# GODDARD ENTERPRISES LIMITED

## ANNUAL REPORT 2017

# LIVING OUR STRATEGY

## LIVING OUR STRATEGY: Reorganise | Reduce | Replicate

## OUR COVER

The cover design of this 2017 Annual Report is the outcome of a competition held among staff members across the GEL Group. The winner is Mr. Shane Spencer, IT Business Analyst from GEL's Head Office in Barbados.

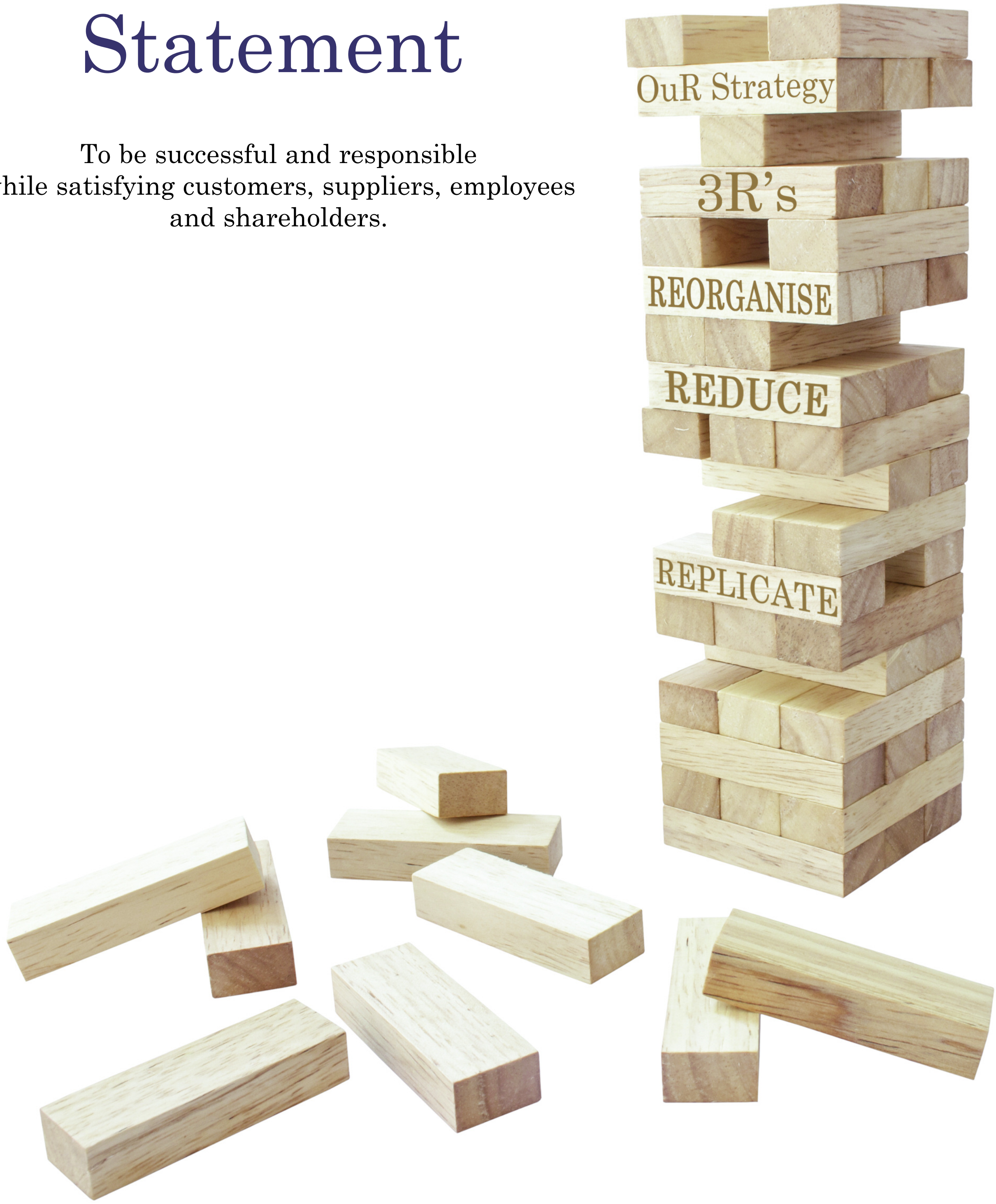
*About his design, Shane stated that "the words 'Living Our Strategy' really resonated with me. I felt the building blocks were applicable because the organic nature of the structure they create reminded me of a living, progressive organism and hence the concept was a good metaphor for the Company".*

Congratulations Shane!

GODDARD ENTERPRISES LIMITED

# Mission Statement

To be successful and responsible
while satisfying customers, suppliers, employees
and shareholders.



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# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the SEVENTY-NINTH Annual Meeting of the shareholders of Goddard Enterprises Limited (the "Company") will be held at the Walcott Warner Theatre, Errol Barrow Centre for Creative Imagination, The University of the West Indies, Cave Hill Campus, St. Michael, on Friday, 26 January 2018 at 5.30 p.m. for the following purposes:-

1. To receive Opening Remarks from Mr. A. Charles Herbert, Chairman of the Company.

2. To receive a Presentation from Mrs. C. Natasha Small, Chief Financial Officer of the Company, on the Overview of the Company's Financial Performance for the year ended 30 September 2017.

3. To receive and consider the Consolidated Financial Statements of the Company for the year ended 30 September 2017, together with the Reports of the Directors and Auditor thereon.

4. To elect Directors.

5. To authorise the Directors to appoint an Auditor for the ensuing year and to fix its remuneration.

6. (a) To receive Introductory Remarks from Mr. Anthony H. Ali, Managing Director of the Company, on the following persons who will each make a short Presentation to the Meeting:

    i) Dr. Phil Whiting, Managing Director, Mirexus Inc;
    ii) Mr. Lars Mangal, Chairman and Chief Executive Officer, Totaltec Oilfield Services Limited; and
    iii) Mr. Timothy Johnson, Chief Executive Officer, Transmar Ecuador S.A.

   (b) To receive a Presentation from Mr. Anthony H. Ali, Managing Director of the Company, on the Strategic Outlook for the Company for 2018-2020.

7. To transact any other business which may properly come before the Meeting.

By Order of the Board of Directors

Kathy-Ann Scantlebury

Kathy-Ann L. Scantlebury
Corporate Secretary

The notes to the enclosed proxy form are incorporated in this Notice.

Top Floor
The Goddard Building
Haggatt Hall
St. Michael
BB11059
BARBADOS

5 December 2017

# CORPORATE INFORMATION

## Board of Directors

| | |
|---|---|
| Mr. A. Charles Herbert, B.Sc. (Hons.), F.I.A. | – Chairman |
| Mr. William P. Putnam, B.Sc., M.B.A. | – Deputy Chairman |
| Mr. Anthony H. Ali, B.Sc. (Hons.), M.B.A. | – Managing Director |
| Ms. Vere P. Brathwaite, B.Sc. (Hons.), LL.B. (Hons.) | – Non-Executive Director |
| Mr. Ian K. D. Castilho, B.A. (Hons.) | – Non-Executive Director |
| Mr. J. Dereck Foster | – Non-Executive Director |
| Mr. Christopher G. Rogers | – Non-Executive Director |
| Mr. Stephen T. Worme, B.E.Sc., M.B.A. | – Non-Executive Director |

## Management Committee

| | |
|---|---|
| Mr. Anthony H. Ali, B.Sc. (Hons.), M.B.A. | – Managing Director |
| Mr. Ian A. Alleyne, F.C.C.A. | – Divisional General Manager |
| Mr. J. G. Stewart Massiah | – Divisional General Manager |
| Mrs. C. Natasha Small, B.Sc. (Hons.), F.C.C.A. | – Chief Financial Officer |

## Corporate Governance Committee

Ms. Vere P. Brathwaite – Chairman
Mr. A. Charles Herbert
Mr. Christopher G. Rogers

## Audit & Risk Committee

Mr. William P. Putnam – Chairman
Mr. A. Charles Herbert
Mr. Stephen T. Worme

## Compensation & Human Resources Committee

Mr. Stephen T. Worme – Chairman
Ms. Vere P. Brathwaite
Mr. Ian K. D. Castilho
Mr. A. Charles Herbert

## Company Secretary

Miss K. L. Scantlebury, LL.B. (Hons.), LL.M. (Dist.)

## Auditor

Ernst & Young

## Attorneys-At-Law

Clarke Gittens Farmer

## Bankers

CIBC FirstCaribbean International Bank
(Barbados) Limited

## Registered Office

Top Floor
The Goddard Building
Haggatt Hall
St. Michael, BB11059
Barbados

# FINANCIAL HIGHLIGHTS

For the year ended 30 September 2017

(Expressed in Barbados Dollars)

| | 2017 | 2016 | 2015 | 2014 | Restated 2013 |
|---|---|---|---|---|---|
| Revenue – millions of dollars | **748.1** | 767.5 | 924.5 | 954.1 | 962.6 |
| Profit from operations before other gains/(losses) – net – millions of dollars | **63.7** | 62.4 | 55.3 | 50.1 | 48.7 |
| Profit from operations – millions of dollars | **84.3** | 77.7 | 82.1 | 64.7 | 46.4 |
| Income before taxation – millions of dollars | **74.0** | 71.1 | 73.5 | 59.0 | 43.6 |
| Earnings/(loss) per share – cents | **72.5** | 64.9 | 83.0 | 62.1 | 35.3 |
| Dividends per share – cents | **16.0*** | 22.0 | 20.0 | 20.0 | 14.0 |
| Dividend cover (times covered) | **4.5** | 3.0 | 4.2 | 3.1 | 2.5 |
| Net asset value per share – dollars | **9.55** | 8.94 | 8.35 | 7.92 | 7.54 |
| Closing share price on BSE** – dollars | **11.01** | 8.30 | 6.58 | 6.31 | 6.15 |
| After tax return on shareholders' equity | **8.1%** | 7.8% | 10.5% | 8.0% | 4.7% |
| Price/earnings ratio | **15.2** | 12.8 | 7.9 | 10.2 | 17.4 |

* First interim dividend per share – 8.0 cents
Second interim dividend per share – 8.0 cents (note 30)
Final dividend per share – to be declared

** Barbados Stock Exchange

# FINANCIAL HIGHLIGHTS

## SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – $MILLIONS

(Expressed in Barbados Dollars)

| | 2017<br>$ | 2016<br>$ | 2015<br>$ | 2014<br>$ | Restated<br>2013<br>$ |
|---|---|---|---|---|---|
| Trade receivables and prepaid expenses | **98.2** | 97.3 | 114.7 | 124.4 | 122.9 |
| Inventories | **116.4** | 115.5 | 121.2 | 165.5 | 166.0 |
| Other current assets | **137.9** | 138.5 | 113.6 | 90.3 | 83.7 |
| Total current assets | **352.5** | 351.3 | 349.5 | 380.2 | 372.6 |
| Less current liabilities | **(207.7)** | (202.7) | (213.4) | (239.7) | (253.0) |
| Working capital | **144.8** | 148.6 | 136.1 | 140.5 | 119.6 |
| Property, plant and equipment and investment property | **343.0** | 334.7 | 337.4 | 372.9 | 370.6 |
| Financial investments, intangible assets, investments in associated companies, due from associated companies, deferred income tax assets, pension plan assets and long-term receivables | **262.5** | 219.4 | 209.8 | 167.1 | 175.1 |
| | **750.3** | 702.7 | 683.3 | 680.5 | 665.3 |
| **Represented by:** | | | | | |
| Shareholders' equity | **540.0** | 503.9 | 487.0 | 461.7 | 453.5 |
| Non-controlling interests | **108.5** | 94.8 | 95.8 | 103.6 | 111.8 |
| Long-term liabilities | **91.2** | 91.1 | 85.6 | 107.5 | 90.6 |
| Deferred income tax liabilities | **5.6** | 4.0 | 3.2 | 3.2 | 3.5 |
| Pension plan liabilities | **5.0** | 8.9 | 11.7 | 4.5 | 5.9 |
| | **750.3** | 702.7 | 683.3 | 680.5 | 665.3 |

# FINANCIAL HIGHLIGHTS

## SUMMARISED CONSOLIDATED STATEMENTS OF INCOME – $MILLIONS

(Expressed in Barbados Dollars)

| | 2017<br>$ | 2016<br>$ | 2015<br>$ | 2014<br>$ | Restated<br>2013<br>$ |
|---|---|---|---|---|---|
| Revenue | **748.1** | 767.5 | 924.5 | 954.1 | 962.6 |
| Income before taxation: | | | | | |
| Parent company and subsidiaries | **74.0** | 67.1 | 70.2 | 52.4 | 33.8 |
| Share of income from associated companies | **–** | 4.0 | 3.3 | 6.6 | 9.8 |
| | **74.0** | 71.1 | 73.5 | 59.0 | 43.6 |
| Taxation | **(17.2)** | (14.6) | (11.6) | (10.1) | (9.7) |
| Non-controlling interests | **(15.8)** | (18.7) | (13.4) | (12.5) | (12.7) |
| Net income for the year attributable to equity holders of the Company | **41.0** | 37.8 | 48.5 | 36.4 | 21.2 |

# BOARD OF DIRECTORS

A. CHARLES HERBERT
CHAIRMAN

### A. CHARLES HERBERT, B.Sc. (Hons.), F.I.A.

Charles Herbert became Chairman of the Goddard Group of Companies on 5 February 2013, following the retirement of Mr. Joseph N. Goddard. Mr. Herbert spent 15 years of his professional career with The Barbados Mutual Life Assurance Society, now Sagicor Life Inc. ("Sagicor"), and at the time of his resignation from Sagicor, was a member of its Senior Management team responsible for the Actuarial, Group Insurance and Pension Departments. A Barbadian by birth, Mr. Herbert, a Barbados Exhibition Winner in 1974, achieved First Class Honours in his B.Sc. in Mathematics from the University of Edinburgh. He also holds a Diploma in Education from the University of the West Indies and is a Fellow of the Institute of Actuaries. Prior to joining Sagicor, and on his return to Barbados from Edinburgh, Mr. Herbert served his alma mater, Harrison College, as an Assistant Master. Following his sojourn at Sagicor, he joined the firm of Watson Wyatt Worldwide as a Consulting Actuary before establishing the Barbados Branch of Eckler Limited in 1996, where he is currently the Principal. Mr. Herbert has worked closely with the Barbados Employers' Confederation, the Supervisor of Insurance, and more recently, the Financial Services Commission, on the drafting and implementation of the new Pension legislation. Mr. Herbert is the Chairman of the Barbados Private Sector Association.

WILLIAM P. PUTNAM
DEPUTY CHAIRMAN

VERE P. BRATHWAITE
NON-EXECUTIVE DIRECTOR

IAN K. D. CASTILHO
NON-EXECUTIVE DIRECTOR

J. DERECK FOSTER
NON-EXECUTIVE DIRECTOR

## ANTHONY H. ALI, B.Sc. (Hons.), M.B.A.

Anthony Ali spent most of his career in Canada, where he worked in the areas of Operations, Sales, Marketing, Customer Allegiance and Strategic Planning for a number of Canadian and United States of America Fortune 500 companies. Before joining Goddard Enterprises Limited in 2013 as Managing Director, Mr. Ali worked with SM Jaleel & Co. Ltd. in Trinidad and Tobago where he served as General Manager from 2010-2013. Upon graduating from the University of Toronto in 1988 with a B.Sc. Honours Degree in Chemistry, Mr. Ali worked at National Silicates as a Research Chemist, and later as its Business Development Manager. He completed a post graduate degree in Executive Marketing at the University of Western Ontario in 1992 and several other Leadership and Management programmes. In 1993, Mr. Ali was selected from 6,000 employees of Abitibi-Price Inc. to participate in a fellowship at McKinsey & Co. In 2005, he joined Thermo Fisher Scientific as Global Director of Operations and Customer Allegiance before moving to Enerworks Inc. where he served as Vice President of Sales, Marketing and Customer Allegiance. Mr. Ali has served on several Boards in the Energy field and is the co-author of several publications.

**ANTHONY H. ALI**
MANAGING DIRECTOR

**CHRISTOPHER G. ROGERS**
NON-EXECUTIVE DIRECTOR

**STEPHEN T. WORME**
NON-EXECUTIVE DIRECTOR

**KATHY-ANN L. SCANTLEBURY**
CORPORATE SECRETARY


Mr. A. Charles Herbert, Chairman with Mr. Anthony Ali, Managing Director (left)
at the Goddard Enterprises Limited Head Office.

# DIRECTORS' REPORT

### Consolidated Financial Overview 2016/2017

The Board of Directors of Goddard Enterprises Limited ("GEL") is pleased to present the financial review for the year ended 30 September 2017.

Consolidated Group revenue and income before taxation for the year ended 30 September 2017 amounted to $748.1 million and $74.0 million, compared with $767.5 million and $71.1 million in the previous year, respectively. Earnings per share was 72.5 cents compared to 64.9 cents in 2016.

2017 will likely be remembered as a period of stark contrast, with many economies experiencing growth acceleration alongside political fragmentation, polarization and tension, both domestically and internationally. Yet markets and economies have shrugged off political disorder and the risk of a substantial short-term setback seems relatively small. In Europe, Germany's Chancellor is struggling to forge a coalition government and the United Kingdom now faces a messy and divisive Brexit process. According to the International Monetary Fund's ("IMF") World Economic Outlook 2018 "the world economy's acceleration so far this year has been stronger than earlier estimates, with an upswing underway across nearly all of the world's major economies". In its flagship report, the IMF revised its forecast for growth to 3.6% this year and 3.7% next year, an acceleration from the 3.2% growth recorded in 2016.

At a regional level, the Caribbean is seeing improvement in tourism across the region, with arrivals up. Most countries are seeing improved growth in their Gross Domestic Product. Those Caribbean countries that are tied to commodity prices continue to experience stagnant to negative growth. Countries like Jamaica and Antigua and Barbuda are experiencing dramatic growth. Guyana has also seen both dramatic growth as well as increased investment due to the recent oil field discoveries. Despite the improvements in the Caribbean, its economies remain fragile and continue to face such issues as high unemployment, elevated government debt, credit rating downgrades, strained foreign exchange reserves due to high reliance on imported goods and low productivity.

For the financial year ended 30 September 2017, Group revenue decreased by 2.5% over the prior year to $748.1 million. This decrease is attributed to the divestment of our interest in The West Indies Rum Distillery Limited ("WIRD") and International Brand Developers N.V. ("IBD") in the early part of the year, operational challenges at Purity Bakeries and reduced export sales. As a result of this decrease, Gross Profit for the year was negatively impacted and finished at $338.8 million, compared to $341.5 million in 2016, a decline of 0.8%. Selling, marketing and administrative expenses were $280.3 million compared to $281.8 million in the prior year, which represented a decrease of 0.5%. This decrease was mainly due to the completion of the reorganisation of the Group's businesses along vertical industry lines and the exclusion of the costs associated with WIRD and IBD from the Group's results.

Other gains/(losses) – net increased by $5.2 million or 33.8% compared to the prior year. This positive impact was associated with the sale of WIRD and IBD which were one-time events. Profit from operations improved from $77.7 million in 2016 to $84.3 million in 2017. Income before taxation of $74.0 million represented a 4.0% improvement over 2016. However, net income for the year marginally improved to $56.8 million in 2017 compared to $56.5 million in the prior year, due to an increase in taxation. Increased taxable profits in higher tax jurisdictions resulted in a 17.3% increase in taxation, up from $14.7 million to $17.2 million.

Our share of income of associated companies decreased by $4.0 million, due first, to the poor performance of our insurance associate, Sagicor General Insurance Inc., caused by the significant losses associated with the two Category 5 hurricanes which impacted the region in September 2017. Secondly, Globe Finance Inc. continued to underperform, given the overall economic climate in Barbados.

Considering the Group's consolidated balance sheet, our working capital ratio of 1.70 reflected adequate control over the number of days of inventories and trade receivables. The total assets of the Group's business was financed by 32% debt, a reduction compared to that of prior year of 34%. Our net asset value per share now stands at $9.55 compared to $8.94 in 2016, an increase of $0.61 per share. Our share price was $11.01 as at 30 September 2017 compared to $8.30 as at 30 September 2016. This positive share price movement was influenced by the improved operating profit generated by the subsidiaries.

# DIRECTORS' REPORT... continued

**Managing Director's Outlook**

We entered 2017 with excitement and optimism based on the completion of the reorganisation of the Group which began in 2016. The Group was organised into vertical industry business lines focused on Automotive, Building Supplies, Food & Beverage (Caribbean Distribution Partners Limited), Manufacturing, Catering and Financial Services. Our Corporate Strategy of 3Rs: "Reorganise, Reduce, and Replicate" was rolled out and our Corporate Values: "Accountability, Integrity, Inspirational Leadership, Service Excellence, Continuous Improvement, Innovation and Dedication" were adopted across all businesses. Had the results not been negatively impacted by the two Category 5 hurricanes mentioned earlier, our optimism would have been realized.

The first part of our Corporate Strategy – "Reorganise" – is now complete. We now get to embark on the second part of the journey where we focus on business simplification, standardisation, common Information Technology ("IT") platforms, shared services and common backend infrastructure across the region and vertically within each industry. To drive our strategy of "Replication", we have hired a Merger and Acquisitions Manager and the Group has been actively seeking out opportunities to expand its geographic reach and diversify its portfolio consistent with its core business.

We conducted an employee survey across the Group supported by Aon Hewitt which focused on Employee Engagement. The response rate was high and the individual companies are analyzing the data and involving the employees on how to address the key issues raised, which vary from company to company. We also continue to focus on Organisational Development and conducted 360 degree Leadership Behaviour Analysis of the Management team of all subsidiaries during the year.

Energy management and sustainability continue to be part of our core operational strategy. This year, the Group installed 5 new photovoltaic ("PV") systems in Barbados. We test piloted a new energy recovery system to convert waste energy into electricity. We have installed monitoring equipment to measure and manage our cold storage facilities across the Group. The Group commits to constantly explore innovative ways to manage its future costs and to be respectful of the environment in which it operates.

Our commitment remains to create a culture of Innovation and Entrepreneurship and to act with Urgency, continually striving for Excellence and instilling a Passion for Customer Service to further enhance shareholder value.


