045,808)
Carrying amount	287,027,321	35,868,014	5,921,810	16,431,817	345,248,962	197,164,528

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and lifetime ECL;
- Impacts on the measurement of ECL due to changes made to models and model assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased credit-impaired $	Total $
Debt securities - Loss allowance					
Loss allowance as at January 1, 2018	985,383	-	-	-	985,383
Loss allowance - Globe Finance debt securities	-	-	1,810,761	-	1,810,761
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(985,383)	-	985,383	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	(2,796,144)	-	(2,796,144)
New financial assets originated or purchased	-	-	-	3,809,014	3,809,014
Loss allowance as at December 31, 2018	-	-	-	3,809,014	3,809,014

(Amounts in Barbados dollars)

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

a) Credit risk: *...continued*

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased credit-impaired $	Total $
Loans and advances to customers - Loss allowance					
Loss allowance as at January 1, 2018	562,175	92,819	1,974,805	-	2,629,799
New financial assets originated or purchased	937,058	266,606	669,000	6,346,324	8,218,988
Transfers:					
Transfer from Stage 1 to Stage 2	(24,691)	57,061	-	-	32,370
Transfer from Stage 1 to Stage 3	(13,744)	-	404,315	-	390,571
Transfer from Stage 2 to Stage 1	7,674	(34,379)	-	-	(26,705)
Transfer from Stage 2 to Stage 3	-	(8,949)	308,663	-	299,714
Transfer from Stage 3 to Stage 1	3,759	-	(78,134)	-	(74,375)
Transfer from Stage 3 to Stage 2	-	4,327	(129,970)	-	(125,643)
Financial assets fully derecognised during the period	(150,404)	(45,618)	(510,163)	(620,143)	(1,326,328)
Changes to inputs used in ECL calculation	(48,241)	24,353	169,402	-	145,514
Loss allowance as at December 31, 2018	1,273,586	356,220	2,807,918	5,726,181	10,163,905

(Amounts in Barbados dollars)

28 Financial instruments, financial risk and capital management *…continued*

a) Credit risk: …continued

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of financial investments below represent the Company's maximum exposure to credit risk on these assets.

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased credit-impaired $	Total $
Debt securities - amortised cost					
Gross carrying amount as at January 1, 2018	3,996,440	-	-	-	3,996,440
Gross carrying amount acquired from Globe Finance	-	-	8,00,000	-	8,000,000
Transfers:					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(3,996,440)	-	3,996,440	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Financial assets fully derecognised during the period	-	-	(11,996,440)	-	(11,996,440)
New financial assets originated or purchased	-	-	-	12,149,529	12.149,529
Changes in principal and interest	-	-	-	-	-
Gross carrying amount as at December 31, 2018	-	-	-	12,149,529	12,149,529

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased credit-impaired $	Total $
Loans and advances to customers - amortized cost					
Gross carrying amount as at January 01, 2018	175,591,125	18,231,336	6,387,875	-	200,210,336
Transfers:					
Transfer from Stage 1 to Stage 2	(8,002,235)	6,923,590	-	-	(1,078,645)
Transfer from Stage 1 to Stage 3	(3,453,978)	-	2,567,185	-	(886,793)
Transfer from Stage 2 to Stage 1	2,624,850	(3,493,951)	-	-	(869,101)
Transfer from Stage 2 to Stage 3	-	(2,816,832)	2,380,648	-	(436,184)
Transfer from Stage 3 to Stage 1	279,865	-	(351,649)	-	(71,784)
Transfer from Stage 3 to Stage 2	-	486,491	(583,920)	-	(97,429)
New financial assets originated or purchased	170,655,738	21,723,826	489,081	21,411,595	214,280,240
Financial assets fully derecognised during the period	(26,574,715)	(3,369,809)	(1,113,263)	-	(31,057,786)
Changes in principal and interest	(22,819,742)	(1,460,417)	(299,827)	-	(24,579,989)
Foreign exchange adjustment	-	-	-	-	-
Gross carrying amount as at December 31, 2018	288,300,908	36,224,234	9,476,130	21,411,595	355,412,867

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

The scenario weightings assigned to each economic scenario at December 31, 2018 were as follows:

	Base	Upside	Downside
Signia Financial portfolio	50%	12.5%	37.5%
Globe Finance portfolio	80%	10%	10%

For portfolios under Signia Financial, GDP growth is used as the main macroeconomic indicator. For portfolios under Globe Finance, unemployment rate and GDP growth are the main macroeconomic indicators. The weights of probabilities were based on the outlook for the economy, and the likelihood of the indicators to either outperform or underperform the Central Bank's forecasts for the upcoming period.

Purchased or originated credit-impaired financial assets

The Government of Barbados defaulted on its debt instruments on June 1, 2018 when principal and interest payments were suspended. On October 1, 2018 the debt exchange was completed with new instruments exchanged for the old instruments in Barbados dollars. 15% of these debt instruments held by the Company were converted to 90-day Treasury Bills, and the remaining were converted to Series B Government Bonds.

The restructuring triggered the derecognition of the old instruments and the recognition of the new instruments, which were considered as Purchased Originated Credit Impaired, as they were the result of a debt restructuring under default conditions.

Prior to the restructuring the Company held $3,996,440 in 90-day Treasury Bills and $8,000,000 in Treasury Notes. These instruments were exchanged for $1,819,028 in 90-day Treasury Bills and $10,307,828 in Series B Government Bonds.

(Amounts in Barbados dollars)

28 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. 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.

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.

		Impairment allowance			
Company's rating	**Description**	**2018 $**	**2018 %**	**2017 $**	**2017 %**
1	Pass	**1,209,375**	**12**	–	–
2	Special mention	**614,126**	**6**	–	–
3	Substandard	**1,391,479**	**14**	486,515	25
4	Doubtful	**753,413**	**8**	367,545	20
5	Loss	**5,943,670**	**60**	1,059,411	55

(Amounts in Barbados dollars)

28 Financial instruments, financial risk and capital management *…continued*

a) *Credit risk: …continued*

Over time, exposures to default can migrate between classes as the probability of default increases for selected customers. The provisioning guidelines of the Central Bank of Barbados, while used internally for credit rating, can be contrasted with the impairment allowances required under IFRS 9.

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

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

December 31, 2018

	Loans and advances		Finance leases		
	Corporate	Individual	Corporate	Individual	**Total**
	$	$	$	$	**$**
Internal rating scheme					
1. Pass	6,206,746	56,436,004	10,337,914	167,188	**73,147,852**
2. Special Mention	1,641,454	10,551,910	–	–	**12,193,364**
3. Substandard	2,499	171,596	–	–	**174,095**
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	7,850,699	**67,159,510**	**10,337,914**	**167,188**	**85,515,311**

(Amounts in Barbados dollars)

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

a) Credit risk: ...continued

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. Substandard	–	49,853	–	–	**49,853**
4. Doubtful	–	–	–	–	–
5. Loss	–	–	–	–	–
	32,730,529	**115,629,676**	**4,866,373**	**148,530**	**153,375,108**

Included within the table above, are loans with renegotiated terms amounting to **$224,404** (2017 - $255,203). 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.

(Amounts in Barbados dollars)

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

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. The majority 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.

Interest rate risk

Assuming that the interest bearing financial assets and liabilities as at December 31, 2018 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.

(Amounts in Barbados dollars)

28 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 risk. It includes the Company's financial instruments at carrying amounts categorised by the earlier of maturity or contractual repricing:

December 31, 2018

	Up to 3 months $	3-12 months $	1-5 years $	Over 5 years $	Non interest bearing $	Total $
Assets						
Cash resources	61,011,273	–	–	–	12,276,284	**73,287,557**
Due from parent	–	–	–	–	28,886	**28,886**
Financial investments	1,247,677	–	–	7,092,838	318,565	**8,659,080**
Loans and advances to customers	29,657,660	49,545,360	197,489,591	68,556,351	–	**345,248,962**
Other assets	–	–	–	–	2,258,618	**2,258,618**
Total financial assets	**91,916,610**	**49,545,360**	**197,489,591**	**75,649,189**	**14,882,353**	**429,483,103**
Liabilities						
Customer deposits	78,744,125	158,433,270	151,566,663	11,125	–	**388,755,183**
Other liabilities	35,048	97,065	416,243	60,322	5,318,643	**5,927,321**
Shareholder loan	–	–	11,371,936	–	–	**11,371,936**
Total financial liabilities	**78,779,173**	**158,530,335**	**163,354,842**	**71,447**	**5,318,643**	**406,054,440**
Total repricing gap	**13,137,437**	**(108,984,975)**	**34,134,749**	**75,577,742**	**9,563,710**	**23,428,663**