*Above: Mr. Richard Herbert, Property Development Manager of GEL, discusses a point with Solar Watt Systems Inc.'s representatives.*
*Below: An aerial view of the photovoltaic systems as installed at GEL's Fontabelle property.*

Mr. Anthony Ali, Managing Director

Mr. Ian Alleyne, Divisional General Manager

# MANUFACTURING AND SERVICES DIVISION

Mr. John S. Taylor, former Divisional General Manager, Manufacturing and Services Division, retired from his position on 31 December 2016, after 21 years with the GEL Group. We take this opportunity to again wish him best wishes for a happy retirement. During the year, Mr. Anthony Ali, Managing Director and Mr. Ian Alleyne, Divisional General Manager, lent oversight to the management of the Manufacturing and Services Division. Mr. Ali assumed responsibility for Hipac Limited, Caribbean Label Crafts Limited, Label Crafts Jamaica Limited and McBride (Caribbean) Limited. Mr. Alleyne took over responsibility for Purity Bakeries, Wonder Bakery Limited, Precision Packaging Inc., Anti-Septic Limited trading as Terrific Tiles and Country Road Investments Inc. trading as Tropical Laundries.

Sales in the Manufacturing and Services Division were down from last year. This decline was attributed mainly to the fact that sales of our insecticide aerosol products did not maintain their momentum from 2016 when sales increased significantly with the Zika outbreak. In addition, some of our major markets experienced macro-economic challenges.

During the period under review we were unable to penetrate new Latin American markets as anticipated. We however took proactive measures by commencing the hiring process for an Assistant Sales and Marketing Manager, Latin America, with the requisite expertise to assist us with establishing our presence in these markets and growing our sales.

Income before tax was up in 2017 compared with the previous year. This increase was mainly due to the divestment from the Division of our shares in WIRD and IBD in keeping with our 3Rs Strategy. With the recognition that WIRD was no longer a fit with our core strategy and competencies, we sought to identify the best company to which we could sell the business while keeping it and its employee complement intact. This was achieved with United Caribbean Rum Limited ("UCRL") a Barbados company and a wholly owned subsidiary of Compagnie de Bonbonnet SAS, a privately held French holding company. We believe that UCRL will be able to maximise on the potential of the distillery.

We sold our interest in IBD, the owner of the COCKSPUR brand, to Woodland Radicle Alpha Limited ("WRAL"), a subsidiary of Woodland Radicle Limited, a Barbados company, with a global reputation in brand building. We believe that WRAL's stakeholders will be able to establish the brand's presence on the global stage in a new and exciting way.

In our bakery sector, we commenced the upgrade and re-implementation of the existing software system at Purity Bakeries, with a view to increasing efficiencies and synergies across the business. Purity Bakeries is also a part of a pioneering Employee Engagement project aimed at building and sustaining a culture of engagement. In addition, we have reworked our planograms in the retail outlets for more effective marketing and launched our "Cupcakes Initiative" which has been a success with both children and adults at events such as Kiddies Kadooment in Barbados.

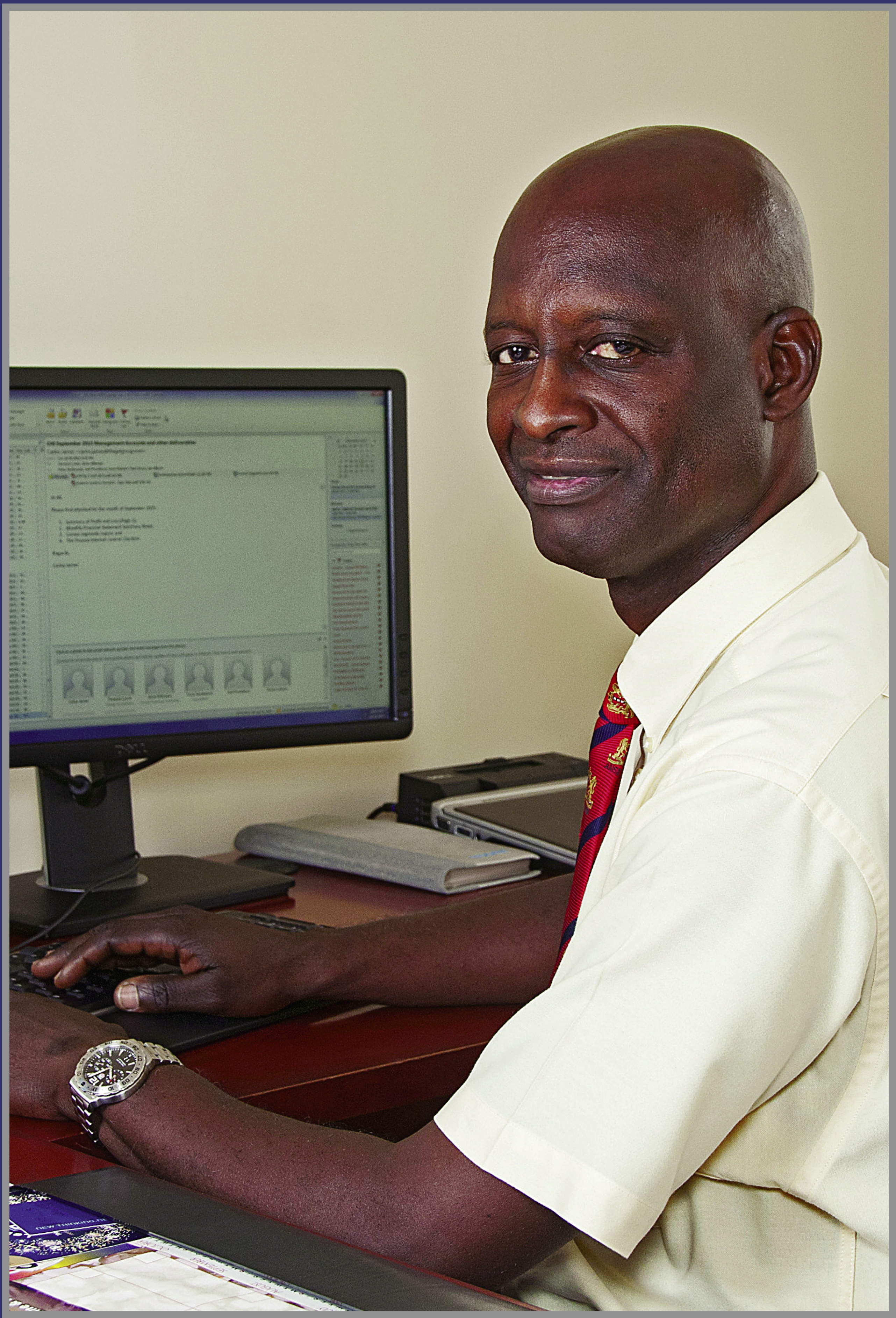
At Hipac Limited, our refrigeration centralisation project was launched with a goal of bringing efficiencies to the operation while making the plant more environmentally friendly. In an effort to reduce the company's carbon footprint, we have installed PV panels and are embarking on a project to transform waste heat from the exhaust gas the generator produces into electricity to power its facilities.

In our printing department, we have upgraded and installed two new printing presses and have also expanded our finishing line with a view to increasing efficiencies and productivity.

There are many challenges ahead for the Division. We will however continue to work to increase efficiencies, improve operating practices and eliminate waste.


NEW
READY IN LESS THAN 5 MINUTES!
Farmer's Choice
NATURALLY GOOD!
TASTE THE DIFFERENCE
Pork Nuggets
15 Boneless & Breaded Nuggets of Tender Juicy Pork
SERVING SUGGESTION
NET WT. 315g KEEP FROZEN 0°F (-18°C)
Pork Nuggets
NOW AVAILABLE ISLAND WIDE
NOW AVAILABLE ISLAND WIDE
NOW AVAILABLE ISLAND WIDE
5
Ready in less than 5 minutes
High in Protein
Kids will love them
Farmer's Choice
NATURALLY GOOD!
EXPERIENCE THE FLAVOUR!


NISSAN
Innovation that excites
IT'S HERE
THE NEW 2018
NISSAN X-TRAIL
Visit us for your test drive today
Vehicle shown with optional accessories



Mr. Ian Alleyne, Divisional General Manager

# AUTOMOTIVE, BUILDING SUPPLIES AND SERVICES DIVISION

The Automotive, Building Supplies and Services Division returned a result that was similar to the prior year's result with a decrease in operating profit of 4.1%.

The Automotive department performed well with increases in both revenue and profitability compared to the prior year. Most of this growth occurred in Barbados – Courtesy Garage Limited, and in Jamaica – Fidelity Motors Limited, where we were able to enhance vehicle unit sales as well as market share. We also managed to stabilise the operations in Saint Lucia at Peter's Holdings Limited and produced an improved result at Coreas Hazells Inc. in Saint Vincent and the Grenadines.

The Building Supplies department had a challenging year. In the markets in which we operate – Grenada, Saint Lucia and Saint Vincent and the Grenadines, there was little by way of new major construction projects. This, together with increased competition from new and existing businesses, led to a stagnation in revenue and a reduction in profitability. Toward the end of the financial year, Marshall Trading Limited, a hardware and building supplies company operating in Barbados, was acquired and now forms a part of this department.

The Shipping department did not have a good year. Revenues and profitability were maintained in our shipping companies in Grenada, Saint Lucia and Saint Vincent and the Grenadines. However, the operations in Barbados were affected by adjustments to reflect structural and organisational changes as well as a general decline in business activity as a result of negative economic conditions facing the country.

Revenue and profitability at our pharmacies in Saint Lucia improved slightly. However, there was a decline in profitability at our pharmacies in Saint Vincent and the Grenadines.

We operate in a market space that continues to experience tough economic conditions. We will nevertheless endeavour to increase our revenues and profitability during the next financial year.


Mr. J. G. Stewart Massiah, Divisional General Manager

# CATERING AND GROUND HANDLING DIVISION

The Catering and Ground Handling Division recorded an improved result in 2017 over the prior year. This achievement was realised despite increased competition, continued downward pressure on margins and operational challenges. In Trinidad, the loss of a main contract during September 2017 to an international competitor affected our results both by a reduction in revenue and the impact of significant severance and restructuring costs.

Our operations in Venezuela continue to be negatively impacted by the reduction in travel and airlines servicing to both Caracas and Isla Margarita and the political environment. The Venezuelan results are now being translated at the official DICOM rate of Bolivars 3,345.00 to US$1.00 compared to a rate of Bolivars 658.89 to US$1.00 in the prior year.

On 6 September 2017, our operations in Saint Maarten and Saint Thomas incurred significant damage from the passage of Hurricane Irma. These operations continue to experience disruption and reduced business. On 20 September 2017, Hurricane Maria devastated Puerto Rico and further impacted our Saint Thomas operations. While we do not have operations in Puerto Rico, the overall airline traffic into the Caribbean has been adversely affected. We would like to express our gratitude to our Management team and employees who despite having suffered personally from Hurricanes Irma and Maria were instrumental in ensuring that our operations rebounded as soon as possible. In addition, we would like to recognize the commitment and support as well as the donations of much needed supplies received from our Group colleagues and from our customers and suppliers.

Despite these challenges, the Division's 2017 operating results were slightly up on the prior year. Margins were consistent with those of the prior year. Our Ground Handing operations continue to perform satisfactorily both from a financial and operational perspective. We continue to invest in the business to ensure a safe and reliable operation which delivers excellent customer service. We were able to attract new business during the year under review and to maintain existing business with our customers.

Our Industrial Catering operations continue to grow. During the year a contract was signed with the operator of a newly constructed prison in Montevideo, Uruguay. The prison will commence full operation in January 2018 and we will provide catering services to the inmates and staff there.

GCG EVENTS, our event catering business, is now active in 9 countries across the Caribbean and Latin America. We intend to roll out more locations in the future as we seek to take advantage of this growing marketplace to better support our customers across the region.

*Chef Craig MacKenzie of Goddard Catering Group (Barbados) Limited and his team in action at the company's 60th Anniversary celebrations.*

*Pork with Molasses Sauce prepared by GCG Events Jamaica for the Pop Up Gourmet Magazine Event in Jamaica.*

## CATERING AND GROUND HANDLING DIVISION... continued


*GCG Chefs during their training at the world renowned Le Cordon Bleu in Lima, Peru.*

*GCG Chefs in Uruguay, from left, Daniel Goyhenetche, Marcos Almandos, Nicolas Rey and Mariano Pisano.*

During the year, we added PV capacity in Barbados and Jamaica. It is anticipated that we will install PV systems in our operations in Aruba and Antigua in 2018. Our Group procurement team is committed to seeking competitive, flexible and reliable suppliers who can support our efforts to deliver value and quality to our customers. Our Lean Manufacturing initiative aimed at improving productivity and process continued to reap success during the year and is being rolled out across the Division.

The Division has rebranded and new websites and social media platforms were launched during the year to support business development and communication. These initiatives will better represent and develop our newly branded "GCG GROUP" portfolio of brands.

GCG GROUP

Management continues to focus on the execution of the GCG Group's strategic plan and remains committed to the growth of the Division and the development of our people.


*Chef Daniel Schweizer of GCG Events Jamaica and his team in action.*

Ms. Tracey Shuffler, Chief Executive Officer, CDP

# CARIBBEAN DISTRIBUTION PARTNERS LIMITED

Caribbean Distribution Partners Limited ("CDP"), our joint venture with Agostini's Limited, had an improved performance this financial year aided primarily by another commendable result at CDP Trinidad Limited, formerly Hand Arnold Trinidad Limited ("CDP Trinidad"), our acquisition of Vemco Limited ("Vemco") in Trinidad, and a return to profitability at Hanschell Inniss Limited ("Hanschell Inniss").

The CDP Group finished the year with revenues of just under $600 million with 52% of our turnover coming from the businesses in Barbados and the Organisation of Eastern Caribbean States combined while the remaining 48% was generated from the Trinidad based businesses. Following our acquisitions of Vemco and Pepsi-Cola Trinidad Bottling Company Limited ("PCT") in October and November 2016 respectively, our Trinidad based revenues have increased by $180 million.

Group profit after tax was $14 million in an environment of low growth in the region and in the face of significant economic deceleration in Trinidad and Tobago.

CDP Trinidad delivered another strong result with continued development of the MOO! liquid milk brand both in Trinidad and Tobago and other regional markets, including Guyana, where the brand has gained traction.

With the recent addition of a state of the art "short goods" pasta line at Vemco, we expect to bring world class quality to our range of versatile pastas for both food service and household use.

PCT, the most recent addition to CDP, has been rebranded "Vembev" and will be focusing on refreshing its core brands in the coming year and building market share across the region. We are pleased to have completed our acquisition of the PEARDRAX and CYDRAX brands which will strengthen our range of CDP Group owned brands and support Vembev's expansion. These recently acquired beverage brands, despite their British heritage, have an enduring franchise with Caribbean people living in the region and further afield.

Our planned consolidation of warehousing and office facilities for the three Trinidad based businesses onto one main site at Arranguez will offer greater efficiency of operations and synergies related to back office functions.

Hanschell Inniss in Barbados has had a turnaround year with the business making a modest profit due to improved management of expenses and better control of processes within the business. With the ongoing support of the team there, we are investing in the expansion of warehousing at Fontabelle and look forward to greater efficiencies and expanded brand representation once it is completed in 2018.

The Eastern Caribbean has some challenging markets and our businesses there, Coreas Distribution Limited ("Coreas Distribution") in Saint Vincent and the Grenadines, Independence Agencies Limited ("Independence Agencies") in Grenada and Peter & Company Limited ("Peter & Company") in Saint Lucia, have had mixed fortunes.

Our plans for a new distribution centre in Saint Vincent and the Grenadines are moving forward to support our business there as it grows and continues to deliver strong results. Coreas Distribution dominates the market in range of products and services and our customers continue to partner with us to deliver value to local consumers.

Independence Agencies has completed its warehouse expansion. The warehouse has doubled in size and now boasts spacious areas for cold storage, both chilled and frozen. This business is building its sales base mainly in the dairy category and with CDP owned brands against the backdrop of an expansive national price control regime.

Peter & Company realized a modest profit this year in a challenging market faced with a number of price controls and import licence requirements, which influenced market dynamics. With the business now consolidated at the Cul De Sac location, we expect the full benefit of planned synergies to be realized in the coming months.

We believe that the economy in Guyana continues to provide great potential for growth with our minority shareholding in DeSinco Limited providing a good return over the last two years. The promise of accelerated economic development through recent oil field discoveries presents a case for further investment for CDP.

We will continue to expand our CDP regional footprint in order to develop our network of companies through which we can build dominance for the brands we represent across the region as well as those we own. Our vision is to develop and grow brands that Caribbean people love and we are well on our way!



ANNUAL REPORT 2017


WHITEWAY'S
PEARDRAX
Cheers to perfect moments with
PEARDRAX


Mrs. C. Natasha Small
Chief Financial Officer

# FINANCIAL SERVICES DIVISION

Sagicor General Insurance Inc., our associated company in which we have a 45% shareholding, had a very challenging year following a very active hurricane season in the Caribbean, as alluded to earlier in the Report. Gross written premiums to September 2017 were down 1% compared to September 2016 as rates continued to decline because of increased competition. Loss ratios increased because of higher claims in both property and motor business. In particular, accrued claims in Dominica, arising from catastrophic losses from Hurricane Maria, are expected to negatively impact the company's profitability for the financial year. However, the company continues to be innovative with its products and introduced a Young Professional's motor programme during the year.

Globe Finance Inc. continued to exercise a cautious and conservative approach to new business development during 2017. There has been no significant improvement in the overall economic environment and increased competition for a diminished market share continues to present challenges. New accounting standards governing the reporting of vehicle leases will change the methodology of reporting but will have no significant impact on results. The company has continued its focus on growth in the foreign exchange, credit card, vehicle loans and leases business lines.

Bridgetown Cruise Terminals Inc. ("BCTI") saw a 3.5% increase in overall revenues driven by the increase in cruise passengers over the prior year. There was an 11.3% increase in cruise passenger arrivals. Coupled with this, there was a 19.1% reduction in administrative expenses leading to, along with other smaller fluctuations, a 44.7% increase in profit before tax. While the Barbados Port Inc. has expressed its intention to take over the operation of the cruise terminal and has issued a notice to quit effective 31 December 2017, BCTI has initiated the process to seek to continue the operation of the cruise terminal.



Mrs. R. Anne Wilkinson
Group Financial Controller

Mr. Terrence Lynch
Group Accountant

# INFORMATION TECHNOLOGY

### New and completed system implementations

A new system implementation for Courtesy Garage Limited was completed and went 'live' at the end of the 2016-2017 financial year. This new system will be established as the standard application for the Auto department of the Auto, Building Supplies and Services Division and will next be rolled out at Peter's Holdings Limited in Saint Lucia. The other major implementation undertaken during the year was also successfully conducted with the re-implementation of the existing software system at Purity Bakeries in the Manufacturing and Services Division. Both implementation projects were completed on time with minimal disruption to the businesses and marked the successful incorporation of change management practices into the IT project management processes.

With the acquisition of Marshall Trading Limited in the last quarter of the year, the IT department has been pre-paring for several new implementation projects required to migrate the company off shared systems with its former parent company. This migration is expected to be completed in the second quarter of the 2017-2018 year.

Group IT assisted with the implementation of new boardroom software. This move is expected to benefit the Group with a more efficient, secure and paperless process for board meetings.

While completing these implementations, the IT department has started project planning and software selection work for the next generation of IT systems to be used across the Group. These new systems will be geared towards realizing the Group strategy of reducing complexity and replicating good practice. The next systems to be selected include financial consolidation and human resources management software and application systems for the Catering Division.

### IT Governance

The IT department continues to develop a framework for IT risk management with the introduction of an IT risk register scheduled to be updated and published biannually.

The IT Group has started to reorganise the way the department is structured. The intention is to move the IT resources of the Group from the current state of separate and subsidiary-based IT to a centralised and collaborative unit which will support and develop IT for the Group as a whole. This approach is one of the key drivers for IT to help the Group achieve its strategic goals to reduce duplication, inefficiency and cost and replicate best industry practices and standards across its processes.

### Update on Digital Media projects

A loyalty programme for the subsidiaries in Saint Vincent and the Grenadines was successfully revised in the financial year. A similar programme has been proposed for implementation in Saint Lucia in the 2017-2018 financial year. Work is planned to refresh the Group's corporate website and develop potential e-commerce sites as subsidiaries across the Group explore different channels to reach their customers.

### Value-added IT

Group IT has introduced the use of business intelligence dashboards to the Auto, Building Supplies and Services Division while expanding the datasets in the dashboards already established in the Manufacturing and Services Division.

Following on from the successful implementation of Lean IT practice via a manual system in Group IT in the previous year, an implementation of a software-based Lean IT system was completed early in the year. This tool allowed for the roll out of Lean IT to the wider IT team across the Group. The next step will be to extend the benefits of the Lean IT practice to other Group departments.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Established 1922
A member of the
Goddard Group of Companies

Mrs. Lianne Fingall
Divisional HR Manager –
Manufacturing & Services Division

Mrs. Adella St. Rose
Divisional HR Manager – Automotive,
Building Supplies & Services Division

Mrs. Lynda Pantoja
Divisional HR Manager –
Catering & Ground Handling Division

Ms. Debbie Elcock
Manager –
Payroll & Pensions Department

Mr. Julian Hunte
Group HR Manager –
Industrial Relations & Compensation

# HUMAN RESOURCES AND COMMUNITY RELATIONS

During the 2016-2017 financial year we continued to focus on our most valuable asset – our people. We facilitated a Groupwide Employee Engagement survey utilising the services of international consulting firm Aon Hewitt. We recognise that to continuously improve we must commit to a constant process of internal review and analysis by garnering feedback from our team members on a broad range of issues. Information gathered through the survey will provide us with data from which we can implement appropriate strategies and plans to improve what we do and how we do it.

Engaged employees lead to a happier, healthier and more productive workplace. We are committed to building a culture of engagement across our Divisions. To this end we launched a two year Engagement Project in three pilot companies representing the Group's territorial and functional diversity, with the aim of developing a GEL Engagement Model for the entire Group. MCR Limited trading as M&C Drugstore in Saint Lucia of the Automotive, Building Supplies and Services Division, Goddard Catering Group Guayaquil S.A. and Goddard Catering Group Quito S.A. (both in Ecuador) of the Catering and Ground Handling Division and Purity Bakeries in Barbados of the Manufacturing and Services Division are our project companies. We will seek to change the dialogue with the employees by developing our managers to be more change ready. In addition, we will team up with our employees to develop and roll out initiatives with a view to increasing engagement levels by 2019. The 2017 survey results will be used as baseline data on which we wish to improve. Progress will be measured utilising the Aon Hewitt survey in 2018 and 2019.

We rolled out a succession planning tool across the Group, utilising talent cards and people review meetings. We not only assessed our companies' leaders on paper but also dialogued with and about them to determine developmental needs and future potential. We recognise that we can only go from strength to strength by cultivating strong and capable leaders who can inspire our people to achieve their best.