(Amounts in Barbados dollars)

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

b) *Market risk: ...continued*

Interest rate risk ...continued

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**
Due from parent	–	–	–	–	–	**27,029**
Financial investments	3,996,440	–	–	–	318,565	**4,315,005**
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**

(Amounts in Barbados dollars)

28 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, 2018, all the Company's financial assets and liabilities are denominated in Barbados Dollars with the exception of **$7.37 million** (2017 - $0.933 million) in cash and **$4.83 million** (2017 - $0.689 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 FVOCI. 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;
- 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.

(Amounts in Barbados dollars)

28 Financial instruments, financial risk and capital management *…continued*

c) *Liquidity risk:* *…continued*

The Company is exposed to daily requirements for its available cash resources arising from maturing customer deposits, the advancement of loans and other cash settled transactions. The Company does not maintain sufficient cash resources to meet all of these liquidity needs, as historical industry and company-specific experience has shown that a high level of reinvestment of maturing funds can be predicted with a high level of certainty. The Company, however, has two committed lines of credit in the combined amount of $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%** (2017 - 6.8%). The line of credit of $10 million currently has an effective rate of **7.7%** (2017 - 7.7%).

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.

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, 2018					
Due to customers	**74,815,429**	**159,593,382**	**164,234,680**	**11,125**	**398,654,616**
Other liabilities	**5,836,215**	**1,043,970**	**445,758**	**61,670**	**7,387,613**
Shareholder loan	**–**	**–**	**11,371,936**	**–**	**11,371,936**
Loan commitments	**11,090,531**	**–**	**–**	**–**	**11,090,531**
Total financial liabilities	**91,742,175**	**160,637,352**	**176,052,374**	**72,795**	**428,504,696**

(Amounts in Barbados dollars)

28 Financial instruments, financial risk and capital management *…continued*

c) *Liquidity risk:* *…continued*

	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

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
- Debt securities
- Committed lines of available credit

The Company's management notes that at December 2018 there is a shortfall between the liquid securities held and the payment obligations due within 12 months. However, historical performance has shown that the Company has an 80% deposit retention ratio and as such there is no expectation of significant withdrawals in customer deposits. Management will seek to extend the terms on maturing customer deposits while continuing to closely monitor the pattern of deposit withdrawals.

(Amounts in Barbados dollars)

28 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.

2018	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
FVOCI:				
Equity investments	–	–	318,565	318,565
Total assets	**–**	**–**	**318,565**	**318,565**

2017	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
FVOCI:				
Equity investments	–	–	318,565	318,565
Total assets	**–**	**–**	**318,565**	**318,565**

(Amounts in Barbados dollars)

28 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,		Valuation technique	Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	2018 $	2017 $			2018	2017	
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.

(Amounts in Barbados dollars)

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

d) Fair value: ...continued

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

	December 31 2018 $	December 31 2017 $
Beginning of year	**318,565**	318,565
Additions	**–**	–
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 **$429,483,103** (2017 - $223,293,303), $429,164,537 falls within the IFRS 9 category of financial assets at amortised cost whereas $318,565 falls within the category of FVOCI. The Company's financial liabilities amounting to **$406,054,440** (2017 - $190,822,963) all fall within the IFRS 9 category of financial liabilities measured at amortised cost.

The following table sets out the carrying value of the Company's loans and advances to customers and due to customers along with their estimated fair values:

	December 31, 2018		December 31, 2017	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Loans and advances to customers				
Individuals	**278,410,233**	**241,484,792**	150,563,110	151,804,951
Corporate and other entities	**66,838,729**	**100,590,965**	46,601,418	47,166,162
Financial liabilities				
Due to customers				
Financial institutions	**51,802,652**	**51,558,934**	28,212,577	28,061,123
Individuals	**245,827,987**	**245,221,540**	113,735,858	113,589,072
Business and government	**88,947,364**	**84,599,749**	44,369,312	44,217,006
Other	**2,177,180**	**2,166,693**	2,212,427	2,205,976

(Amounts in Barbados dollars)

28 Financial instruments, financial risk and capital management *…continued*

d) Fair value: …continued

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.