### Training and Development

Once again this year we facilitated both face-to-face and on-line technical and non-technical developmental programmes. With a view to increasing consistency of training across the Group we expanded our on-line offering to four training courses with an international service provider in areas such as managing conflict, motivation, coaching and delegation, which are key to our leaders' success. For the first time on-line training was offered for our Spanish speaking Supervisors and Managers.

### Performance Management

Performance Management continues to be a priority for the Group as dialoguing on performance, coaching and developmental activities are critical for the performance and growth of our employees. Performance Appraisal training was conducted for both managers and employees during the course of the year.

### Industrial Relations ("IR")

Our IR climate across the Group remained sound during the course of the year and relationships with the workers' representatives remained cordial.

### Health and Safety

With a continued view to developing a safety culture we formed an internal health and safety committee comprising representatives from companies across the Group to conduct safety audits of our companies. We started with a focus on the Manufacturing and Services Division.

# CORPORATE SOCIAL RESPONSIBILITY

## JAMAICA

### GCG Jamaica assists with Fund Raising

In a continued partnership with American Airlines, the Montego Bay flight kitchen of Goddard Catering Group (Jamaica) Ltd. ("GCG Jamaica") helped to raise funds as part of its Breast Cancer Awareness month's activities. This year's event was held on 26 October 2017 when a number of sumptuous cakes were donated and sold for the cause.

*American Airlines' staff posing at their cake table with GCG Jamaica's team members.*

### Kingston Community Outreach Programme

Members of staff of GCG Ground Services (Jamaica) Limited ("GCG Ground Jamaica"), visited with the boys at the Jamaica Christian Boys' Home in Kingston to bring some cheer to them. The home provides accommodation for twenty-five boys, ranging in age from 12 to 18 years. Some members of staff, who were anxious to give back to the community, solicited donations from staff and members of the wider Airport family and the response was overwhelming. Of special note, was the contribution of lunch on the day of the visit, which was provided by GCG Jamaica. The afternoon was spent interacting with the boys, getting to know them, and hearing of their individual experiences living together at the home. Staff members engaged in games of dominoes, chess, cards and many other activities with the boys.


*Ms. Jhenelle White of GCG Ground Jamaica interacting with some of the boys of the Jamaica Christian Boys' Home.*

### GCG Jamaica donates to Children's Home

On 11 April 2017, GCG Jamaica's Donation Committee made a presentation to the New Vision Children's Home. The Home, located in Manchester, houses wards of the state with a current residency of twenty-four children. The donation of baby diapers, dictionaries, atlases, notebooks and scrap books for primary school aged children was presented by Mrs. Camille Fearon of GCG Jamaica's Accounting Department. This was followed by a formal letter of gratitude from the Home for the much needed items.


*Left to right: Mr. Strephon Sanderson, Managing Director of GCG Jamaica, Ms. Patricia Gordon, Mr. Rohan Rose and Mrs. Camille Fearon who made the presentation to the New Vision Children's Home.*

## BARBADOS

### Courtesy Garage sponsors Beach Fun Day

Courtesy Garage Limited ("Courtesy Garage") played a major role in coordinating and sponsoring a Surfing Fun Day for differently abled children. They have been involved with the event over the past three years.

Coordinated by Christian Surfers Barbados, Variety The Children's Charity and Courtesy Garage, the event was supported by close to thirty volunteers that included some of the island's popular surfers, along with representatives from Barry's Surf School, Barbados Surfing Trips, Paddle Barbados, Burke's Surf School and WhatsUp Surfing. The differently abled children, accompanied by their parents, relatives and friends, seemingly had a blast surfing and splashing in the calm waters of Pebbles Beach just outside of the City and also enjoyed a range of snacks and drinks.

### GEL sticking with Volleyball

GEL threw its support behind Division One volleyball in Barbados for a record 15th year. GEL's support of the Barbados Volleyball Association ("BVA") is more than a financial arrangement, as the Company remains proud of

*There was sunshine and nice waves at the Surfing Fun Day sponsored by Courtesy Garage Limited.*

*All the children who attended "Surf Day" took away presents for the Yuletide season. Here, coordinator Ms. Melanie Pitcher shares a photo with Jonah Brewster (left) and Gabrielle Brewster (second from right), standing with her mom, Ms. Monique Brewster.*

the success of the young people who play the sport in the national and international arena under the GEL banner. Mrs. Lianne Fingall, GEL's Divisional Human Resources Manager, Manufacturing and Services Division, lauded the organisation and its management of the sport on the island as she presented the sponsorship cheque on behalf of GEL to the BVA's Treasurer.

### GEL's Head Office Staff donates Hampers

Through the initiative of Mr. Wayne Springer, Messenger, and Mrs. Vonita Padmore, Office Assistant, both of GEL, the staff of GEL joined together to share gifts of Christmas Joy in 2016 by giving back to the community. Three deserving families were presented with hampers filled to the brim and overflowing with food and household items to help make their Christmas a bit more special.

### McBride donates Children's Books

McBride (Caribbean) Limited ("McBride") continued to show its support for the development of children through its practical and tangible investments in local primary schools. On 20 January 2017, representatives of McBride and Pilly Pelican Inc. visited the Blackman Gollop Primary School for the start of 'Pilly Pelican Presents 50', a social

*Barbados Volleyball Association's Treasurer, Mr. Wynne Jean-Marie, accepting a sponsorship cheque from Mrs. Lianne Fingall, Divisional HR Manager, Manufacturing & Services Division of GEL.*

*Mrs. Vonita Padmore, Office Assistant, and Mr. Wayne Springer, Messenger, both of GEL, as they spread joy to a grateful recipient (centre).*

# CORPORATE SOCIAL RESPONSIBILITY... continued

campaign created by Pilly Pelican Inc., focused on the development of children through literacy, learning and life skills. This was the first of three primary schools to which McBride committed to donate a total of 150 Pilly Pelican paperback books. These books are written by Mr. Gregory Skeete, a Barbadian author.

*Management and members of staff of McBride (Caribbean) Limited with Pilly Pelican and Axel the Ant, representatives of Pilly Pelican Inc.*

### NISSAN X-Trail – Prize vehicle fit for a King

Courtesy Garage lent its support to the annual Crop Over Festival in Barbados by sponsoring the prize vehicle for the Pic-O-De-Crop Calypso Monarch Competition in 2017.

It was a historic occasion for Courtesy Garage and the NISSAN brand when a NISSAN X-Trail was presented to the 2017 Calypso Monarch of Barbados. It was the first time that Courtesy Garage had partnered with the National Cultural Foundation in such a big way and the first time that a vehicle of such value was given as the main prize for the competition.

*Mr. Ian Webster, Calypso King, as he tested his sleek NISSAN X-Trail.*

*Mr. Samuel Gaston, Regional Product Manager of Courtesy Garage Ltd., (right) handing over the keys to the NISSAN X-Trail to the 2017 Calypso King, Mr. Ian Webster.*

### GEL continues its support for the Literary Arts

GEL continued its support of the National Independence Festival of Creative Arts ("NIFCA") by sponsoring the NIFCA Literary Arts discipline. GEL was highly commended by the Chief Judge who expressed thanks to the Company for the continued support which he said goes a long way in assisting with the building of literary skills especially in the young participants.

### GEL assists with Hurricane Relief

In September 2017, employees of GEL around the region pulled out all the stops to assist colleagues and others in the Caribbean who had been hit by Hurricanes Irma and Maria. Mr. Anthony Ali, Managing Director of GEL, commended the staff who, despite their own personal damage to their homes and property, still went out to work from the day after to prepare meals and relief packages. Meals were prepared for those persons who were displaced,

*Mrs. Lianne Fingall, Divisional HR Manager of GEL (sitting centre) and Chief Judge, Mr. Peter 'Adonijah' Alleyne (sitting third from right) with the Literary Arts top award winners for 2016.*

*Staff at Hanschell Inniss Limited in Barbados after packing a container of hurricane relief supplies.*

*Hurricane relief meals being prepared at Goddard Catering Group (St. Thomas) Corporation.*

*Food being packed by the team at Goddard Catering Group (Antigua) Ltd. for Barbudians housed in a shelter in Antigua.*

those persons in shelters as well as for the relief workers in those countries that were hardest hit, including Saint Maarten, Saint Thomas and Antigua and Barbuda. The Group arranged for three container loads of relief supplies to be sourced, packed and shipped to the affected countries. Staff worked through the night to get the shipments to those countries in as short a time as possible.

# CORPORATE GOVERNANCE OVERVIEW

## The Board of Directors

The Board of Directors of the Company (the "Board") presently consists of eight Members, all of whom, with the exception of the Managing Director, are Non-Executive Directors. The maximum number of directors permitted by the Company's Articles of Continuance is fifteen and the minimum is five.

The Board espouses best practices in corporate governance and has developed strong corporate governance policies and procedures which are continuously reviewed and strengthened to ensure their soundness to enhance the prudent operation of the Group's business.

The Board's mandate encompasses the review of Management decisions, the approval, implementation and monitoring of the Group's strategic plan and annual budget, the consideration of managerial reports on the performance of the Group's operations, the consideration, approval and monitoring of investment opportunities and major capital expenditure, the review and approval of financial statements and their disclosure, the consideration and approval of recommendations issued from its Committees and receipt of progress reports on the implementation of such recommendations, the approval of dividends and the review and monitoring of internal controls, risk management and legal and regulatory compliance.

## The Board Committee Structure

The Board has established three standing Committees to assist it with carrying out its mandate. These Committees are the Audit and Risk, Corporate Governance and Compensation and Human Resources Committees. Each Committee has worked assiduously during the 2016-2017 financial year to attain its objectives which were mandated by the Board for the year. The Charters for each of the Board's Committees can be viewed on the Company's Website – www.goddardenterpriseslimited.com. The members of each Committee are as listed earlier in the Report at page 4 and have also been listed on the Company's Website.

## Board Evaluation

During the 2016-2017 financial year, the Board continued its practice of conducting short evaluation exercises at the end of each Board meeting by the use of a confidential questionnaire. Each evaluation was aimed at assessing the effectiveness of each Board meeting and the accomplishment of the Board's work compared to the objectives set by the board meeting agenda. During the year, the Board recorded improvement in those indicators which were assessed.

Following the end of the financial year, in November 2017, the Board completed its annual evaluation exercise which took the form of a self-assessment by means of an on-line confidential survey. The survey results evidenced improvement in those areas which were prioritised for focus during the year. The Board has identified the priority areas on which it intends to devote its focus during the 2017-2018 financial year.

At its 5 December 2017 meeting, the Board was fully paperless having transitioned from an internally managed cloud portal facility to new boardroom software. This development will enhance the Board's efficiency and the security of its data and will also enable safer communication exchanges.

## Meeting Attendance

The attendance at both the Board and Committee Meetings held during the year is shown in Appendix A at page 128 of this Report. The Board is pleased to report another good attendance record by its members for the 2016-2017 financial year. It is noted that Mr. Ian K. D. Castilho, Director, was on medical leave for a period during the year.

## Election of Directors

In accordance with both the by-laws of the Company and the provisions of the Companies Act, Chapter 308 of the Laws of Barbados, (the "Companies Act"), two directors, Ms. Vere P. Brathwaite and Mr. Ian K. D. Castilho, retire by rotation and being eligible, offer themselves for re-election for a term expiring at the close of the third annual meeting following their election.

Ms. Vere Brathwaite and Mr. Ian Castilho were each re-elected to the Board at the seventy-sixth annual meeting of the shareholders held on 30 January 2015 for a term of three years.

### Appointment of Auditor

The firm of Ernst & Young, Chartered Accountants, is the present Auditor of the consolidated financial statements of the Company. The Directors are continuing discussions with Ernst & Young regarding its proposal for an increase in audit fees for the ensuing year submitted to the Company. It is anticipated that those discussions will be concluded and a resolution reached before the annual meeting of shareholders to be held on 26 January 2018 when Ernst & Young's appointment expires.

The Directors are unable at the date of this Report to nominate the incumbent Auditor for re-appointment. However, by law, if no auditor is appointed at the annual meeting, the incumbent auditor continues in office until its successor is appointed.

It is proposed that the Directors be authorised to appoint an auditor of the consolidated financial statements of the Company during the ensuing year to hold office following the January 2018 annual meeting and until the next annual meeting of shareholders.

### Dividends

At its 5 December 2017 meeting, the Board declared a second interim dividend of eight cents per share on the issued and outstanding shares of the Company for the year ended 30 September 2017. A first interim dividend of eight cents was paid on 31 August 2017.

The Board has agreed to more evenly spread the Company's dividend payments throughout the year. The second interim dividend will be paid on 28 February 2018.

### Appreciation

In closing, we wish to express appreciation for the support and patronage of our customers and shareholders during 2017 and we look forward to the same in 2018. We extend a warm thank you to the Group's Management and Staff for their hard work and commitment during the year.

On behalf of the Board of Directors

A. Charles Herbert
Chairman

Anthony H. Ali
Managing Director

5 December 2017

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# ANALYSIS OF COMMON SHAREHOLDERS

As at 30 September 2017

| Category | Number of shareholders | % | Number of common shares held | % |
|---|---|---|---|---|
| Group Employees | 420 | 21 | 1,322,598 | 2 |
| Local Individuals | 1,258 | 61 | 8,005,044 | 14 |
| Non-Resident Persons | 219 | 11 | 13,655,027 | 24 |
| Local Companies and Institutions | 151 | 7 | 33,561,762 | 60 |
| **Totals** | **2,048** | **100** | **56,544,431** | **100** |

# Additional Information for the year ended 30 September 2017 required in accordance with the Listing Agreement with the Barbados Stock Exchange

a) Principal Countries of subsidiary operations and particulars of each company in which an interest of 20% or more is held are disclosed on pages 43 to 46.

b) Directors' interest in the share capital of Goddard Enterprises Limited as at 30 September 2017:

| Names of Directors | Number of common shares held beneficially at 30 September 2017 |
|---|---|
| A. C. Herbert | 164,173 |
| W. P. Putnam | 507,103 |
| A. H. Ali | 25,392 |
| V. P. Brathwaite (Ms.) | NIL |
| I. K. D. Castilho | 4,900 |
| J. D. Foster | 11,569 |
| C. G. Rogers | 12,569 |
| S. T. Worme | 21,219 |

c) No change in Directors' beneficial interests took place between 30 September 2017 and 5 December 2017.

d) Particulars of any person, other than a Director, holding more than 5% of the share capital of Goddard Enterprises Limited and the amount of interest so held as at 5 December 2017.

| Shareholders | | Number of common shares held |
|---|---|---|
| Neptune Investments Limited | | 3,445,417 |
| Sagicor Group | Beneficial | 18,516 |
| | Non-Beneficial | 6,547,161 |
| | Total Sagicor Group Holding | **6,565,677** |

# SUBSIDIARY COMPANIES

(Wholly owned and resident in Barbados except where otherwise stated)

| | | |
|---|---|---|
| Aerosols & Liquid Detergents: | McBride (Caribbean) Limited | |
| Airline Catering: | Calloway Corporation N.V. – Aruba | 51% |
| | Goddard Catering Group (Antigua) Limited – Antigua | 51% |
| | Goddard Catering Group (Barbados) Limited | 51% |
| | Goddard Catering Group Bogota Ltda. – Colombia | 51% |
| | Goddard Catering Group Bonaire N.V. – Bonaire | 51% |
| | Goddard Catering Group Caracas S.A. – Venezuela | 51% |
| | Goddard Catering Group Inc. – Cayman Islands | |
| | Goddard Catering Group Curaçao, N.V. – Curaçao | 51% |
| | Goddard Catering Group El Salvador, S.A. de C.V. – El Salvador | 51% |
| | Goddard Catering Group GCM Ltd. – Cayman Islands | 51% |
| | Goddard Catering Group (Grenada) Limited – Grenada | 51% |
| | Goddard Catering Group (Guatemala) S.A. – Guatemala | 51% |
| | Goddard Catering Group Guayaquil S.A. – Ecuador | 51% |
| | Goddard Catering Group Honduras, S.A. – Honduras | 51% |
| | Goddard Catering Group (Jamaica) Limited – Jamaica | 51% |
| | Goddard Catering Group Margarita, C.A. – Margarita | 51% |
| | Goddard Catering Group (St. Lucia) Ltd. – St. Lucia | 51% |
| | Goddard Catering Group St. Maarten N.V. – St. Maarten | 51% |
| | Goddard Catering Group Uruguay S.A. – Uruguay | 51% |
| Automotive: | Courtesy Garage Limited | 99% |
| | Fidelity Motors Limited – Jamaica | |
| | Peter's Holdings Limited – Trading as Peter and Company Auto – St. Lucia | |
| | Tropical Battery – a division of Courtesy Garage Limited | |
| | Tropical Sales (1979) Ltd. | |
| Baking: | Purity Bakeries – a division of Goddard Enterprises Limited | |
| | Wonder Bakery Limited – St. Lucia | 70% |
| General Trading: | Corea & Co. (1988) Limited – St. Vincent | |
| | Coreas Hazells Inc. – St. Vincent | |
| | Jonas Browne and Hubbard (Grenada) Limited – Grenada | 52% |
| | M&C Home Depot Limited – St. Lucia | |
| | Marshall Trading Limited | |
| | Sunbilt Limited – St. Lucia | |
| | W B Hutchinson & Co. (St. Lucia) Limited – St. Lucia | |
| Ground Handling: | GCG Ground Services LLC – St. Thomas, United States Virgin Islands ("USVI") | 51% |
| | GCG Ground Services (Jamaica) Limited formerly Jamaica Dispatch Services Limited – Jamaica | 51% |
| Industrial & Restaurant Catering: | Airport Restaurants (1996) Limited | 51% |
| | Fontana Project – S.A. – Uruguay | 51% |
| | GCG Events Curaçao N.V. – Curaçao | 51% |
| | GODCA S.A. – El Salvador | 51% |
| | Inversiones Ibero Caribe S.A.S. – Colombia | 51% |


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Regional Office
GODDARD
ENTERPRISES LIMITED
Head Office
Aruba
Antigua
Barbados
Bermuda
Bonaire/St. Maarten/Curaçao
Canada
Cayman Islands
Colombia
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Honduras
Jamaica
Paraguay
St. Lucia
St. Thomas, U.S.V.I.
St. Vincent
Trinidad & Tobago
Uruguay
United States of America
Venezuela

# SUBSIDIARY COMPANIES... continued

(Wholly owned and resident in Barbados except where otherwise stated)

| | | |
|---|---|---|
| Insurance: | M&C General Insurance Company Limited – St. Lucia | |
| | Minvielle & Chastanet Insurance Brokers Limited – St. Lucia | |
| | Minvielle & Chastanet Insurance Brokers (Barbados) Limited | |
| Investments: | Catering Services Caribbean Limited – St. Lucia | 51% |
| | GEL Holdings (St. Lucia) Ltd. – St. Lucia | |
| | Goddard Enterprises (St. Lucia) Ltd. – St. Lucia | |
| | Goddard Flite Kitchens (Cayman) Limited – Cayman Islands | |
| | Goddard Flite Kitchens (St. Lucia) Ltd. – St. Lucia | |
| | Hanschell Inniss Holdings (Curaçao) N.V. – Curaçao | |
| | Hutchinson Investments Limited – Antigua | |
| | Inflite Holdings (Cayman) Limited – Cayman Islands | 51% |
| | Inflite Holdings (St. Lucia) Ltd. – St. Lucia | 51% |
| | Minvielle & Chastanet Limited – St. Lucia | |
| Meat Processing: | Hipac Limited | |
| Packaging: | Precision Packaging Inc. | |
| Pharmaceuticals: | MCR Limited – Trading as M&C Drugstore – St. Lucia | |
| Printing & Print Brokers: | Caribbean Label Crafts Limited | 51% |
| | Label Crafts Jamaica Limited – Jamaica | 51% |
| Real Estate: | Haggatt Hall Holdings Limited | 67% |
| | PBH Limited | |
| | Penrith Development Limited | |
| Shipping Agents & Stevedoring: | Admiral Shipping Limited – St. Lucia | |
| | Goddards Shipping (Barbados) Limited | |
| | Sea Freight Agencies & Stevedoring Limited | |

# ASSOCIATED COMPANIES

(Holding between 20% and 50%: resident in Barbados except where otherwise stated)

| | | |
|---|---|---|
| Beverage Distributors: | Pepsi-Cola Trinidad Bottling Company Limited – Trinidad and Tobago | 50% |
| Biotechnology: | Mirexus Biotechnologies Inc. – Canada | 43% |
| Financing: | Globe Finance Inc. | 49% |
| General Insurance: | Sagicor General Insurance Inc. | 45% |
| General Trading: | Bryden & Partners Limited – St. Lucia | 50% |
| | Bryden & Partners SVG Limited – St. Vincent | 50% |
| | Caribbean Distribution Partners Limited – Trinidad and Tobago | 50% |
| | Coreas Distribution Limited – St. Vincent | 50% |
| | Desinco Limited – Guyana | 20% |
| | Facey Trading Limited | 50% |
| | CDP Trinidad Limited formerly Hand Arnold Trinidad Limited – Trinidad and Tobago | 50% |
| | Hanschell Inniss Limited | 50% |
| | Independence Agencies Limited – Grenada | 28% |
| | Orange Wood Distributors Limited – St. Lucia | 50% |
| | Peter & Company Limited – St. Lucia | 50% |
| | Vemco Limited – Trinidad and Tobago | 50% |
| Laundry Services: | Country Road Investments Inc. – Trading as Tropical Laundries | 50% |
| Property Rentals: | Bridgetown Cruise Terminals Inc. | 20% |
| Restaurant, Airline, Airport and Industrial Catering: | Allied Caterers Limited – Trinidad and Tobago | 31% |
| | GCG Services Ltd. | 34% |
| | GCG Virgin Islands, Inc. – Trading as The Delly Deck – St. Thomas, USVI | 38% |
| | Goddard Catering Group Bermuda Limited – Bermuda | 20% |
| | Goddard Catering Group Paraguay S.A. – Paraguay | 47% |
| | Goddard Catering Group Quito, S.A. – Ecuador | 36% |
| | Goddard Catering Group St. Thomas Corporation – St. Thomas, USVI | 38% |
| | Island Grill (Barbados) Limited | 36% |
| | Island Grill (St. Lucia) Ltd. – St. Lucia | 36% |
| | Katerserv Ltd. – Trinidad and Tobago | 31% |
| | Tobago Inflite Catering Ltd. – Trinidad and Tobago | 26% |
| Tiles & Waste Disposal: | Anti-Septic Limited – Trading as Terrific Tiles | 50% |


GODDARD
ENTERPRISES
LIMITED

GODDARD ENTERPRISES LIMITED

# CONSOLIDATED FINANCIAL STATEMENTS

Building a better
working world

Ernst & Young Ltd
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Barbados, W.I.