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, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Assets				
Cash resources	**73,287,557**	**–**	**–**	**73,287,557**
Due from parent company	**–**	**28,886**	**–**	**28,886**
Financial investments	**–**	**–**	**8,340,515**	**8,340,515**
Other assets	**–**	**2,258,618**	**–**	**2,258,618**
Total	**73,287,557**	**10,628,019**	**–**	**83,915,576**
Liabilities				
Other liabilities	**–**	**5,927,321**	**–**	**5,927,321**
Total	**–**	**5,927,321**	**–**	**5,927,321**

(Amounts in Barbados dollars)

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

d) Fair value: ...continued

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

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.

(Amounts in Barbados dollars)

28 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, 2018, the Company's capital adequacy ratio was **11.81%** (2017 - 21.17%).

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.

(Amounts in Barbados dollars)

28 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 2018 $	December 31 2017 $
Tier 1 Capital		
Share capital	**9,210,857**	9,210,857
Statutory and other reserves	**6,422,345**	5,614,225
Retained earnings	**21,876,236**	19,664,245
Total qualifying Tier 1 capital	**37,509,438**	34,489,327
Risk-weighted assets		
On-balance sheet	**306,589,902**	157,163,212
Off-balance sheet	**11,090,531**	5,781,980
Total risk-weighted assets	**317,680,433**	162,945,192
Capital adequacy ratio	**11.81%**	21.17%

(Amounts in Barbados dollars)

29 Business combination

a) *Summary of acquisition*

On September 4, 2018 Signia Financial Group Inc. acquired the net assets of Globe Finance Inc. for $11,371,936. All of the issued and outstanding shares of Globe Finance were cancelled. The acquisition has significantly increased the market share of the Company amongst the Tier III financial institutions.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value **$**
Cash resources	29,519,409
Financial investments	6,189,239
Loans and advances to customers	140,916,650
Property, plant and equipment	5,517,311
Operating lease assets	5,957,791
Other assets	(211,231)
Corporation tax receivable	58,480
Intangible assets: Brand	400,000
Intangible assets: Core deposits	2,500,000
Due to customers	(171,338,765)
Other liabilities	(2,818,763)
Deferred tax liability	(2,418,185)
Net identifiable assets acquired	14,271,936
Less: Negative goodwill	(2,900,000)
Net assets acquired	**11,371,936**

The negative goodwill is attributed to the Globe Finance brand which was well recognised in the marketplace and forms part of the rebranding of SigniaGlobe as well as the core deposits from the Globe portfolio which provide the Company with cost savings over the next best alternative source of funding.

The intangible assets for the brand and core deposits are being amortised over a period 15 and 8 years respectively.

b) *Acquired loans and advances to customers*

The fair value of acquired loans and advances is $140,916,650. The gross contractual amount for loans and advances due is $148,241,020 of which $7,324,370 is expected to be uncollectible.

(Amounts in Barbados dollars)

29 Business combination *...continued*

c) Revenue and profit contribution

The acquired business contributed revenues of $4,524,351 and a net loss of $960,167 to the Company for the period from September 4, 2018 to December 31, 2018.

If the acquisition had occurred on January 1, 2018, consolidated pro-forma revenue and profit for the year ended December 31, 2018 would have been $36,001,001 and $2,140,668 respectively.

These amounts have been calculated using the acquired business's results and adjusting them for:

- the discontinuation of the credit card line of business
- the additional amortisation that would have been charged assuming that the intangible assets had applied from January 1, 2018.

d) Purchase consideration

Shareholder loan negotiated	**11,371,936**
Inflow of cash on acquisition	
Cash consideration	–
Less: Balances acquired	
Cash resources	**29,519,409**
Restricted cash	**(5,701,834)**
Net inflow of cash – investing activities	**23,817,575**

e) Acquisition-related costs

Acquisition-related costs of $1,235,566 are included in administrative expenses in the statement of comprehensive income.