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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Goddard Enterprises Limited**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of **Goddard Enterprises Limited** ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 September 2017, consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 September 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Goddard Enterprises Limited**

**Report on the Audit of the Consolidated Financial Statements** (Continued)

**Key Audit Matters** (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Investments in associated companies** | |
| Investments in associates represents 16% of the assets on the consolidated statement of financial position.<br><br>As detailed in Note 2 *Summary of Significant Accounting Policies*, under the equity method of accounting for associates, these associates are initially stated at cost, and are adjusted thereafter for the Group's share of its associates' post-acquisition profits or losses which is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves which is recognised in other comprehensive income and accumulated in reserves.<br><br>The Group owns shares in investments which are not coterminous with its year end, and these material associates are audited by non-EY auditors. | We analyzed the Group's determination of its investments in associates and the accounting for the share of earnings of the underlying associates for the year ended 30 September 2017 which included the following audit procedures:<br>• We evaluated the reasonableness of Management's assessment of control versus significant influence.<br>• We issued instructions and performed independent reviews of the working papers of the non-EY auditors of the Group's material associates.<br>• We performed analytical reviews based on our expectations on the management information relied on by the Group, and inspected documentation to corroborate key representations by management.<br>• We tested the reasonableness of the year end calculations of the Group's share of its associates' post-acquisition profits or losses and its share of post-acquisition movements in reserves reflected in the consolidated accounts, including compliance with accounting policies consistent with Group reporting, where applicable.<br>• We assessed Management's assumptions over the carrying values of the associates and related balances.<br>• Additionally, we considered whether the Group's disclosures related to these investments were appropriately reflected in the notes to the consolidated financial statements. |

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Goddard Enterprises Limited**

**Report on the Audit of the Consolidated Financial Statements** (Continued)

**Key Audit Matters** (Continued)

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Goodwill and other intangibles** | |
| Management is required to test goodwill for impairment on the basis of the accounting policies used. In addition, each year, the Group assesses whether a change to the useful life is applicable and/or whether there are any indicators of impairment of other intangible assets.<br><br>We focused on this area due to (i) the significance of the carrying value of the goodwill and intangibles being assessed ($23.95 million as at 30 September 2017); and (ii) the level of subjectivity associated with the forecasted assumptions which underpin management's assessment of value-in-use, including the degree of subjectivity of cash flow forecasts, associated growth rates and the appropriateness of the discount rate applied. | As a part of our audit response, we examined the Group's forecasted cash flows which underpin management's impairment review. We tested the basis of preparing those forecasts taking into account the accuracy of previous forecasts and the historic evidence supporting underlying assumptions.<br><br>Future cash flow assumptions were analyzed through comparison of current trading performance, seeking corroborative evidence and inquiry with management in respect of key growth and trading assumptions.<br><br>The reasonableness of other key assumptions such as the discount rate and long term growth rate were tested with appropriate input from EY valuation experts and applying an independent assessment on general market indicators to conclude on the appropriateness of these assumptions.<br><br>We also tested the mathematical integrity of management's model and carried out audit procedures on management's sensitivity calculations.<br><br>We also tested management's assessment on whether any reasonably possible change in these key assumptions would result in an impairment of goodwill and therefore require disclosure under IAS 36 Impairment of Assets. |

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Goddard Enterprises Limited**

## **Report on the Audit of the Consolidated Financial Statements** (Continued)

### Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

### Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of **Goddard Enterprises Limited**

**Report on the Audit of the Consolidated Financial Statements** (Continued)

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements** (Continued)

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Legal and Regulatory Requirements**

This report is made solely to the Company's shareholders, as a body, 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner in charge of the audit resulting in this independent auditor's report is Mrs. Lisa Padmore.

Ernst + Young Ltd

CHARTERED ACCOUNTANTS
Barbados
5 December 2017

# Consolidated Statement of Financial Position

As at 30 September 2017
(Expressed in thousands of Barbados Dollars)

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Current assets** | | | |
| Cash | 6 | 104,063 | 101,338 |
| Trade and other receivables | 7 | 82,518 | 78,618 |
| Prepaid expenses | | 15,734 | 18,639 |
| Due by associated companies | 8 | 20,846 | 25,253 |
| Reinsurance assets | 9 | 6,170 | 6,060 |
| Current income tax assets | | 3,632 | 3,425 |
| Inventories | 10 | 116,374 | 115,469 |
| Non-current assets held for sale | 14 | 3,177 | 2,511 |
| | | 352,514 | 351,313 |
| **Current liabilities** | | | |
| Borrowings | 11 | 84,858 | 76,419 |
| Trade and other payables | 12 | 106,568 | 107,593 |
| Due to associated companies | 8 | 2,630 | 3,629 |
| Current income tax liabilities | | 4,302 | 5,569 |
| Insurance contracts | 13 | 9,355 | 9,529 |
| | | 207,713 | 202,739 |
| **Working capital** | | 144,801 | 148,574 |
| Property, plant and equipment | 14 | 314,018 | 306,025 |
| Investment property | 15 | 29,024 | 28,684 |
| Intangible assets | 16 | 23,950 | 24,817 |
| Investments in associated companies | 17 | 156,849 | 123,656 |
| Due by associated companies | 8 | 5,965 | 6,666 |
| Financial investments | 18 | 59,260 | 47,293 |
| Deferred income tax assets | 19 | 5,106 | 7,032 |
| Pension plan assets | 20 | 2,144 | 2,243 |
| Long-term trade and other receivables | 7 | 9,236 | 7,678 |
| | | 750,353 | 702,668 |
| Borrowings | 11 | 91,217 | 91,102 |
| Deferred income tax liabilities | 19 | 5,612 | 3,963 |
| Pension plan liabilities | 20 | 5,009 | 8,885 |
| **Net assets employed** | | 648,515 | 598,718 |
| Financed by: | | | |
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 21 | 45,169 | 44,004 |
| Other reserves | 22 | 80,942 | 72,054 |
| Retained earnings | | 413,845 | 387,834 |
| | | 539,956 | 503,892 |
| **Non-controlling interests** | | 108,559 | 94,826 |
| | | 648,515 | 598,718 |

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board of Directors on 5 December 2017.

A.C. Herbert
Chairman

A. H. Ali
Managing Director

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

| | Attributable to equity holders of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital (Note 21) | Other reserves (Note 22) | Retained earnings | Non-controlling interests | Total |
| **Balance as at 1 October 2015** | 44,634 | 75,581 | 366,788 | 95,844 | 582,847 |
| Net income for the year | – | – | 37,809 | 18,652 | 56,461 |
| Other comprehensive (loss)/income | – | (3,548) | 7,834 | 748 | 5,034 |
| Total comprehensive income for the year | – | (3,548) | 45,643 | 19,400 | 61,495 |
| Investment in subsidiary company | – | – | – | 3,493 | 3,493 |
| Decrease in advances to non-controlling interests | – | – | – | (1,981) | (1,981) |
| Value of employee services | – | 21 | – | – | 21 |
| (Repurchase)/issue of common shares – net | (630) | – | (12,323) | – | (12,953) |
| Dividends declared | – | – | – | (21,930) | (21,930) |
| Dividend – Final 2015 (14 cents per share) (note 30) | – | – | (8,178) | – | (8,178) |
| Dividend – Interim 2016 (7 cents per share) (note 30) | – | – | (4,096) | – | (4,096) |
| | (630) | 21 | (24,597) | (20,418) | (45,624) |
| **Balance as at 30 September 2016** | **44,004** | **72,054** | **387,834** | **94,826** | **598,718** |
| **Balance as at 1 October 2016** | 44,004 | 72,054 | 387,834 | 94,826 | 598,718 |
| Net income for the year | – | – | 41,000 | 15,794 | 56,794 |
| Other comprehensive income/(loss) | – | 8,488 | (1,996) | 3,982 | 10,474 |
| Total comprehensive income for the year | – | 8,488 | 39,004 | 19,776 | 67,268 |
| Investment in subsidiary company | – | – | – | (348) | (348) |
| Disposal of subsidiary companies | – | – | – | 647 | 647 |
| Increase in advances to non-controlling interests | – | – | – | 1,057 | 1,057 |
| Value of employee services | – | 400 | – | – | 400 |
| Issue of common shares | 1,165 | – | – | – | 1,165 |
| Dividends declared | – | – | – | (7,399) | (7,399) |
| Dividend – Final 2016 (15 cents per share) (note 30) | – | – | (8,469) | – | (8,469) |
| Dividend – Interim 2017 (8 cents per share) (note 30) | – | – | (4,524) | – | (4,524) |
| | 1,165 | 400 | (12,993) | (6,043) | (17,471) |
| **Balance as at 30 September 2017** | **45,169** | **80,942** | **413,845** | **108,559** | **648,515** |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Income

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Revenue** | | 748,122 | 767,460 |
| **Cost of sales** | 24 | (409,278) | (425,982) |
| **Gross profit** | | 338,844 | 341,478 |
| Underwriting income | | 5,216 | 2,714 |
| Selling, marketing and administrative expenses | 24 | (280,345) | (281,811) |
| **Profit from operations before the following** | | 63,715 | 62,381 |
| Other gains/(losses) – net | 25 | 20,551 | 15,357 |
| **Profit from operations** | | 84,266 | 77,738 |
| Finance costs | 27 | (10,274) | (10,642) |
| | | 73,992 | 67,096 |
| Share of income of associated companies | 17 | 17 | 4,039 |
| **Income before taxation** | | 74,009 | 71,135 |
| Taxation | 28 | (17,215) | (14,674) |
| **Net income for the year** | | 56,794 | 56,461 |
| **Attributable to:** | | | |
| Equity holders of the Company | | 41,000 | 37,809 |
| Non-controlling interests | | 15,794 | 18,652 |
| | | 56,794 | 56,461 |
| **Earnings per share attributable to the equity holders of the Company during the year (expressed in cents per share)** | | | |
| – basic | 29 | 72.5 | 64.9 |
| – diluted | 29 | 72.5 | 64.4 |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

| | Notes | 2017 | 2016 |
|---|---|---|---|
| Net income for the year | | 56,794 | 56,461 |
| **Other comprehensive income:** | | | |
| **Items net of tax that may be recycled to income in the future:** | | | |
| Unrealised gains on available-for-sale financial investments: | | | |
| – Group | | 2,240 | 1,111 |
| – Associated companies | | 60 | – |
| (Gains)/losses transferred to income on disposal of available-for-sale financial investments: | | | |
| – Group | | – | (12) |
| – Associated companies | | – | 7 |
| Currency translation differences | | | |
| – Group | | (2,094) | (419) |
| – Associated companies | | (2,575) | (1,036) |
| Hyperinflationary adjustments | | 865 | 211 |
| **Items net of tax that will not be recycled to income in the future:** | | | |
| Increase/(decrease) in revaluation surplus: | | | |
| – Group | | 10,872 | 2,048 |
| – Associated companies | | (440) | (450) |
| Remeasurement of employee benefits: | | | |
| – Group | 37 | 1,739 | 3,087 |
| – Associated companies | 37 | (193) | 487 |
| Other comprehensive income for the year | | 10,474 | 5,034 |
| Total comprehensive income for the year | | 67,268 | 61,495 |
| **Attributable to:** | | | |
| Equity holders of the Company | | 47,492 | 42,095 |
| Non-controlling interests | | 19,776 | 19,400 |
| | | 67,268 | 61,495 |

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income before taxation | | 74,009 | 71,135 |
| Adjustments for: | | | |
| Depreciation | 14 | 20,943 | 23,124 |
| Amortisation of intangible assets | 16 | 1,267 | 1,267 |
| Impairment of intangible assets | 16 | 362 | 206 |
| Loss on revaluation of freehold land and buildings | 25 | 393 | – |
| (Gain)/loss on disposal of property, plant and equipment | 25 | (515) | 2,759 |
| Gain on disposal of financial investments | 25 | (147) | (7,231) |
| Gain on remeasurement of previous equity interest in associate at fair value | 25 | (181) | – |
| Exchange adjustments | | (1,842) | 40 |
| Gain on disposal of subsidiary companies | 25 | (10,244) | (53) |
| Hyperinflationary adjustments | | 332 | (389) |
| Interest income | 25 | (2,533) | (2,411) |
| Finance costs incurred | 27 | 10,274 | 10,642 |
| Share of income of associated companies | 17 | (17) | (4,039) |
| Pension plan expense | 20 | 2,849 | 3,400 |
| Employee share schemes expenses | 26 | 400 | 21 |
| Fair value gains on revaluation of investment property | 15 | (241) | (137) |
| Operating profit before working capital changes | | 95,109 | 98,334 |
| Net change in non-cash working capital balances related to operations | 35 | 1,171 | 33,623 |
| Cash generated from operations | | 96,280 | 131,957 |
| Finance costs paid | | (10,274) | (10,642) |
| Income and corporation taxes paid | | (16,633) | (11,067) |
| Pension plan contributions paid | 20 | (3,765) | (3,526) |
| Net cash from operating activities | | 65,608 | 106,722 |
| **Cash flows from investing activities** | | | |
| Acquisition of interest in subsidiary companies | | (6,532) | (6,303) |
| Investment in subsidiary by non-controlling interest | | – | 3,493 |
| Increase in investment in an associated company | | (36,988) | (317) |
| Proceeds from disposal of subsidiary companies | | 24,323 | 9,606 |
| Purchase of property, plant and equipment | 14 | (25,318) | (25,882) |
| Proceeds on disposal of property, plant and equipment | | 1,564 | 5,231 |
| Purchase of financial investments | | (26,229) | (14,749) |
| Proceeds on disposal of financial investments | | 9,649 | 13,419 |
| Proceeds from repayment of loan to an associated company | | 1,303 | 2,005 |
| Long-term loans advanced | | (2,477) | (8,522) |
| Proceeds from repayment of long-term loans | | 1,701 | 1,220 |
| Unsecured and secured loans (made)/received – net | | (3,476) | (580) |
| Interest received | | 2,533 | 2,411 |
| Dividends received from associated companies | 17 | 2,100 | 6,564 |
| Net cash used in investing activities | | (57,847) | (12,404) |
| **Cash flows from financing activities** | | | |
| Issue of common shares | 21 | 1,165 | 1,022 |
| Repurchase of common shares | 21 | – | (13,975) |
| Long-term loans received | | 30,723 | 8,375 |
| Repayments of long-term loans | | (21,973) | (10,550) |
| Dividends paid to non-controlling interests | | (7,399) | (21,930) |
| Loans received from/(repaid to) non-controlling interests | | 1,057 | (1,981) |
| Dividends paid to shareholders | | (12,993) | (12,274) |
| Net cash used in financing activities | | (9,420) | (51,313) |
| **Net (decrease)/increase in cash and cash equivalents** | | (1,659) | 43,005 |
| **Cash and cash equivalents – beginning of year** | | 96,845 | 53,840 |
| **Cash and cash equivalents – end of year** | 6 | 95,186 | 96,845 |

The accompanying notes form an integral part of these consolidated financial statements.

# Index

## 1. General information

Goddard Enterprises Limited ("the Company") is incorporated under the Laws of Barbados. The principal activities of the Company and its subsidiaries (together "the Group") include airline, industrial and restaurant catering, ground handling services, general trading, meat processing, printing and print brokering, baking, packaging, automobile and automotive parts sales, insurance, real estate, shipping agents and stevedoring, manufacturing of aerosols and liquid detergents and investments. Associated companies are involved in general trading, beverage distribution, manufacturing of natural biomaterials, waste disposal, laundry services, financing, property rentals investments and general insurance (See pages 43 – 46). The Group operates throughout the Caribbean and Central and South America.

The Company is a limited liability company domiciled in Barbados with its registered office located at the Top Floor, The Goddard Building, Haggatt Hall, St. Michael, BB11059, Barbados.

The Company is listed on the Barbados Stock Exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 5 December 2017. The Board of Directors has the power to amend these consolidated financial statements after issue, if required.

## 2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### a) Basis of preparation

The consolidated financial statements of Goddard Enterprises Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention, as modified by the revaluation of land and buildings, investment property and financial investments (notes 2(e), 2(f) and 2(i)).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year*

*i) New accounting policies/improvements adopted*

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2016. The following interpretations and standards became effective and were adopted in the current year.

**IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (effective 1 January 2016)**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10.

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

**IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective 1 January 2016)**

The amendments require an entity acquiring an interest in a joint operation in which the activity of the joint

## 2. Significant accounting policies... continued

### a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year ... continued*

*i) New accounting policies/improvements adopted... continued*

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (effective 1 January 2016)... continued
operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3, and other IFRSs, that do not conflict with the requirements of IFRS 11. Furthermore, entities are required to disclose the information required in those IFRSs in relation to business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by the entity to the joint operation on its formation.

Furthermore, the amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be re-measured if the joint operator retains joint control.

IAS 1 – Disclosure Initiative – Amendments to IAS 1 (effective 1 January 2016)
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify the following:

- The materiality requirements in IAS 1
- That specific line items in the statement of income and other comprehensive income ("OCI") and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of income and OCI.

IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective 1 January 2016)
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle which became effective and were adopted in the current year.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal (effective 1 January 2016)
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year ... continued*

*i) New accounting policies/improvements adopted... continued*

IFRS 7 Financial Instruments: Disclosures

*Servicing contracts*
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

The assessment of which servicing contracts constitute continuing involvement must be done retrospectively.

*Applicability of the offsetting disclosures to condensed interim financial statements*
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendments must be applied retrospectively.

IAS 19 Employee Benefits – Discount rate: regional market issue
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 34 – Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'
The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms and at the same time as the interim financial statements. This amendment must be applied retrospectively.

*ii) New accounting policies/improvements adopted but not applicable to the Group*
The following standards also became effective during the current year but were not applicable to the Group and therefore had no impact on performance or operations of the Group.

IFRS 14 – ***Regulatory Deferral Accounts***
IAS 16 and IAS 41 ***Agriculture – Bearer Plants*** – Amendments to IAS 16 and IAS 41
IAS 27 – ***Equity Method in Separate Financial Statements*** – Amendments to IAS 27.

*iii) Standards in issue not yet effective*
The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Group's financial statements. These standards and interpretations may be applicable to the Group at a future date and will be adopted when they become effective. The Group is currently assessing the impact of adopting these standards and interpretations.

IAS 7 Disclosure Initiative – Amendments to IAS 7 (effective 1 January 2017)
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year ... continued*

**IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective 1 January 2017)**
The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

**IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)**
IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The standard is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive.

**IFRS 9 Financial Instruments (effective 1 January 2018)**

*Classification and measurement of financial assets*
Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year ... continued*

*iii) Standards in issue not yet effective... continued*

IFRS 9 Financial Instruments (effective 1 January 2018)... continued

*Classification and measurement of financial liabilities*
For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

*Impairment*
The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases.

Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECLs. For trade receivables, a simplified approach may be applied whereby the lifetime ECLs are always recognised.

*Hedge accounting*
The Group does not currently employ hedge accounting but IFRS 9 does not change the general principles of how an entity accounts for effective hedges. It has however allowed for a risk component of a financial or non-financial instrument to be designated as the hedged item if the risk component is separately identifiable and reliably measureable. Further, the time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. The standard also now allows more designations of groups of items as the hedged item to be possible, including layer designations and some net positions.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (effective 1 January 2018)
The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (effective 1 January 2018)
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year ... continued*

*iii) Standards in issue not yet effective... continued*

Transfers of Investment Property (Amendments to IAS 40) (effective 1 January 2018)
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

IFRS 16 Leases (effective 1 January 2019)
IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year ... continued*

*iii) Standards in issue not yet effective... continued*

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)... continued**
An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

**IFRS 17 Insurance Contracts (effective 1 January 2021)**
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. The Board intends to establish a Transition Resource Group (TRG) for IFRS 17 that will be tasked with analysing implementation-related questions on IFRS 17.

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

**IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date postponed indefinitely)**
In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

**iv) Improvements to International Financial Reporting Standards**
The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after 1 January 2018.

## 2. Significant accounting policies... continued

### a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2017 financial year ... continued*

iv) Improvements to International Financial Reporting Standards... *continued*

IFRS Subject of Amendment

IFRS 12 – Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12.

IFRS 1 – First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters.

IAS 28 – Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

### b) Consolidation

*i) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of the subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The contingent consideration includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of income (Note 2(g)).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*ii) Transactions and non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2. Significant accounting policies... continued

### b) Consolidation... continued

*iii) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (Note 2(g)).

The Group’s share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income and its share of post-acquisition movements in reserves is recognised in other reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

### c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker.

### d) Foreign currency translation

*i) Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Barbados dollars, which is the Company’s functional and presentation currency.

*ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the financial investments reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as local currency assets and liabilities of the foreign entity and are translated at the closing rate.

*iii) Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
ii) income and expenses for each statement of income are translated at average exchange rates; and
iii) all resulting exchange differences are recognised in translation reserve in equity.

*iv) Hyperinflationary accounting*

The financial statements of Group companies whose functional currency is the currency of a hyperinflationary economy are adjusted for inflation in accordance with the procedure described in the following paragraph, prior to their translation into Barbados dollars. Once restated, all items of the financial statements are converted into Barbados dollars using the closing exchange rate. Amounts shown for prior years for comparative purposes are not modified.

(Expressed in thousands of Barbados Dollars)

## 2. Significant accounting policies... continued

### d) Foreign currency translation... continued

#### *iv) Hyperinflationary accounting... continued*

To determine the existence of hyperinflation, the Group assesses the qualitative characteristics of the economic environment of the country, such as the trends in inflation rates over the previous three years. The financial statements of companies whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, such that all items in the statement of financial position not expressed in current terms (non-monetary items) are restated by applying a general price index at the financial statement closing date, and all items of income and expense, profit and loss are restated monthly by applying appropriate adjustment factors. The difference between initial and adjusted amounts is included in other gains/(losses) – net in the consolidated statement of income. Accordingly, Venezuela was classified as a hyperinflationary economy for the financial year ended 30 September 2016. This classification remains in effect during this financial year. During the years 2016 and 2017, the Central Bank of Venezuela has not published an official index. In this regard the company used an average index of 350.00 (2016: 456.78), using an internal inflation calculated by Management.

### e) Property, plant and equipment

Freehold land and buildings comprise mainly manufacturing plants, retail and distribution outlets, warehouses and offices. The Group's freehold land and buildings, are stated at the most recent valuation less subsequent depreciation for buildings. Valuations are performed every five years by independent professional valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment including leasehold buildings 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in the consolidated statement of comprehensive income and accumulated in revaluation surplus in equity.

Decreases that offset previous increases of the same asset are recognised in the consolidated statement of comprehensive income and reduce the revaluation surplus in equity; all other decreases are charged to the consolidated-statement of income.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Freehold buildings | – 50 years |
| Leasehold buildings | – 5 - 25 years based on the lease term |
| Furniture, fittings and equipment | – 3 - 20 years |
| Machinery | – 3 - 20 years |
| Vehicles | – 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

2. Significant accounting policies... continued

e) Property, plant and equipment... continued

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income. When revalued assets are sold, the amounts included in revaluation surplus are realised and transferred to retained earnings.

Costs incurred which are directly attributable to capital projects are categorised as construction in progress and capitalised. If it is determined that capitalised costs are no longer justifiable, the related costs are written off and charged to the consolidated statement of income.

Construction in progress is not depreciated until the asset has been completed and brought into operational activity.

f) Investment property

Investment property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, determined annually. Valuations are performed annually by independent professional real estate valuers. Changes in fair values are recorded in the consolidated statement of income.

g) Intangible assets

*i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquiree at the date of acquisition. Goodwill on the acquisition of subsidiaries is included as 'intangible assets' on the consolidated statement of financial position. Goodwill on the acquisition of associates is included in 'investments in associates'. Separately recognised goodwill is tested annually for impairment and whenever there is an indication of impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to the cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

*ii) Other intangible assets*

Other intangible assets arising on acquisitions are recognised only if future economic benefits attributable to the asset will flow to the Group and if the fair value of the asset can be measured reliably. Such intangible assets must be separable from the business being acquired or must arise from contractual or legal rights. Intangible assets acquired in a business combination are initially recognised at their fair value. Other intangible assets which have been acquired directly are recorded initially at cost. On acquisition the useful life of the asset is estimated. If the estimated useful life is finite, amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life as follows:

| | |
|---|---|
| Trade names | – 20 - 25 years |
| Customer relationships | – 13 - 15 years |
| Supplier relationships | – 15 years |
| Software licences | – 7 years |

The amortisation charge is included in other gains/(losses) – net in the consolidated statement of income.

h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

2. Significant accounting policies... continued

i) Financial assets

The Group classifies its financial assets in the following categories:

i) Available-for-sale
ii) Loans and receivables

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired.

i) Available-for-sale

These financial assets are intended to be held for an indefinite period of time and hence are included in non-current assets unless management intends to dispose of the investment within 12 months of the consolidated statement of financial position date. They may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. They are measured initially at cost and are subsequently remeasured at their fair value based on quoted bid prices. Investments without quoted prices are carried at management's valuation based on the net assets of the entity net of any provisions made where there is an indication of impairment. Unrealised gains and losses are recorded in the consolidated statement of comprehensive income. Either on the disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred to the consolidated statement of income.

ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost less provision for impairment. The Group's loans and receivables comprise government bonds and fixed deposits, trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Purchases and sales of these investments are recognised on the trade date which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Interest income arising on financial investments is accrued using the effective yield method and is included in other gains/(losses) – net in the consolidated statement of income. Dividends are recorded in other gains/(losses) – net when the right to receive payment is established.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount for an available-for-sale equity security is its fair value. An impairment loss for an available-for-sale equity security is recognised in income if there has been a significant or prolonged decline in its recoverable amount below cost. Significant or prolonged declines are assessed in relation to the period of time and extent to which the fair value of the equity security is less than its cost.

Except for equity securities, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in income. For equity securities, any subsequent increases in fair value after an impairment has occurred are recognised in the financial investments reserve in equity.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is generally determined using the average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, slow-moving and defective items.

2. Significant accounting policies... continued

k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at the anticipated realisable value. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the anticipated realisable value. The carrying amount of the asset is reduced through the use of the provision for impairment of receivables and the amount of loss is recognised in the consolidated statement of income within selling, marketing and administrative expenses. When a trade receivable is uncollectible, it is written off against the provision for impairment of receivables and any subsequent recoveries of amounts previously written off are credited against selling, marketing and administrative expenses.

l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term bank deposits, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

Cash equivalents are subject to an insignificant risk of change in value.

m) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the net proceeds and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method. Associated costs are classified as finance costs in the consolidated statement of income. Borrowings due within twelve months of the consolidated statement of financial position date are classified as current liabilities. Preference shares which are mandatorily redeemable by the holder of the shares are classified as liabilities. The dividends on these preference shares are recognised in the consolidated statement of income within finance costs.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated statement of income in the period in which they are incurred.

o) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Group follows the liability method of accounting for deferred tax whereby all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes are provided for at the corporation tax rates which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised when it is probable that taxable income will be available against which the assets may be utilised.

2. Significant accounting policies... continued

p) Employee benefits

*i) Pension obligations*

The Company and certain of its subsidiary companies operate defined benefit pension plans for their employees under segregated fund policies with Sagicor Life Inc. as well as with Morgan Stanley Private Wealth Management. The schemes are funded through payments from the employees and the Group, determined by annual actuarial calculations. Some of these pension plans are based on final average salary and some are based on career average salary.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of long-term government securities that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the consolidated statement of income.

For the defined contribution plans operated by the Group, the Group pays contributions to privately administered funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*ii) Profit-sharing bonus plan*

The Group recognises a liability and an expense for profit-sharing bonuses. Senior management's profit-sharing bonuses are based on the Company's economic profit improvement over the prior year. Economic profit is calculated as net operating profit after tax and certain adjustments less a charge for capital employed. Profit-sharing bonuses for all other employees are based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments.

q) Share-based payments

The Group operates various cash-settled share-based plans. In addition to an executive share option plan, there is a bonus share purchase scheme which is only offered to full time employees of the Group in Barbados and a broad based employee share purchase scheme for all full time employees.

The excess of the fair value of the options granted over the amount that management has to pay for the options is recognised in the share-based payments expense in selling, marketing and administrative expenses and credited to the share-based payments reserve in equity. The proceeds received when the options are exercised are credited to share capital.

Any discounts offered under the bonus share purchase scheme and the employee share purchase scheme are also recognised in the share-based payments expense.

r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

2. Significant accounting policies... continued

s) Revenue recognition... continued

*i) Sales of goods – wholesale and retail*
Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

*ii) Sales of services*
Sales of services are recognised in the accounting period in which the services are rendered.

*iii) Interest income*
Interest income is recognised on an accrual basis using the effective interest method.

*iv) Dividend income*
Dividend income is recognised when the Group's right to receive payment is established.

*v) Royalty and rental income*
Royalty and rental income is recognised on an accrual basis.

vi) *Premium income*
Premiums are recognised over the lives of the policies written. Unearned premiums represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the consolidated statement of financial position date calculated using the twenty-fourths method. Unearned premiums relating to marine cargo are deemed to be nil as such policies are generally issued for periods not exceeding one month.

t) Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment or investment property in the consolidated statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

u) Insurance contracts

*Recognition and measurement*
The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Insurance contracts issued are classified as short-term insurance contracts. These contracts are principally property, accident, motor, liability and marine insurance contracts.

Property insurance contracts indemnify the Group's customers in the event of a loss from specified insured perils (such as but not limited to fire, windstorm or earthquake) and their consequences up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks.

Accident insurance contracts indemnify the Group's customers in the event of personal injury, loss and/or damage to property up to the insured amount and within the terms of the policy conditions.

Motor insurance contracts indemnify the Group's customers for their legal requirement under the applicable Road Traffic Act. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

2. Significant accounting policies... continued

u) Insurance contracts... continued

Liability insurance contracts provide coverage for liability exposures that indemnify the Group's customers against actions from third parties subject to policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

Marine insurance contracts indemnify the Group's customers for loss or damage to their insured cargo.

For these contracts, premiums are recognised as revenue (earned premiums) over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the consolidated statement of financial position date is reported as the unearned premium liability. Premiums are shown before the deduction of commission.

Claims and loss adjustment expenses are charged to the consolidated statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims.

*Reinsurance contracts held*

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

The Group assesses recoverability of its reinsurance assets when there is objective evidence that the reinsurance asset is impaired and reduces the carrying amount of the reinsurance asset to its estimated recoverable amount by recognising an impairment loss in the consolidated statement of income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

*Claims provision and related reinsurance recoveries*

Provisions are made at the year end for the estimated cost of claims incurred but not yet settled at the consolidated statement of financial position date. The estimated cost of claims includes expenses to be incurred in settling the claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the outcome will prove to be different from the original liability established.

*Receivables and payables*

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of income. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for receivables. The impairment loss is also calculated under the same method used for these financial assets.

*Premiums and unearned premiums*

Premiums are earned over the term of the related insurance contracts in proportion to the period of risk. The reserve for unearned premiums is established for the portion of premiums written which relate to unexpired risks at the end of the period.

## 2. Significant accounting policies... continued

### u) Insurance contracts... continued

*Premiums and unearned premiums... continued*

Premiums ceded are expensed over the term of the related insurance contracts in proportion to the period of risk, coterminous with the related gross premiums. The provision for deferred premiums is established for the portion of premiums ceded which relate to unexpired risks at the end of the period.

*Deferred acquisition costs*

Acquisition costs on premiums written vary with and are directly related to the production of business. These costs are deferred and recognised over the period of the policies to which they relate.

*Claims and claims expenses*

Claims and claims expenses are shown gross with amounts due under reinsurance contracts shown as reinsurance assets. Reserves for claims are recorded as incurred and represent estimates of future payments of reported and unreported claims and related expenses with respect to insured events that have occurred up to the consolidated statement of financial position date. Reinsurance claims recoveries are estimated at the same time as the reserve for a claim is recorded. The provision reflects management's best estimate of the Group's ultimate liabilities and management believes that the provision is adequate.

### v) Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Board of Directors.

### w) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to be completed within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss after taxes is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

## 3. Risk management

### a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not entered into forward contracts to reduce its risk exposures.

Risk management is carried out by Head Office under policies approved by the Board of Directors. Head Office identifies, evaluates and hedges financial risks where considered appropriate in close cooperation with the Group's operating units. The Board provides guidance for overall risk management.

3. Risk management... continued

a) Financial risk factors... continued

*i) Market risk*

1) Foreign exchange risk

The Group operates extra-regionally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Central and South American currencies. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

In order to manage the risk associated with movements in currency exchange rates in Central and South America on commercial transactions, the Group trades mainly in United States Dollars (USD). The Group also seeks to maintain cash and cash equivalents in each operating currency, which are sufficient to match liabilities denominated in the same currency.

The table below illustrates the theoretical impact on equity and net income of a 5% depreciation in the Jamaican dollar and Latin American currencies when compared to the Barbados dollar as at 30 September 2017.

| Effect of a 5% depreciation of | Effect on equity | Effect on net income |
|---|---|---|
| Jamaican dollar | 48 | (205) |
| Latin American currencies | (198) | (496) |

An appreciation of these currencies would have an equal and opposite effect on equity and net income. The Group also trades in Eastern Caribbean Dollars (ECD) and USD but these currencies have a fixed exchange rate with the Barbados dollar and have been excluded from this analysis.

2) Price risk

The Group is exposed to equity securities price risk because of financial investments held by the Group and classified on the consolidated statement of financial position as available-for-sale. The Group is not exposed to commodity price risk. To manage the price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's publicly traded equity securities are included mainly on the Barbados Stock Exchange (BSE) Cayman Islands Stock Exchange (CSX), and the Eastern Caribbean Securities Exchange (ECSE).

If the BSE, CSX and ECSE had increased or decreased by 5% with all other variables held constant, the financial investments reserve within equity would increase or decrease by $598 (2016 – $485) as a result of gains or losses on equity securities classified as available-for-sale financial assets.

*ii) Credit risk*

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on an entity basis. The Group's credit risk arises from cash, financial investments (debt securities and fixed deposits) as well as credit exposures to wholesale and retail customers, amounts due from associated companies and other receivables.

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

a) Financial risk factors... continued

*ii) Credit risk... continued*

The maximum exposure to credit risk is as follows:

| | 2017 $ | 2017 % | 2016 $ | 2016 % |
|---|---|---|---|---|
| Cash | **104,063** | **41** | 101,338 | 41 |
| Trade and other receivables | **91,754** | **37** | 86,296 | 35 |
| Due by associated companies | **26,811** | **11** | 31,919 | 13 |
| Financial investments (debt securities and fixed deposits) | **28,326** | **11** | 28,021 | 11 |
| Reinsurance assets (outstanding claims) | **840** | **–** | 663 | – |
| | **251,794** | **100** | 248,237 | 100 |

Independent ratings exist for customers in the Group's catering operations. If no independent rating exists, customers are grouped according to credit history. Ratings available for the Group's significant cash and cash equivalents, trade receivables and financial investments are included in notes 6, 7 and 18 respectively.

The Group has a large number of customers dispersed across the Caribbean and Latin American region. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history, statement of financial position, credit quality and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or by using major credit cards. For banks and financial institutions only well known and reputable parties are accepted.

The total outstanding trade balances of the Group's five largest receivable positions at the consolidated statement of financial position date constitute 17.8% (2016 – 12.2%) of the total gross trade receivable amount and individually they accounted for between 2.0% and 7.0% (2016 – 1.4% and 3.2%) of the total gross trade receivables. Appropriate provisions have been applied as applicable and as a result management does not expect any additional losses from non-performance by customers.

*iii) Liquidity risk*

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. In order to manage liquidity risks, management seeks to maintain sufficient levels of cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities, to meet reasonable expectations of its short-term obligations.

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

a) Financial risk factors... continued

*iii) Liquidity risk... continued*

The table below analyses the Group's financial and insurance liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **At 30 September 2017** | | | | | |
| Borrowings | 89,692 | 18,752 | 52,047 | 38,418 | 198,909 |
| Trade and other payables | 106,575 | – | – | – | 106,575 |
| Due to associated companies | 2,630 | – | – | – | 2,630 |
| Insurance contracts | 1,895 | – | – | – | 1,895 |
| | 200,792 | 18,752 | 52,047 | 38,418 | 310,009 |
| **Off financial statement exposures:** | | | | | |
| Guarantees and letters of credit | 20,620 | – | – | – | 20,620 |
| Total | 221,412 | 18,752 | 52,047 | 38,418 | 330,629 |
| **At 30 September 2016** | | | | | |
| Borrowings | 80,500 | 24,197 | 33,414 | 52,026 | 190,137 |
| Trade and other payables | 106,622 | – | – | – | 106,622 |
| Due to associated companies | 3,629 | – | – | – | 3,629 |
| Insurance contracts | 1,957 | – | – | – | 1,957 |
| | 192,708 | 24,197 | 33,414 | 52,026 | 302,345 |
| **Off financial statement exposures:** | | | | | |
| Guarantees and letters of credit | 18,420 | – | – | – | 18,420 |
| Total | 211,128 | 24,197 | 33,414 | 52,026 | 320,765 |

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

a) Financial risk factors... continued

*iii) Liquidity risk... continued*

The table below analyses the Group's financial assets into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| **At 30 September 2017** | | | | | |
| Cash | 104,063 | – | – | – | 104,063 |
| Trade and other receivables | 82,223 | 865 | 731 | 1,346 | 85,165 |
| Due by associated companies | 21,211 | 1,568 | 3,159 | 1,276 | 27,214 |
| Reinsurance assets | 840 | – | – | – | 840 |
| Financial investments (debt securities and fixed deposits) | 20,534 | 3,169 | 3,675 | 1,130 | 28,508 |
| | 228,871 | 5,602 | 7,565 | 3,752 | 245,790 |
| **At 30 September 2016** | | | | | |
| Cash | 101,338 | – | – | – | 101,338 |
| Trade and other receivables | 78,198 | 943 | 4,188 | 2,792 | 86,121 |
| Due by associated companies | 25,692 | 1,669 | 4,982 | 2,913 | 35,256 |
| Reinsurance assets | 663 | – | – | – | 663 |
| Financial investments (debt securities and fixed deposits) | 20,334 | 1,920 | 5,636 | 1,141 | 29,031 |
| | 226,225 | 4,532 | 14,806 | 6,846 | 252,409 |

*iv) Cash flow and fair value interest rate risk*

Although the Group has some interest bearing assets, the Group's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2017 and 2016 the Group's borrowings at variable rates were denominated in Barbados dollars and Colombian pesos. To manage against interest rate risk, the Group negotiates the best rates possible and where possible considers factors such as refinancing, renewing options and alternative financing. In a period of low interest rates the Group negotiates for fixed rates on borrowings for a period of at least five years.

At 30 September 2017, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net income for the year would have been $262 (2016 – $257) lower or higher, mainly as a result of higher or lower finance costs on floating rate borrowings.

*v) Country risk*

On 19 May 2017, Foreign Exchange Agreement No. 38 was published, which specifically regulates the Foreign Exchange Rate System of the Market's Floating Complementary Exchange Rate (DICOM). Foreign currency auctions through the aforementioned system may be carried out with positions held by individuals and legal entities of the private sector that wish to present their bid and offer positions. Auctions may also be carried out by the Central Bank of Venezuela. The DICOM system is administered, regulated and directed by the Currency Auctions Committee, which is constituted and governed in accordance with the provisions of the afore-mentioned Agreement. The amounts and conditions of the amounts of the respective auction is determined

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

## a) Financial risk factors... continued

### *v) Country risk... continued*

at each opportunity by the Currency Auctions Committee. The DICOM corresponding to each auction is published on the website of the Central Bank of Venezuela. Under this mechanism the Bolivar has devalued significantly, moving from a conversion rate of Bolivars 658.89 to US$1.00 in the prior year to a conversion rate of Bolivars 3,345.00 to US$1.00 at year end. The Group has used the DICOM exchange rate to convert the net assets of its Venezuelan subsidiaries resulting in a translation gain of $865 (2016 – $211) which was recognised in the consolidated statement of comprehensive income. The revenues, operating income and statement of financial position totals of the entities located in Venezuela are not considered significant to the Group. However management is currently seeking avenues by which to mitigate any further exchange risk.

## b) Fair value of financial assets and liabilities

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

Financial instruments carried at fair value in the consolidated financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

Level 1 – quoted instruments in active markets for identical instruments;
Level 2 – inputs other than quoted prices in Level 1 that are observable for the instrument either directly or indirectly;
Level 3 – inputs for the instrument that are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value such financial instruments include quoted market prices for similar instruments and discounted cash flow analysis.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2017** | | | | |
| **Available-for-sale securities:** | | | | |
| Equity securities | 2,146 | 9,818 | – | 11,964 |
| **2016** | | | | |
| **Available-for-sale securities:** | | | | |
| Equity securities | 1,739 | 7,974 | – | 9,713 |

During the year there were no transfers between Level 1 and Level 2.

The Group's financial assets and financial liabilities as disclosed in the consolidated statement of financial position approximate their fair value except for the Group's borrowings, the fair value of which is disclosed in note 11.

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

c) Capital risk management

The Group's objectives when managing capital are to maximise shareholders' returns and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to capital ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as total liabilities as shown on the consolidated statement of financial position. Total equity is calculated as 'equity' as shown on the consolidated statement of financial position.

During 2017 and 2016, the Group's strategy was to achieve a debt to equity ratio of 40:60. The debt to equity ratios at 30 September 2017 and 2016, are as follows:

| | 2017 | 2016 |
|---|---|---|
| Total debt | 309,551 | 306,689 |
| Total equity | 648,515 | 598,718 |
| Debt to equity ratio | 32:68 | 34:66 |

**Statutory compliance**

The Group's insurance company, M&C General Insurance Company Limited, is regulated by the Insurance Act No. 6 of 1995 (the Insurance Act) of St. Lucia.

Section 34 of the Insurance Act states that a general insurer will be deemed to be insolvent if its assets do not exceed the sum of its liabilities by the greater of $148 or twenty percent (20%) of its premium income in respect of its general insurance business in its last preceding financial year. Premium income of a company shall be assessed as the net amount, after deductions for any premiums paid by the company for reinsurance in that year in respect of all general insurance business carried on by the company. The company was deemed solvent as at 30 September 2017 and 2016.

Section 80 of the Insurance Act requires that a general insurer (carrying on motor vehicle and insurance business other than long-term insurance) shall deposit with the Registrar either the greater of $56 or an amount equal to 40% of its net premium income in respect of business transacted during the last preceding financial year. The company was in compliance with this requirement as of 30 September 2017 and 2016.

Section 88 of the Insurance Act requires that the company establishes a motor vehicle insurance fund equal to its liability and contingency reserves for motor vehicle insurance business less amounts held on deposit with the Registrar. The company was in compliance with this requirement as of 30 September 2017 and 2016.

The local insurance regulator specifies the minimum amount and type of capital that must be held by the company in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The company is subject to insurance solvency regulations and the company has embedded in its asset liability management framework the necessary tests to ensure the continuous and full compliance with such regulations.

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

c) Capital risk management... continued

**Statutory compliance... continued**
The table below summarises the minimum required capital and the regulatory capital held by the company.

| | 2017 | 2016 |
|---|---|---|
| Regulatory capital held | 2,370 | 2,370 |
| Minimum regulatory capital | 555 | 555 |

d) Insurance risk
The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this is random and therefore unpredictable.

The principal risk that the Group faces under its insurance contracts is that the actual claim payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and amount of claims will vary from expectations from year to year.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. The Group's underwriting strategy promotes diversification of insurance risks accepted and the creation of a large population of risks in each category to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

**Reinsurance arrangements**
The Group limits its exposure to insurance losses through the purchase of reinsurance. The Group's retained risk by line of business is disclosed below:

| Type of Insurance Contract | Retention of Insurers |
|---|---|
| Property Risks | Maximum net retention of $74<br>Maximum gross retention of $5,555 per risk<br>Maximum net retention of $1,185 for catastrophe risk |
| Motor & Liability | Maximum net retention of $2,370 for single risk<br>Treaty limits for motor of $2,963<br>Treaty limits for liability of $2,963 |
| Miscellaneous Accident | Maximum net retention of $74<br>Treaty limits of $740 any one risk |
| Marine | Maximum net retention of $65 per shipment and $102 per bottom<br>Maximum gross retention of $259 for single risk<br>Maximum retention of $185 any one bond<br>Treaty limit of $407 any one known bottom |

## 4. Critical accounting estimates and judgements

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on the Group's reported assets, liabilities, revenues and expenses. The items which may have the most effect on the Group's financial statements are set out below.

*Revaluation of properties*
The Group utilises professional valuers to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen.

*Property, plant and equipment*
Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

*Consolidation of flight kitchen operations*
Following the adoption of IFRS 10 Consolidated Financial Statements, management reassessed the existing business arrangement with LSG/Sky Chefs Inc. as it relates to the operation of the flight kitchens division.

On 30 March 1997, Goddard Enterprises Limited (GEL) and SC International Services Inc. (now LSG/Sky Chefs Inc.) entered into a business arrangement to manage the operations of the companies within the Catering and Ground Handling Division at the time. On 5 November 2015 the two parties signed a Restated Master Joint Venture Arrangement that has an initial term through 30 September 2035, with an automated 10 year extension. The ownership structure is 51:49, with GEL being the majority shareholder. GEL is deemed to have control of this arrangement as GEL directs the relevant activities which include, but are not limited to:

i) The selling and purchasing of goods and services.
ii) The recruitment, appointment and termination of key management.
iii) Negotiation of contracts with suppliers, customers and service providers.
iv) Establishment of all operating policies.
v) Determination of the strategic plans.

GEL currently, through the appointment of key management who directs the relevant activities of the business arrangement, has the ability to affect its performance and hence influence the variable returns from the arrangement. GEL currently also receives dividends and management fees.

*Recognition and measurement of intangible assets*
The recognition and measurement of intangible assets, other than goodwill, in a business combination involves the utilisation of valuation techniques which may be very sensitive to the underlying assumptions utilised. These intangibles may be marketing related, consumer related, contract based or technology based.

For significant amounts of intangibles arising from a business combination, the Group utilises independent professional advisors to assist management in determining the recognition and measurement of these assets.

*Impairment of intangible assets*

a) Goodwill
The assessment of goodwill impairment involves the determination of the fair value of the cash-generating units to which the goodwill has been allocated. Determination of fair value involves the estimation of future cash flows or of net income from ordinary activities of these business units and the expected returns to providers of capital to the business units and/or to the Group as a whole.

The Group updates its business unit financial projections annually and assesses whether there is any impairment of goodwill.

b) Other intangible assets
The assessment of impairment of other intangible assets involves the determination of the intangible's fair value or value in use. In the absence of an active market for an intangible, its fair value may need to be estimated. In determining an intangible asset's value in use, estimates are required of future cash flows generated as a result of holding the asset.

## 4. Critical accounting estimates and judgements... continued

*Impairment of financial assets*
Management makes judgements at each reporting date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

*Employee benefits*
In conducting valuation exercises to measure the effect of all employee benefit plans throughout the Group, management uses judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases, and the rate of return on the assets of the plans.

*Deferred taxes*
In calculating the provision for deferred taxation, management uses judgement to determine the probability that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

## 5. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group is divided into five reporting segments based on the different types of products and services offered. These products and services are described in note 1. The operating segments derive their revenue primarily from the distribution of general merchandise, manufacturing of food and consumables, and provision of catering, ground handling and financial services. The Directors assess the performance of the operating segments on the basis of revenue and profit or loss before tax excluding some other gains/(losses) – net which are shown as adjustments.

Information segmented on a geographical basis has been included in the notes to the consolidated financial statements as the Directors believe that this information is useful to an understanding of the operations of the Group.

(Expressed in thousands of Barbados Dollars)

## 5. Segmental reporting... continued

The segment information provided to the Board of Directors is as follows:

Operating segments

| | Automotive, building supplies and services | Caribbean Distribution Partners Ltd. | Manufacturing and services | Catering and ground handling | Financial services | Eliminations/ unallocated | Total |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | 345,022 | – | 149,026 | 259,290 | – | (5,216) | 748,122 |
| Inter-segment sales | 2,045 | – | 2,389 | 308 | – | (4,742) | – |
| Associated companies' sales | – | 597,416 | 28,029 | 70,660 | 148,721 | (844,826) | – |
| **Total revenue** | 347,067 | 597,416 | 179,444 | 330,258 | 148,721 | (854,784) | 748,122 |
| **Segment result** | | | | | | | |
| Profit/(loss) from operations | 22,584 | – | 16,167 | 41,178 | – | (16,214) | 63,715 |
| Other gains/(losses) – net | 4,043 | – | 10,543 | 1,962 | – | 4,003 | 20,551 |
| Finance costs | (5,144) | – | (312) | (190) | – | (4,628) | (10,274) |
| Share of income/(loss) of associated companies | – | 6,528 | 171 | 406 | (5,889) | (1,199) | 17 |
| **Income/(loss) before non-controlling interests and taxation** | 21,483 | 6,528 | 26,569 | 43,356 | (5,889) | (18,038) | 74,009 |
| Non-controlling interests | (1,651) | – | (1,345) | (23,136) | – | 26,132 | – |
| **Income/(loss) before taxation** | 19,832 | 6,528 | 25,224 | 20,220 | (5,889) | 8,094 | 74,009 |
| Taxation | | | | | | | (17,215) |
| **Net income for the year** | | | | | | | 56,794 |
| **Other information** | | | | | | | |
| Operating assets | 300,469 | – | 89,028 | 128,158 | – | 157,269 | 674,924 |
| Non-current assets held for sale | 2,511 | – | – | 666 | – | – | 3,177 |
| Intangible assets | 18,699 | – | 1,244 | 4,007 | – | – | 23,950 |
| Investment in associated companies | – | 96,083 | 14,320 | 7,462 | 33,026 | 5,958 | 156,849 |
| Unallocated corporate assets | – | – | – | – | – | 99,166 | 99,166 |
| **Consolidated corporate assets** | 321,679 | 96,083 | 104,592 | 140,293 | 33,026 | 262,393 | 958,066 |
| Capital expenditure | 6,483 | – | 8,194 | 10,608 | – | 33 | 25,318 |
| Depreciation | 6,137 | – | 4,517 | 8,830 | – | 1,459 | 20,943 |
| Amortisation of intangible assets | 1,075 | – | – | 192 | – | – | 1,267 |
| Impairment of intangible assets | – | – | – | 362 | – | – | 362 |
| Employee numbers – subsidiary companies only | 1,334 | – | 714 | 3,010 | – | 50 | 5,108 |

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

## 5. Segmental reporting... continued

Operating segments... continued

| | Automotive, building supplies and services | Caribbean Distribution Partners Ltd. | Manufacturing and services | Catering and ground handling | Financial services | Eliminations/ unallocated | Total |
|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | 351,036 | – | 168,092 | 251,046 | – | (2,714) | 767,460 |
| Inter-segment sales | 1,312 | – | 3,475 | 1,026 | – | (5,813) | – |
| Associated companies' sales | – | 425,212 | 51,430 | 69,760 | 153,229 | (699,631) | – |
| **Total revenue** | 352,348 | 425,212 | 222,997 | 321,832 | 153,229 | (708,158) | 767,460 |
| **Segment result** | | | | | | | |
| Profit/(loss) from operations | 23,551 | – | 17,399 | 39,094 | – | (17,663) | 62,381 |
| Other gains/(losses) – net | 1,895 | – | 289 | 8,604 | – | 4,569 | 15,357 |
| Finance costs | (5,539) | – | (388) | (102) | – | (4,613) | (10,642) |
| Share of income of associated companies | – | 1,112 | 1,398 | 812 | 717 | – | 4,039 |
| **Income/(loss) before non-controlling interests and taxation** | 19,907 | 1,112 | 18,698 | 48,408 | 717 | (17,707) | 71,135 |
| Non-controlling interests | (1,512) | – | 5 | (25,170) | – | 26,677 | – |
| **Income/)loss) before taxation** | 18,395 | 1,112 | 18,703 | 23,238 | 717 | 8,970 | 71,135 |
| Taxation | | | | | | | (14,674) |
| **Net income for the year** | | | | | | | 56,461 |
| **Other information** | | | | | | | |
| Operating assets | 279,259 | – | 109,959 | 118,320 | – | 158,208 | 665,746 |
| Non-current assets held for sale | 2,511 | – | – | – | – | – | 2,511 |
| Intangible assets | 19,372 | – | 1,244 | 4,201 | – | – | 24,817 |
| Investments in associated companies | – | 55,110 | 20,304 | 8,065 | 40,177 | – | 123,656 |
| Unallocated corporate assets | – | – | – | – | – | 88,677 | 88,677 |
| **Consolidated corporate assets** | 301,142 | 55,110 | 131,507 | 130,586 | 40,177 | 246,885 | 905,407 |
| Capital expenditure | 7,641 | – | 7,105 | 11,044 | – | 92 | 25,882 |
| Depreciation | 6,342 | – | 5,696 | 9,502 | – | 1,584 | 23,124 |
| Amortisation of intangible assets | 1,075 | – | – | 192 | – | – | 1,267 |
| Impairment of intangible assets | 206 | – | – | – | – | – | 206 |
| Employee numbers – subsidiary companies only | 1,348 | – | 690 | 3,016 | – | 51 | 5,105 |

(Expressed in thousands of Barbados Dollars)

## 5. Segmental reporting... continued

**Operating segments... continued**
A reconciliation of adjustments to income before non-controlling interests and taxation is provided as follows:

| | 2017 | 2016 |
|---|---|---|
| Total income before non-controlling interests and taxation for reportable segments | 92,047 | 88,842 |
| **Eliminations/unallocated** | | |
| Unallocated group companies | (17,995) | (17,733) |
| Intercompany eliminations | (43) | 26 |
| Total eliminations/unallocated | (18,038) | (17,707) |
| Total income before taxation | 74,009 | 71,135 |

Reportable segment assets are reconciled to total assets as follows:

| | 2017 | 2016 |
|---|---|---|
| Total assets for reportable segments | 695,673 | 658,522 |
| **Unallocated assets** | | |
| Operating assets for unallocated group companies | 163,227 | 158,208 |
| Current income tax assets | 3,632 | 3,425 |
| Investment property | 29,024 | 28,684 |
| Financial investments | 59,260 | 47,293 |
| Deferred income tax assets | 5,106 | 7,032 |
| Pension plan assets | 2,144 | 2,243 |
| Total unallocated assets | 262,393 | 246,885 |
| Total assets | 958,066 | 905,407 |

**Geographical information**

| | External sales | | Non-current assets | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Barbados | 187,529 | 189,775 | 201,331 | 217,882 |
| St. Lucia | 97,470 | 91,983 | 69,217 | 85,521 |
| Grenada | 80,759 | 80,047 | 49,576 | 46,589 |
| Other Caribbean | 122,702 | 140,404 | 174,907 | 112,221 |
| Latin America | 126,770 | 120,805 | 38,053 | 35,313 |
| Other | 132,892 | 144,446 | 5,958 | – |
| **Total** | 748,122 | 767,460 | 539,042 | 497,526 |

Sales between reportable segments are carried out at arm’s length.

Revenue is attributed to countries on the basis of the customer's location.

For the purposes of segment information, non-current assets exclude financial investments, deferred income tax assets and pension plan assets.

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

## 5. Segmental reporting... continued

### Geographical segments

| | Barbados | Other Caribbean | Latin America | Eliminations/ unallocated | Total |
|---|---|---|---|---|---|
| **2017** | | | | | |
| **Revenue** | | | | | |
| External sales | 263,976 | 354,638 | 134,724 | (5,216) | 748,122 |
| Inter-segment sales | 4,046 | 696 | – | (4,742) | – |
| Associated companies' sales | 169,225 | 646,711 | 28,890 | (844,826) | – |
| **Total revenue** | 437,247 | 1,002,045 | 163,614 | (854,784) | 748,122 |
| **Segment result** | | | | | |
| Profit/(loss) from operations | 26,714 | 27,817 | 25,398 | (16,214) | 63,715 |
| Other gains/(losses) – net | 6,411 | 9,253 | 884 | 4,003 | 20,551 |
| Finance costs | (831) | (4,647) | (168) | (4,628) | (10,274) |
| Share of (loss)/income of associated companies | (5,358) | 5,573 | 1,001 | (1,199) | 17 |
| **Income/(loss) before non-controlling interests and taxation** | 26,936 | 37,996 | 27,115 | (18,038) | 74,009 |
| Non-controlling interests | (2,167) | (11,169) | (12,796) | 26,132 | – |
| **Income before taxation** | 24,769 | 26,827 | 14,319 | 8,094 | 74,009 |
| Taxation | | | | | (17,215) |
| **Net income for the year** | | | | | 56,794 |
| **Other information** | | | | | |
| Operating assets | 166,890 | 289,249 | 61,516 | 157,269 | 674,924 |
| Non-current asssets held for sale | – | 2,511 | 666 | – | 3,177 |
| Intangible assets | 7,819 | 14,683 | 1,448 | – | 23,950 |
| Investments in associated companies | 45,970 | 100,498 | 4,423 | 5,958 | 156,849 |
| Unallocated corporate assets | – | – | – | 99,166 | 99,166 |
| **Consolidated corporate assets** | 220,679 | 406,941 | 68,053 | 262,393 | 958,066 |
| Capital expenditure | 12,484 | 8,037 | 4,764 | 33 | 25,318 |
| Depreciation | 7,106 | 7,720 | 4,658 | 1,459 | 20,943 |
| Amortisation of intangible assets | 641 | 626 | – | – | 1,267 |
| Impairment of intangible assets | – | 362 | – | – | 362 |
| Employee numbers – subsidiary companies only | 954 | 2,351 | 1,753 | 50 | 5,108 |

(Expressed in thousands of Barbados Dollars)

5. Segmental reporting... continued

Geographical segments... continued

| | Barbados | Other Caribbean | Latin America | Eliminations/ unallocated | Total |
|---|---|---|---|---|---|
| **2016** | | | | | |
| **Revenue** | | | | | |
| External sales | 276,311 | 360,179 | 133,684 | (2,714) | 767,460 |
| Inter-segment sales | 5,059 | 754 | – | (5,813) | – |
| Associated companies' sales | 296,796 | 378,426 | 24,409 | (699,631) | – |
| **Total revenue** | 578,166 | 739,359 | 158,093 | (708,158) | 767,460 |
| **Segment result** | | | | | |
| Profit/(loss) from operations | 29,998 | 25,694 | 24,352 | (17,663) | 62,381 |
| Other gains/(losses) – net | 1,646 | 8,450 | 692 | 4,569 | 15,357 |
| Finance costs | (1,164) | (4,777) | (88) | (4,613) | (10,642) |
| Share of (loss)/income of associated companies | (325) | 3,242 | 1,122 | – | 4,039 |
| **Income/(loss) before non-controlling interests and taxation** | 30,155 | 32,609 | 26,078 | (17,707) | 71,135 |
| Non-controlling interests | (2,326) | (12,121) | (12,230) | 26,677 | – |
| **Income before taxation** | 27,829 | 20,488 | 13,848 | 8,970 | 71,135 |
| Taxation | | | | | (14,674) |
| **Net income for the year** | | | | | 56,461 |
| **Other information** | | | | | |
| Operating assets | 173,300 | 277,568 | 56,670 | 158,208 | 665,746 |
| Non-current assets held for sale | – | 2,511 | – | – | 2,511 |
| Intangible assets | 8,059 | 15,310 | 1,448 | – | 24,817 |
| Investment in associated companies | 59,163 | 60,180 | 4,313 | – | 123,656 |
| Unallocated corporate assets | – | – | – | 88,677 | 88,677 |
| **Consolidated corporate assets** | 240,522 | 355,569 | 62,431 | 246,885 | 905,407 |
| Capital expenditure | 11,591 | 8,771 | 5,428 | 92 | 25,882 |
| Depreciation | 8,089 | 8,095 | 5,356 | 1,584 | 23,124 |
| Amortisation of intangible assets | 640 | 627 | – | – | 1,267 |
| Impairment of intangible assets | – | 206 | – | – | 206 |
| Employee numbers – subsidiary companies only | 935 | 2,290 | 1,829 | 51 | 5,105 |

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

## 6. Cash and cash equivalents

| | 2017 | 2016 |
|---|---|---|
| Cash | 104,063 | 101,338 |
| Bank overdraft (note 11) | (8,877) | (4,493) |
| | 95,186 | 96,845 |

Significant concentrations of cash are as follows:

| | 2017 | 2016 |
|---|---|---|
| CIBC FirstCaribbean International Bank (unrated) | 13,885 | 26,747 |
| CIBC (Long Term Issue Credit Rating A+ by Standard & Poor's) | 61,836 | 45,651 |

## 7. Trade and other receivables

| | 2017 | 2016 |
|---|---|---|
| Trade receivables | 62,510 | 58,571 |
| Other receivables | 22,659 | 21,237 |
| Trade and other receivables | 85,169 | 79,808 |
| Less: Provision for impairment of receivables | (3,620) | (3,047) |
| Trade and other receivables – net | 81,549 | 76,761 |
| Loans receivable (other) | 10,154 | 9,379 |
| Loans receivable (mortgages) | 51 | 156 |
| | 91,754 | 86,296 |
| Less: Long-term portion – loans receivable | (9,236) | (7,678) |
| Current portion | 82,518 | 78,618 |

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about default rates. External credit ratings are used if available.

### *a) Trade receivables*

Total fully performing trade receivables without external ratings:

| | 2017 | 2016 |
|---|---|---|
| New customers (<6 months) | 1,510 | 1,210 |
| Existing customers (>6 months) – no past defaults | 28,576 | 26,115 |
| Existing customers (>6 months) – some past defaults fully recovered | 13,221 | 13,781 |
| | 43,307 | 41,106 |

(Expressed in thousands of Barbados Dollars)

## 7. Trade and other receivables... continued

### *a) Trade receivables... continued*

Counterparties with external ratings:

| | 2017 | 2016 |
|---|---|---|
| British Airways PLC (rated BB+ by Standard & Poor's) | 970 | 817 |
| American Airlines Inc. (rated BB- by Standard & Poor's) | 613 | 719 |
| Delta Air Lines Inc. (rated BB+ by Standard & Poor's) | 1,756 | 1,502 |
| United Airlines Inc. (rated BB- by Standard & Poor's) | 711 | 312 |
| Air Canada (rated BB- by Standard & Poor's) | 328 | 115 |
| United Parcel Service Inc. (rated A+ by Standard & Poor's) | 2 | 2 |
| | 4,380 | 3,467 |
| Total fully performing trade receivables | 47,687 | 44,573 |

Trade receivables that are less than three months past due are not considered impaired. Based on historical information and customer relationships some trade receivables which are greater than three months past due but not greater than twelve months are not considered impaired. As at 30 September 2017, trade receivables of $11,752 (2016 – $11,430) were past due but not impaired. The ageing of these trade receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| Up to 3 months | 7,888 | 6,658 |
| 3 to 6 months | 1,564 | 2,384 |
| 6 to 12 months | 2,300 | 2,388 |
| | 11,752 | 11,430 |

As at 30 September 2017, trade receivables of $3,071 (2016 – $2,568) were impaired and provided for. A portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| 3 to 6 months | 546 | 140 |
| 6 to 12 months | 631 | 604 |
| Over 12 months | 1,894 | 1,824 |
| | 3,071 | 2,568 |
| Total trade receivables | 62,510 | 58,571 |

(Expressed in thousands of Barbados Dollars)

7. Trade and other receivables... continued

*b) Other receivables*

| | 2017 | 2016 |
|---|---|---|
| Total fully performing other receivables | 11,074 | 7,755 |

Other receivables that are less than three months past due are not considered impaired. As at 30 September 2017, other receivables of $11,036 (2016 – $13,003) were past due but not impaired. The ageing of these other receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| Up to 3 months | 1,792 | 2,657 |
| 3 to 6 months | 1,534 | 2,559 |
| 6 to 12 months | 3,165 | 1,934 |
| Over 12 months | 4,545 | 5,853 |
| | 11,036 | 13,003 |

As at 30 September 2017, other receivables of $549 (2016 – $479) were impaired and provided for. A portion of these receivables is expected to be recovered. The ageing of these other receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| 6 to 12 months | 23 | – |
| Over 12 months | 526 | 479 |
| | 549 | 479 |
| Total other receivables | 22,659 | 21,237 |

Movement on the Group's provision for impairment of receivables is as follows:

| | 2017 | 2016 |
|---|---|---|
| Balance – beginning of year | 3,047 | 3,482 |
| Provision for impairment of receivables | 1,407 | 1,092 |
| Receivables written off during the year as uncollectible | (826) | (398) |
| Unused amounts reversed | (161) | (536) |
| Exchange adjustment | (3) | (40) |
| Subsidiaries disposed of during the year | (30) | (597) |
| Subsidiaries acquired during the year | 186 | 44 |
| Balance – end of year | 3,620 | 3,047 |

The creation and release of provision for impairment of receivables is included in selling, marketing and administrative expenses in the consolidated statement of income. Amounts charged to the provision for impairment of receivables are written off when there is no expectation of receiving additional cash. Direct write-offs for impaired receivables net of recoveries to the consolidated statement of income were $161 (2016 – $564).

The Group only holds collateral in respect of loans receivable (mortgages). The estimated fair value of this collateral at year end was $248 (2016 – $306).

Loans receivable (other) include interest bearing loans repayable no later than ten years.

Loans receivable (mortgages) do not include impaired assets.

(Expressed in thousands of Barbados Dollars)

## 7. Trade and other receivables... continued

The effective interest rates on non-current receivables were as follows:

| | 2017 | 2016 |
|---|---|---|
| Loans receivable (other) | 0%–7% | 4.25%–7% |
| Loans receivable (mortgages) | 6% | 6% |

## 8. Due by/to associated companies

Of these amounts, $16,913 (2016 – $19,719) is interest free, unsecured and due on demand and $7,268 (2016 – $8,571) carries interest at a rate of 5.5% and is repayable over five years. Due by/to associated companies is constituted as follows:

| | 2017 | 2016 |
|---|---|---|
| Due by associated companies (due within twelve months) | 20,846 | 25,253 |
| Due by associated companies (due after twelve months) | 5,965 | 6,666 |
| Due to associated companies | (2,630) | (3,629) |
| | 24,181 | 28,290 |

## 9. Reinsurance assets

| | 2017 | 2016 |
|---|---|---|
| Outstanding claims | 840 | 663 |
| Deferred reinsurance costs | 5,330 | 5,397 |
| | 6,170 | 6,060 |

## 10. Inventories

| | 2017 | 2016 |
|---|---|---|
| Finished goods | 97,015 | 91,911 |
| Raw materials | 19,847 | 22,362 |
| Work in progress | 675 | 1,988 |
| | 117,537 | 116,261 |
| Less: Provision for obsolescence | (1,163) | (792) |
| **Total** | 116,374 | 115,469 |

The cost of inventories written down and recognised as an expense and included in cost of sales amounted to $2,447 (2016 – $3,743).

(Expressed in thousands of Barbados Dollars)

## 11. Borrowings

| | 2017 | 2016 |
|---|---|---|
| **Non-current** | | |
| Bank term loans at interest rates between 3.75% to 12.86% (2016 – 3.75% to 12.86%) repayable in regular instalments maturing at various intervals through 2026 (2016 – through to 2026) – see note (a) | 91,217 | 91,102 |
| **Current** | | |
| Bank term loans at interest rates between 3.75% to 12.86% (2016 – 3.75% to 12.86%) repayable in regular instalments maturing at various intervals through 2026 (2016 – through to 2026) – see note (a) | 40,205 | 32,674 |
| Short-term loans repayable on demand – see note (b) | 3,342 | 6,818 |
| Preference shares – redeemable up to 2023 at a dividend rate of 6.5% payable semi-annually – see note (c) | 32,434 | 32,434 |
| Bank overdraft (interest rates of 5.00% to 10.25%) (2016 – 4.50% to 11.25%) (note 6) – see note (a) | 8,877 | 4,493 |
| | 84,858 | 76,419 |
| Total | 176,075 | 167,521 |

a) The Company's bankers hold as collateral security, in support of the bank term loans and bank overdraft, the share certificates for the investments held by the Company in certain wholly owned subsidiaries and associated companies.

b) The short-term loans are unsecured and bear interest at rates varying between 3% and 7% (2016 – 3% and 5%) per annum.

c) These preference shares were issued as part-payment of the purchase consideration for the acquisition of Minvielle & Chastanet Limited ("M&C") and are denominated in US dollars. The shares have a fixed preferential dividend rate of 6.5% per annum to be paid semi-annually. The holders can redeem the preference shares by giving two months' notice for every $10,000 of the value thereof. Payment can be made in Eastern Caribbean dollars at the holders' request. The holders also have the option to convert 60% of the preference shares into the Group's shares with the balance redeemable for cash, prior to 2023. Given the specific redemption terms, including the two months' notice period for any redemption request prior to 2023, the full amount of the outstanding preference shares is shown as current borrowings.

The following have been pledged as security for the bank indebtedness of certain of the subsidiary companies:

**Antigua:** Floating charge debenture over business assets stamped for $1,037.

**Barbados:** Letters of charge, demand debentures and first legal mortgages over land and buildings and assets of certain subsidiary companies stamped to secure $49,547, guarantee bond and postponement of claims by Goddard Enterprises Limited for full liability, assignment of fire and other perils insurance policies over fixed and floating assets to the bank.

**St. Lucia:** Letters of charge, demand debentures and first legal mortgages over land and buildings and assets of certain subsidiary companies stamped to secure $13,771, guarantee and postponement of claim by Goddard Enterprises Limited for $933, assignment of fire and other perils insurance policies over fixed and floating assets to the bank.

**St. Vincent:** Equitable mortgage on deed of conveyance over land and buildings of a subsidiary company, assignment of fire and perils insurance over business assets and postponement of claim by Goddard Enterprises Limited for full liability.

**Jamaica:** A registered first demand debenture and first demand mortgage over land and buildings providing a fixed and floating charge over assets stamped to secure $5,609 and guarantee of Goddard Enterprises Limited to cover full liability.

(Expressed in thousands of Barbados Dollars)

## 11. Borrowings... continued

**Grenada:** First legal mortgage over land and buildings stamped to secure $2,222.

**Uruguay:** Assignment of certain service contracts.

**Colombia:** Mortgage on property stamped to secure $3,050.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the consolidated statement of financial position date are as follows:

| | 2017 | 2016 |
|---|---|---|
| No exposure | 157,323 | 141,166 |
| Less than 1 year | 17,483 | 22,578 |
| 1 – 5 years | 1,269 | 2,871 |
| Over 5 years | – | 906 |
| | 176,075 | 167,521 |

The fair value of the Group's fixed rate borrowings was at the year end $155,047 (2016 – $137,203).

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | 2017 | 2016 |
|---|---|---|
| Barbados dollar | 61,438 | 64,661 |
| Eastern Caribbean dollar | 57,681 | 63,047 |
| Jamaica dollar | 5,848 | 6,529 |
| US dollar | 41,452 | 32,434 |
| Colombia peso | 954 | 850 |
| Trinidad and Tobago dollar | 7,301 | – |
| Uruguay peso | 1,401 | – |
| | 176,075 | 167,521 |

## 12. Trade and other payables

| | 2017 | 2016 |
|---|---|---|
| Trade payables | 42,223 | 38,811 |
| Accrued liabilities | 64,345 | 68,782 |
| | 106,568 | 107,593 |

## 13. Insurance contracts

| | 2017 | 2016 |
|---|---|---|
| Provision for losses and loss adjustment expenses | 1,895 | 1,957 |
| Unearned premiums | 7,460 | 7,572 |
| | 9,355 | 9,529 |

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

## 14. Property, plant and equipment

| | Freehold land and buildings | Leasehold buildings | General equipment | Total |
|---|---|---|---|---|
| **At 30 September 2015** | | | | |
| Cost or valuation | 263,949 | 45,373 | 253,404 | 562,726 |
| Accumulated depreciation | (18,737) | (30,656) | (193,364) | (242,757) |
| Net book amount | 245,212 | 14,717 | 60,040 | 319,969 |
| **Year ended 30 September 2016** | | | | |
| Opening net book amount | 245,212 | 14,717 | 60,040 | 319,969 |
| Exchange differences | 23 | (207) | (106) | (290) |
| Additions | 2,690 | 1,118 | 22,074 | 25,882 |
| Disposals | (6,291) | – | (1,699) | (7,990) |
| Reclassifications | 1,359 | (1,353) | (6) | – |
| Revaluations | 2,048 | – | – | 2,048 |
| Hyperinflationary revaluation | – | 231 | 369 | 600 |
| Transfer to assets held for sale | (2,511) | – | – | (2,511) |
| Transfer to investment property | (11,035) | – | – | (11,035) |
| Depreciation charge (note 24) | (4,176) | (1,644) | (17,304) | (23,124) |
| Subsidiary acquired during year | – | 2,969 | 3,551 | 6,520 |
| Subsidiary disposed of during year | (2,154) | (1,424) | (466) | (4,044) |
| Closing net book amount | 225,165 | 14,407 | 66,453 | 306,025 |
| **At 30 September 2016** | | | | |
| Cost or valuation | 246,428 | 46,755 | 267,354 | 560,537 |
| Accumulated depreciation | (21,263) | (32,348) | (200,901) | (254,512) |
| Net book amount | 225,165 | 14,407 | 66,453 | 306,025 |
| **Year ended 30 September 2017** | | | | |
| Opening net book amount | 225,165 | 14,407 | 66,453 | 306,025 |
| Exchange differences | (95) | (189) | (493) | (777) |
| Additions | 1,423 | 612 | 23,283 | 25,318 |
| Disposals | – | – | (1,049) | (1,049) |
| Reclassifications | 1,662 | (1,662) | – | – |
| Revaluations | 11,889 | – | – | 11,889 |
| Hyperinflationary revaluation | – | 78 | 455 | 533 |
| Depreciation charge (note 24) | (3,887) | (1,645) | (15,411) | (20,943) |
| Subsidiaries acquired during the year | – | 190 | 542 | 732 |
| Subsidiaries disposed of during year | (1,701) | – | (6,009) | (7,710) |
| **Closing net book amount** | **234,456** | **11,791** | **67,771** | **314,018** |
| **At 30 September 2017** | | | | |
| Cost or valuation | 247,367 | 46,943 | 242,829 | 537,139 |
| Accumulated depreciation | (12,911) | (35,152) | (175,058) | (223,121) |
| **Net book amount** | **234,456** | **11,791** | **67,771** | **314,018** |

(Expressed in thousands of Barbados Dollars)

## 14. Property, plant and equipment... continued

Depreciation expense of $3,533 (2016 – $4,757) and $17,410 (2016 – $18,367) respectively has been included in cost of sales and selling, marketing and administrative expenses.

Operating lease rental expenses amounting to $5,829 (2016 – $5,801) have been included in selling, marketing and administrative expenses.

The following is the historical cost carrying amount of freehold land and buildings carried at revalued amounts as at 30 September:

| | 2017 | 2016 |
|---|---|---|
| Cost | 168,905 | 146,012 |
| Accumulated depreciation | (27,396) | (16,816) |
| | 141,509 | 129,196 |

Land and buildings up to a total value of $63,129 (2016 – $75,622) have been provided as security for various bank borrowings.

Independent valuations of the Group's freehold land and buildings situated in Barbados, St. Lucia, St. Vincent, Grenada, Jamaica, Cayman Islands and Uruguay were performed by valuers in those countries between July and August 2017. The valuations which conform to International Valuation Standards, were determined by reference to the income capitalisation, market based and depreciated replacement cost methods. The most significant inputs into these valuation models are rental income generated and the capitalisation rate, comparable sales, and the substitution cost of the asset and depreciation factor applied respectively. The highest and best use of a property may also be considered in determining its fair value.

The fair value hierarchy has been applied to the valuations of the Group's freehold land and buildings. The different levels of the hierarchy are as follows:

Level 1 – Fair value is determined by quoted unadjusted prices in active markets for identical assets;
Level 2 – Fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
Level 3 – Fair value is determined from inputs that are not based on observable market data.

The fair values of the Group's freehold land and buildings are designated as Level 2. Reasonable changes in fair values would impact other comprehensive income.

Non-current assets held for sale are recorded at their carrying amount of $3,177 (2016 – $2,511) and represent property comprising of land and buildings. It is expected that a sale will be concluded during the next financial year.

## 15. Investment property

| | 2017 | 2016 |
|---|---|---|
| Balance – beginning of year | 28,684 | 17,432 |
| Fair value gains on revaluation of investment property (note 25) | 241 | 137 |
| Transfer from freehold land and buildings | – | 11,035 |
| Exchange adjustment | 99 | 80 |
| Balance – end of year | 29,024 | 28,684 |

(Expressed in thousands of Barbados Dollars)

## 15. Investment property... continued

The Group's investment properties are situated in Barbados, Cayman Islands, Guatemala and St. Vincent. These were revalued between July and August 2017 by independent professional real estate valuers in those countries. Valuations were performed based on an income capitalisation approach. The highest and best use of a property may also be considered in determining its fair value.

The fair value hierarchy, as defined in note 14 has been applied to the valuations of the Group's investment property and all fair values of these properties are designated as Level 2. Reasonable changes in fair values would impact net income.

Rental income from investment properties amounted to $2,017 (2016 – $2,411) and direct operating expenses totalled $7 (2016 – $317) for the year.

## 16. Intangible assets

| | Goodwill | Trade names | Customer relationships | Supplier relationships | Total |
|---|---|---|---|---|---|
| **At 30 September 2015** | | | | | |
| Cost | 24,314 | 12,462 | 11,712 | 162 | 48,650 |
| Accumulated amortisation | – | (4,050) | (3,175) | (87) | (7,312) |
| Accumulated impairment | (16,359) | – | – | – | (16,359) |
| Net book amount | 7,955 | 8,412 | 8,537 | 75 | 24,979 |
| **Year ended 30 September 2016** | | | | | |
| Opening net book amount | 7,955 | 8,412 | 8,537 | 75 | 24,979 |
| Acquisition of intangible assets | 1,311 | – | – | – | 1,311 |
| Amortisation charge (note 25) | – | (484) | (772) | (11) | (1,267) |
| Impairment (note 25) | (206) | – | – | – | (206) |
| Closing net book amount | 9,060 | 7,928 | 7,765 | 64 | 24,817 |
| **At 30 September 2016** | | | | | |
| Cost | 25,625 | 12,462 | 11,712 | 162 | 49,961 |
| Accumulated amortisation | – | (4,534) | (3,947) | (98) | (8,579) |
| Accumulated impairment | (16,565) | – | – | – | (16,565) |
| Net book amount | 9,060 | 7,928 | 7,765 | 64 | 24,817 |
| **Year ended 30 September 2017** | | | | | |
| Opening net book amount | 9,060 | 7,928 | 7,765 | 64 | 24,817 |
| Acquisition of intangible assets | 762 | – | – | – | 762 |
| Amortisation charge (note 25) | – | (484) | (772) | (11) | (1,267) |
| Impairment (note 25) | (362) | – | – | – | (362) |
| **Closing net book amount** | 9,460 | 7,444 | 6,993 | 53 | 23,950 |
| **At 30 September 2017** | | | | | |
| Cost | 26,387 | 12,462 | 11,712 | 162 | 50,723 |
| Accumulated amortisation | – | (5,018) | (4,719) | (109) | (9,846) |
| Accumulated impairment | (16,927) | – | – | – | (16,927) |
| **Net book amount** | 9,460 | 7,444 | 6,993 | 53 | 23,950 |

(Expressed in thousands of Barbados Dollars)

## 16. Intangible assets... continued

Goodwill has been allocated to the Group's cash-generating units. These cash-generating units are then grouped based on business segments.

| | Allocation beginning of year | Additions | Impairment | Allocation end of year |
|---|---|---|---|---|
| Automotive, building supplies and services | 5,536 | 400 | – | 5,936 |
| Manufacturing and services | 1,243 | – | – | 1,243 |
| Catering and ground handling | 2,281 | 362 | (362) | 2,281 |
| | 9,060 | 762 | (362) | 9,460 |

The recoverable amount of a cash-generating unit is determined based on its value-in-use calculations. These calculations use pre-tax cash flow projections prepared by management for the next five years. During the year the carrying value of one cash-generating unit within the catering and ground handling division was reduced to its estimated recoverable amount through recognition of an impairment loss of $362 in respect of goodwill to reflect declining performances. This loss has been included in other gains/(losses) – net in the consolidated statement of income.

A sensitivity analysis was conducted on the recoverable amount of all major cash-generating units. A weighted average approach to the revenue growth assumptions, a gradual increase to the rate of revenue growth and mid-year discount factors were applied. This resulted in no additional impairment of the cash-generating units.

In performing the required value-in-use calculations to arrive at a recoverable amount for each cash-generating unit, management has applied the following discount factors and residual growth rates to the projected cash flows from the individual operating units.

| | 2017 | |
|---|---|---|
| | Discount factor | Residual growth rate |
| Automotive, building supplies and services | 9.2% – 12.9% | 2.0% – 4.0% |
| Manufacturing and services | 12.5% | 2.5% |
| Catering and ground handling | 10.0% | 2.5% |

## 17. Investments in associated companies

The movement in investments in associated companies is as follows:

| | 2017 | 2016 |
|---|---|---|
| Investments in associated companies – beginning of year | 123,656 | 126,858 |
| Investment transferred to subsidiary company status | 181 | – |
| Investments made during the year | 36,988 | 317 |
| Investments transferred from financial investments | 7,000 | – |
| Disposal of an associated company | (5,745) | – |
| Exchange differences | – | (2) |
| Share of net income less dividends received for the year | (2,083) | (2,525) |
| Other comprehensive income | (3,148) | (992) |
| Investments in associated companies – end of year | 156,849 | 123,656 |

The Group's significant investments in associated companies consist of a 45% investment in Sagicor General Insurance Inc. ("Sagicor General"), located and incorporated in Barbados, and a 50% investment in Caribbean Distribution Partners Limited ("CDP"), located and incorporated in Trinidad and Tobago. The Group also holds various interests ranging from 20% – 50% shareholdings. The Group's investments in associated companies are accounted for using the equity method in the consolidated financial statements.

(Expressed in thousands of Barbados Dollars)

## 17. Investments in associated companies... continued

The following tables illustrate the summarised financial information of the Group's investments in associated companies:

**Summarised statement of financial position for the associated companies:**

| | CDP | Sagicor General | Other | Total |
|---|---|---|---|---|
| **2017** | | | | |
| **Assets** | | | | |
| Current assets | 222,757 | 128,518 | 102,231 | 453,506 |
| Non-current assets | 158,201 | 89,637 | 190,998 | 438,836 |
| | 380,958 | 218,155 | 293,229 | 892,342 |
| **Liabilities** | | | | |
| Current liabilities | 111,481 | 134,996 | 145,765 | 392,242 |
| Non-current liabilities | 70,828 | 27,074 | 74,404 | 172,306 |
| | 182,309 | 162,070 | 220,169 | 564,548 |
| **Net assets** | 198,649 | 56,085 | 73,060 | 327,794 |
| Average proportion of the Group's ownership | 48% | 45% | 49% | 48% |
| Carrying amount of investments | 96,083 | 25,238 | 35,528 | 156,849 |

| | CDP | Sagicor General | Other | Total |
|---|---|---|---|---|
| **2016** | | | | |
| **Assets** | | | | |
| Current assets | 139,822 | 137,849 | 125,641 | 403,312 |
| Non-current assets | 84,371 | 94,245 | 191,580 | 370,196 |
| | 224,193 | 232,094 | 317,221 | 773,508 |
| **Liabilities** | | | | |
| Current liabilities | 66,626 | 122,233 | 140,249 | 329,108 |
| Non-current liabilities | 40,371 | 38,652 | 89,840 | 168,863 |
| | 106,997 | 160,885 | 230,089 | 497,971 |
| **Net assets** | 117,196 | 71,209 | 87,132 | 275,537 |
| Average proportion of the Group's ownership | 47% | 45% | 42% | 45% |
| Carrying amount of investments | 55,110 | 32,044 | 36,502 | 123,656 |

(Expressed in thousands of Barbados Dollars)

## 17. Investments in associated companies... continued

Summarised statement of income for the associates:

| | CDP | Sagicor General | Other | Total |
|---|---|---|---|---|
| **2017** | | | | |
| Revenue | 597,416 | 127,773 | 120,177 | 845,366 |
| Income/(loss) before taxation | 18,806 | (11,674) | (666) | 6,466 |
| Taxation | (4,743) | (1,210) | (1,220) | (7,173) |
| Net income/(loss) for the year | 14,063 | (12,884) | (1,886) | (707) |
| Other comprehensive income/(loss) | 254 | (2,241) | (828) | (2,815) |
| Total comprehensive income/(loss) | 14,317 | (15,125) | (2,714) | (3,522) |
| Group's share of income/(loss) for the year | 6,528 | (5,798) | (713) | 17 |
| Group's share of dividends received for the year | (800) | – | (1,300) | (2,100) |

| | CDP | Sagicor General | Other | Total |
|---|---|---|---|---|
| **2016** | | | | |
| Revenue | 425,212 | 129,572 | 144,847 | 699,631 |
| Income before taxation | 4,961 | 2,154 | 10,063 | 17,178 |
| Taxation | (2,726) | (1,525) | (3,164) | (7,415) |
| Net income for the year | 2,235 | 629 | 6,899 | 9,763 |
| Other comprehensive income/(loss) | 540 | (1,317) | (2,088) | (2,865) |
| Total comprehensive income/(loss) | 2,775 | (688) | 4,811 | 6,898 |
| Group's share of income for the year | 1,112 | 283 | 2,644 | 4,039 |
| Group's share of dividends received for the year | – | (4,500) | (2,064) | (6,564) |

## 18. Financial investments

| | 2017 | 2016 |
|---|---|---|
| **Available-for-sale:** | | |
| Equity securities (listed) | 11,964 | 9,713 |
| Equity securities (unlisted) | 18,970 | 9,559 |
| | 30,934 | 19,272 |
| **Loans and receivables:** | | |
| Debt securities (unlisted) | 25,618 | 25,350 |
| Fixed deposits | 2,708 | 2,671 |
| | 28,326 | 28,021 |
| Total | 59,260 | 47,293 |

(Expressed in thousands of Barbados Dollars)

## 18. Financial investments... continued

Significant concentrations of financial investments are as follows:

| | 2017 | 2016 |
|---|---|---|
| **Debt securities and fixed deposits:** | | |
| Government of St. Lucia Bonds (unrated) | 3,316 | 6,422 |
| Government of St. Lucia Treasury Notes (unrated) | 2,737 | 2,737 |
| Government of St. Vincent Treasury Notes (unrated) | 1,481 | 2,593 |
| East Caribbean Financial Holding Co. – Bank of St. Lucia (unrated) | 2,592 | 2,565 |
| Grenada Co-Operative Bank Limited Fixed Deposit (unrated) | 1,201 | 1,165 |
| First Citizens Investment Services Ltd. (unrated) | 7,224 | 7,191 |
| Government of Antigua Treasury Notes (unrated) | 889 | 1,722 |
| Government of St. Vincent Treasury Bonds (unrated) | 3,229 | – |
| **Equity securities:** | | |
| CIBC FirstCaribbean International Bank (unrated) | 1,076 | 911 |
| OAM Asian Recovery Fund (unrated) | 5,887 | 5,041 |
| OAM European Value Fund (unrated) | 3,869 | 2,888 |
| Mutual Financial Services Inc. (unrated) | 1,500 | 1,461 |
| Sagicor Financial Corporation (unrated) | 937 | 717 |
| Mirexus Biotechnologies Inc. (unrated) | 12,400 | 7,000 |

Debt securities carry fixed interest rates ranging from 1.5% to 7.15% (2016 – 1.5% to 7.15%) and maturity dates between 2018 and 2057 (2016 – 2017 and 2057).

No debt securities were past due at the consolidated statement of financial position date.

During the year the Group subscribed to a convertible promissory note in its associate Mirexus Biotechnologies Inc. ("Mixerus") amounting to $18,534 (CDN$11,565) accruing interest at 1% per annum. As at 30 September 2017 instalments totalling $12,400 have been transferred with the residual payments due in two equal installments on 1 February 2018 and 1 September 2018. The full aggregate balance of the loan (both principal and accrued interest) is subject to mandatory conversion into common shares of Mirexus at a price per share of CDN$2.87 upon maturity in June 2022. The interest accrues on a daily basis via an increase to the principal amount but is never settled in cash. As at 30 September 2017, Mirexus, the issuer has accounted for the transaction as an issuance of equity based on the substance of the transaction. As a result of this and the fact that the Group currently does not exercise control over Mirexus, the investment has been classified as an available for sale equity investment and shown separately from the investment in associated companies.

Loans and receivables amounting to $7,705 (2016 – $8,334) were used as securities for the statutory deposits and motor insurance fund for the Group's insurance company.

## 19. Deferred income tax assets/(liabilities)

| | 2017 | 2016 |
|---|---|---|
| Deferred income tax assets (net) – beginning of year | 3,069 | 6,395 |
| Disposal of subsidiary companies | (343) | 171 |
| Acquisition of subsidiary company | (194) | – |
| Deferred income tax charge to other comprehensive income | (1,336) | (604) |
| Deferred income tax charge (note 28) | (1,648) | (2,835) |
| Exchange adjustment | (54) | (58) |
| Deferred income tax (liabilities)/assets (net) – end of year | (506) | 3,069 |

(Expressed in thousands of Barbados Dollars)

## 19. Deferred income tax assets/(liabilities)... continued

| | 2017 | 2016 |
|---|---|---|
| Represented by: | | |
| Deferred income tax assets | 5,106 | 7,032 |
| Deferred income tax liabilities | (5,612) | (3,963) |
| Deferred income tax (liabilties)/assets (net) – end of year | (506) | 3,069 |

The deferred income tax assets consist of the following components:

| | 2017 | 2016 |
|---|---|---|
| Delayed tax depreciation | 11,763 | 15,285 |
| Taxed provisions | 1,074 | 5,319 |
| Pension plan assets net of liabilities | 2,660 | 5,604 |
| Unutilised tax losses | 9,479 | 11,824 |
| Other | (957) | (41) |
| | 24,019 | 37,991 |
| Deferred income tax assets at applicable corporation tax rates | 5,106 | 7,032 |

The deferred income tax liabilities consist of the following components:

| | 2017 | 2016 |
|---|---|---|
| Accelerated tax depreciation | (19,053) | (17,970) |
| Taxed provisions | (1,792) | (252) |
| Pension plan assets net of liabilities | 205 | 1,038 |
| Unutilised tax losses | 310 | 224 |
| Revaluation of freehold property | (925) | – |
| Other | (2,558) | (943) |
| | (23,813) | (17,903) |
| Deferred income tax liabilities at applicable corporation tax rates | (5,612) | (3,963) |

| | 2017 | 2016 |
|---|---|---|
| Deferred income tax assets: | | |
| Deferred income tax assets to be recovered after more than 12 months | 4,882 | 5,741 |
| Deferred income tax assets to be recovered within 12 months | 224 | 1,291 |
| | 5,106 | 7,032 |
| Deferred income tax liabilities: | | |
| Deferred income tax liabilities to be settled after more than 12 months | (5,004) | (3,161) |
| Deferred income tax liabilities to be settled within 12 months | (608) | (802) |
| | (5,612) | (3,963) |

(Expressed in thousands of Barbados Dollars)

## 19. Deferred income tax assets/(liabilities)... continued

The Group has not recognised potential deferred income tax assets which consist of the following components:

| | 2017 | 2016 |
|---|---|---|
| Delayed tax depreciation | 152 | 96 |
| Unutilised tax losses | 7,628 | 8,341 |
| Intangible assets | (6,005) | (6,713) |
| | 1,775 | 1,724 |
| Deferred income tax assets at applicable corporation tax rates | 444 | 431 |

## 20. Pension plans

The Company and certain of its subsidiary companies have established a mixture of defined benefit and defined contribution pension plans. These pension plans are regulated by the relevant legislation in the territories in which they are registered.

The benefits that members receive at retirement under the defined contribution plans depend on their account balances at retirement and the cost of purchasing an annuity. Most of the defined benefit pension plans are non-contributory and allow for additional voluntary contributions with benefits dependent on either the career average salary or the final average salary in the last three years of membership. The defined benefit plans are fully integrated with the benefits provided by any national insurance or social security schemes in the different countries that are covered by the plans. Annual valuations of the defined benefit pension plans are performed by independent actuaries and the companies' contributions are adjusted according to the actuaries' recommendations. The last full actuarial valuations of the plans were performed as at 30 September 2014. Interim actuarial valuations of the plans were performed as at 30 September 2017.

The defined benefit pension plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk, market risk arising in the relevant sectors.

The parent company, Goddard Enterprises Limited ("GEL"), is responsible for the establishment of the plans and oversight of their administration. GEL's Board of Directors has delegated the responsibility of management and administration of the plans and the investment of the plans' assets to Pension Trustee Committees ("PTCs"). A separate trust fund has been established for each plan to receive and invest contributions and pay benefits due under each plan. All benefits are calculated and paid out in accordance with the rules of the pension plans. Funds are physically held by trustees appointed in accordance with the Trust Deeds. Each year the PTCs review the level of funding such as asset-liability matching. The PTCs decide their contributions based on the results of their reviews. The plan assets include significant investments in quoted equity shares and bonds.

In respect of the defined contribution pension plans operated by the Group, the amounts recognised in the consolidated statement of income are $2,675 (2016 – $2,670).

(Expressed in thousands of Barbados Dollars)

20. Pension plans... continued

In respect of the defined benefit pension plans operated by the Group, the amounts recognised in the consolidated statement of financial position are as follows:

**Pension plan assets**

| | 2017 | 2016 |
|---|---|---|
| Fair value of plan assets | 13,607 | 19,955 |
| Present value of funded obligations | (11,463) | (17,712) |
| Net assets – end of year | 2,144 | 2,243 |

**Pension plan liabilities**

| | 2017 | 2016 |
|---|---|---|
| Fair value of plan assets | 110,735 | 102,684 |
| Present value of funded obligations | (111,032) | (111,569) |
| | (297) | (8,885) |
| Initial additional liability due to IFRIC 14 | (4,712) | – |
| Net liabilities – end of year | (5,009) | (8,885) |

The movement in the fair value of plan assets over the year is as follows:

| | 2017 | 2016 |
|---|---|---|
| Fair value of plan assets – beginning of year | 122,639 | 121,303 |
| Employer contributions | 3,765 | 3,526 |
| Employee contributions | 1,162 | 1,341 |
| Benefits paid | (7,398) | (5,278) |
| Disposal of subsidiary companies | (6,058) | (1,558) |
| Assets transferred out | – | (3,610) |
| Plan administration expenses | (226) | (326) |
| *Remeasurements:* | | |
| Return on plan assets | 10,458 | 7,241 |
| Fair value of plan assets – end of year | 124,342 | 122,639 |

The movement in the present value of funded obligations over the year is as follows:

| | 2017 | 2016 |
|---|---|---|
| Present value of funded obligations – beginning of year | 129,281 | 131,628 |
| Current service cost | 2,217 | 2,443 |
| Contributions paid | 9,268 | 1,341 |
| Interest cost | 1,162 | 9,680 |
| Benefits paid | (7,398) | (5,278) |
| Disposal of subsidiary companies | (6,769) | (1,424) |
| Liabilities transferred out | – | (3,610) |
| *Remeasurements:* | | |
| Experience gains | (5,266) | (5,499) |
| Present value of funded obligations – end of year | 122,495 | 129,281 |

(Expressed in thousands of Barbados Dollars)

## 20. Pension plans... continued

The movement in the net liability recognised in the consolidated statement of financial position is as follows:

| | 2017 | 2016 |
|---|---|---|
| Net liability – beginning of year | (6,642) | (10,325) |
| Net pension expense included in the consolidated statement of income | (2,849) | (3,400) |
| Remeasurements included in the consolidated statement of comprehensive income | 2,150 | 3,691 |
| Contributions paid | 3,765 | 3,526 |
| Disposal of subsidiary companies | 711 | (134) |
| Net liability – end of year | (2,865) | (6,642) |

The amounts recognised in the consolidated statement of income are as follows:

| | 2017 | 2016 |
|---|---|---|
| Current service cost | 2,217 | 2,443 |
| Net interest on the net defined benefit liability/asset | 406 | 631 |
| Plan administration expenses | 226 | 326 |
| Net amount recognised in the consolidated statement of income | 2,849 | 3,400 |

The amounts recognised in the consolidated statement of comprehensive income are as follows:

| | 2017 | 2016 |
|---|---|---|
| *Remeasurements:* | | |
| Experience gains | (5,266) | (5,499) |
| Return on plan assets excluding amounts included in interest expense | (1,596) | 1,808 |
| Initial additional liability due to IFRIC 14 | 4,712 | – |
| Net amount recognised in the consolidated statement of comprehensive income | (2,150) | (3,691) |

The principal actuarial assumptions for the Group's plans are influenced significantly by the territories that each plan serves. The specific assumptions used for accounting purposes were as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rate | 7.5% - 7.8% | 7.5% - 7.8% |
| Expected return on plan assets | 7.5% - 7.8% | 7.5% - 7.8% |
| Future promotional salary increases | 3.0% - 5.0% | 3.0% - 5.0% |
| Future inflationary salary increases | 2.0% - 3.8% | 2.0% - 3.8% |
| Future pension increases | 2.0% - 3.8% | 2.0% - 3.8% |
| Proportion of employees opting for early retirement | 0.0% | 0.0% |
| Future changes in NIS ceiling | 2.0% - 5.0% | 2.0% - 5.0% |
| Mortality | UPM94 | UPM94 |

Plan assets are comprised as follows:

| | 2017 | 2016 |
|---|---|---|
| Bonds Fund | 9.8% | 10.6% |
| Equity Fund | 71.7% | 76.2% |
| Balanced Fund | 14.5% | 11.5% |
| Other | 4.0% | 1.7% |
| Total | 100.0% | 100.0% |

(Expressed in thousands of Barbados Dollars)

## 20. Pension plans... continued

Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in equities. The Group believes that equities offer the best returns over the long term with an acceptable level of risk.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Expected contributions to the defined benefit pension plans for the year ending 30 September 2018 are $2,763.

The weighted average duration of the defined benefit obligations within the Group ranges from 13.47 to 26.17 years (2016 – 13.41 to 28.04 years).

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 1.0% | 15,187 | 19,316 |
| Salary growth rate | 0.5% | 3,778 | 3,357 |
| Life expectancy | 1 year | 6,822 | – |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the year) has been applied as when calculating the pension plan liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The following payments are expected benefit payments to be made in future years out of the defined benefit plan obligations:

| | 2017 | 2016 |
|---|---|---|
| Less than 1 year | **4,149** | 4,256 |
| Between 1 - 2 years | **4,677** | 4,563 |
| Between 2 - 5 years | **16,134** | 17,546 |
| Over 5 years | **38,915** | 41,043 |
| | **63,875** | 67,408 |

(Expressed in thousands of Barbados Dollars)

## 21. Share capital

### Authorised

The Company is authorised to issue:

i) an unlimited number of one class of shares of no par value designated common shares.
ii) 960,000 of one class of shares of no par value designated preference shares.

Common shareholders are entitled to attend and vote at all shareholders' meetings and have one vote for each share owned.

### Issued and fully paid

| | 2017 | 2016 |
|---|---|---|
| Common shares | **45,169** | 44,004 |

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| Balance – beginning of year | **56,394,670** | **44,004** | 58,339,306 | 44,634 |
| Shares issued during the year – see (a) & (b) | **149,761** | **1,165** | 172,758 | 1,022 |
| Shares repurchased during the year – see (c) | **–** | **–** | (2,117,394) | (1,652) |
| Balance – end of year | **56,544,431** | **45,169** | 56,394,670 | 44,004 |

Changes during the year were as follows:

a) In November 2016, employees of the Company and its Barbados subsidiary companies were offered shares in part payment of bonus payable in December 2016, as permitted by law. A total of 67,603 shares were issued at a price of $7.65 each. These shares qualified for the 2016 final dividend paid in February 2017. Subsequently, in May 2017, 82,158 shares were allotted under the employee share purchase scheme at $7.88 per share. These shares qualified for the 2017 interim dividend paid in August 2017.

b) During the year, no share options were exercised (2016 – 1,667 at a price of $6.00) and no share options expired (note 23).

c) During the prior year, the Company repurchased 2,117,394 common shares at a price of $6.60 per share. No common shares were repurchased during the year.

(Expressed in thousands of Barbados Dollars)

## 22. Other reserves

| | Financial investments reserve | Revaluation surplus | Translation reserve | Share-based payments reserve | Statutory reserve | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2015** | 1,626 | 97,231 | (27,340) | 1,688 | 2,376 | 75,581 |
| Other comprehensive income/(loss): | | | | | | |
| Unrealised gains on available-for-sale financial investments: | 1,111 | – | – | – | – | 1,111 |
| Gains transferred to income on disposal of available-for-sale financial investments: | | | | | | |
| – Group | (12) | – | – | – | – | (12) |
| – Associated companies | 7 | – | – | – | – | 7 |
| Currency translation differences: | | | | | | |
| – Group | – | – | (353) | – | – | (353) |
| – Associated companies | – | – | (1,036) | – | – | (1,036) |
| Hyperinflationary revaluations | – | 108 | – | – | – | 108 |
| Transfers to statutory reserves | – | – | – | – | 13 | 13 |
| Share of revaluation surplus: | | | | | | |
| – Group | – | (1,980) | – | – | – | (1,980) |
| – Associated companies | – | (450) | – | – | – | (450) |
| Disposal of subsidiary companies | (15) | (941) | – | – | – | (956) |
| Other comprehensive income/(loss) for the year | 1,091 | (3,263) | (1,389) | – | 13 | (3,548) |
| Value of employee services: | | | | | | |
| – Other share-based plans | – | – | – | 21 | – | 21 |
| **Balance at 30 September 2016** | 2,717 | 93,968 | (28,729) | 1,709 | 2,389 | 72,054 |

## Notes to the Consolidated Financial Statements

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

### 22. Other reserves... continued

| | Financial investments reserve | Revaluation surplus | Translation reserve | Share-based payments reserve | Statutory reserve | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 October 2016** | 2,717 | 93,968 | (28,729) | 1,709 | 2,389 | 72,054 |
| Other comprehensive income/(loss): | | | | | | |
| Unrealised gains on available-for-sale financial investments: | | | | | | |
| – Group | 2,240 | – | – | – | – | 2,240 |
| – Associated companies | 60 | – | – | – | – | 60 |
| Currency translation differences: | | | | | | |
| – Group | – | – | (1,121) | – | – | (1,121) |
| – Associated companies | – | – | (2,575) | – | – | (2,575) |
| Hyperinflationary revaluations | – | 441 | – | – | – | 441 |
| Share of revaluation surplus: | | | | | | |
| – Group | – | 6,671 | – | – | – | 6,671 |
| – Associated companies | – | (440) | – | – | – | (440) |
| Disposal of subsidiary companies | – | 501 | 2,711 | – | – | 3,212 |
| Other comprehensive income/(loss) for the year | 2,300 | 7,173 | (985) | – | – | 8,488 |
| Value of employee services: | | | | | | |
| – Other share-based plans | – | – | – | 400 | – | 400 |
| **Balance at 30 September 2017** | **5,017** | **101,141** | **(29,714)** | **2,109** | **2,389** | **80,942** |

Unrealised gains and losses arising on the remeasurement of financial assets are recorded in financial investments reserves in equity. Either on disposal of the asset or if the asset is determined to be impaired, the previously recorded unrealised gain or loss is transferred from financial investments reserves to the consolidated statement of income.

Increases in the carrying amount arising on revaluation of land and buildings are accumulated in revaluation surplus in equity. Decreases that offset previous increases of the same asset reduce the revaluation surplus in equity.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the financial investments reserve in equity.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
ii) income and expenses for each statement of income are translated at average exchange rates; and
iii) all resulting exchange differences are recognised in translation reserve in equity.

The excess of the fair value of the options granted over the amount that management has to pay for the options is recognised in the share-based payments expense in selling, marketing and administrative expenses and credited to the share-based payments reserve in equity.

In certain subsidiaries there is a legal requirement to appropriate towards a statutory reserve based on a specific formula.

(Expressed in thousands of Barbados Dollars)

## 23. Share option plan

Each year, the Company offers vested share options to eligible senior managers across the Group under the terms of an executive share option plan. The price of the options made available to these employees is determined by the Board of Directors. The term of the options is five years.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price $ | Number of share options | Weighted average exercise price $ |
| Outstanding – beginning of year | 909 | 5.501 | 3,848 | 5.849 |
| Exercised (note 21 (b)) | – | – | (1,667) | 6.000 |
| Expired (note 21 (b)) | – | – | (1,272) | 5.900 |
| Outstanding – end of year | 909 | 5.501 | 909 | 5.501 |

Share options outstanding at the year end have the following expiry dates and exercise prices:

| | Exercise price $ | Number 2017 | Number 2016 |
|---|---|---|---|
| Expiry date | | | |
| 1 October 2017 | 5.50 | 909 | 909 |

The fair value of all options made available to employees in respect of services provided during the year is less than the purchase price of the options resulting in no expense recorded by the Group for the year (2016 – Nil). The fair value of the options was determined using the Binomial Pricing Model. Significant assumptions underlying the valuation included an expected share price volatility of 10% (2016 – 10%), an average option life of 4.5 years (2016 – 4.5 years) and an annual risk-free interest rate of 6% (2016 – 5.5%).

## 24. Expenses by nature

| | 2017 | 2016 |
|---|---|---|
| Cost of sales | 409,278 | 425,982 |
| Selling and marketing expenses | 41,579 | 41,926 |
| Administrative expenses | 238,766 | 239,885 |
| | 280,345 | 281,811 |
| | 689,623 | 707,793 |

| | 2017 | 2016 |
|---|---|---|
| Depreciation (note 14) | 20,943 | 23,124 |
| Employee benefits expense (note 26) | 184,332 | 182,225 |
| Changes in inventories of finished goods and work in progress | (5,916) | 6,681 |
| Raw materials and consumables used | 381,950 | 384,064 |
| Transportation | 2,308 | 2,021 |
| Advertising costs | 8,356 | 10,666 |
| Provision for impairment of receivables | 1,407 | 1,120 |
| Other expenses | 96,243 | 97,892 |
| Total cost of sales and selling, marketing and administrative expenses | 689,623 | 707,793 |

# Notes to the Consolidated Financial Statements

For the year ended 30 September 2017
(Expressed in thousands of Barbados Dollars)

## 25. Other gains/(losses) – net

| | 2017 | 2016 |
|---|---|---|
| Gain on disposal of financial investments | 147 | 7,231 |
| Gain/(loss) on disposal of property, plant and equipment | 515 | (2,759) |
| Interest income | 2,533 | 2,411 |
| Rental income | 8,227 | 8,425 |
| Dividends from other companies | 91 | 131 |
| Amortisation charge (note 16) | (1,267) | (1,267) |
| Impairment of intangible assets (note 16) | (362) | (206) |
| Gain arising on disposal of subsidiary companies | 10,244 | 53 |
| Gain on remeasurement of previous equity interest in an associate at fair value | 181 | – |
| Fair value gains on revaluation of investment property (note 15) | 241 | 137 |
| Loss on revaluation of freehold land and buildings | (393) | – |
| Gain on wind-up of pension plan | – | 45 |
| Insurance refund | 709 | 2,000 |
| Gain on assets from a previous loss | 746 | – |
| Hyperinflationary adjustments | (1,061) | (844) |
| | 20,551 | 15,357 |

## 26. Employee benefits expense

| | 2017 | 2016 |
|---|---|---|
| Salaries and other employee benefits | 183,932 | 182,204 |
| Share-based payments | 400 | 21 |
| | 184,332 | 182,225 |

## 27. Finance costs

| | 2017 | 2016 |
|---|---|---|
| Interest expense: | | |
| Bank borrowings | 6,403 | 5,514 |
| Dividend on redeemable preference shares | 2,108 | 2,108 |
| Other borrowings | 1,763 | 3,020 |
| | 10,274 | 10,642 |

## 28. Taxation

The taxation charge on net income for the year consists of the following:

| | 2017 | 2016 |
|---|---|---|
| Current income tax | 15,567 | 11,839 |
| Deferred income tax (note 19) | 1,648 | 2,835 |
| | 17,215 | 14,674 |

(Expressed in thousands of Barbados Dollars)

## 28. Taxation... continued

The Group's effective tax rate of 23.3% (2016 – 20.6%) differs from the statutory Barbados tax rate of 25% (2016 – 25%) as follows:

| | 2017 | 2016 |
|---|---|---|
| Income before taxation | 74,009 | 71,135 |
| Taxation calculated at 25% (2016 – 25%) | 18,502 | 17,783 |
| Effect of different tax rates in other countries | 1,622 | 1,483 |
| Foreign income subject to different tax rate | (1,027) | (746) |
| Tax effect of different tax rates on deferred tax assets and liabilities | 2 | (53) |
| Tax effect of associated companies' results reported net of taxes | (79) | (902) |
| Income not subject to taxation | (6,079) | (4,086) |
| Expenses not deductible for tax purposes | 6,880 | 4,840 |
| Taxation allowances | (2,531) | (3,889) |
| Decrease in deferred tax assets not recognised | 12 | 25 |
| Amounts over provided in prior years | (84) | (240) |
| Amounts under provided in current year | (77) | (13) |
| Irrecoverable tax on foreign income | 302 | 209 |
| Tax effect of change in tax rate | (58) | 41 |
| Effect of losses incurred | (170) | 104 |
| Effect of losses expired | – | 118 |
| | 17,215 | 14,674 |

### Tax losses

Tax losses which are available for set off against future taxable income for income and corporation tax purposes are as follows:

| Year of income | Amount | Year of expiry |
|---|---|---|
| 2010 | 97 | 2019 |
| 2012 | 8,104 | 2021 |
| 2012 | 305 | 2018 |
| 2013 | 301 | 2022 |
| 2013 | 1,795 | 2019 |
| 2014 | 1,434 | 2023 |
| 2014 | 692 | 2020 |
| 2015 | 1,129 | 2022 |
| 2016 | 187 | 2023 |
| 2016 | 137 | 2022 |
| 2017 | 3,236 | 2024 |
| | 17,417 | |

These losses are as computed by the Company and its subsidiary companies in their income and corporation tax returns and have to date neither been confirmed nor disputed by the revenue authorities in the relevant jurisdictions.

(Expressed in thousands of Barbados Dollars)

## 29. Earnings per share

*Basic*

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the Company for the year by the weighted average number of common shares in issue during the year.

| | 2017 | 2016 |
|---|---|---|
| Net income for the year attributable to equity holders of the Company | 41,000 | 37,809 |
| Weighted average number of common shares in issue (thousands) | 56,550 | 58,290 |
| Basic earnings per share | 72.5¢ | 64.9¢ |

*Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of common shares in issue during the year to assume conversion of all share options and redeemable preference shares.

| | 2017 | 2016 |
|---|---|---|
| Net income for the year attributable to equity holders of the Company | 41,000 | 37,809 |
| Dividends on redeemable preference shares | 1,265 | 1,265 |
| Net income used to determine diluted earnings per share | 42,265 | 39,074 |
| Weighted average number of common shares in issue (thousands) | 56,550 | 58,290 |
| Adjustments for share options (thousands) | 1 | 1 |
| Adjustments for convertible preference shares (thousands) | 1,768 | 2,382 |
| Weighted average redeemable number of common shares for diluted earnings per share (thousands) | 58,319 | 60,673 |
| Diluted earnings per share | 72.5¢ | 64.4¢ |

## 30. Dividends per share

The dividends paid in 2017 and 2016 were $12,993 ($0.15 per share – final for 2016; and $0.08 per share – interim for 2017) and $12,274 ($0.14 per share – final for 2015; and $0.07 per share – interim for 2016).

At the Directors' meeting of 5 December 2017, a second interim dividend in respect of the 2017 financial year of $0.08 per share was declared. These financial statements do not reflect this dividend payable which will be accounted for in equity as an appropriation of retained earnings in the next financial year.

## 31. Contingent liabilities

a) Certain subsidiaries have bonds of $13,072 (2016 – $11,464) in favour of the Comptroller of Customs covering delivery of goods prior to payment of duty.

b) As of the consolidated statement of financial position date, certain subsidiaries of the Company have been assessed and reassessed for income tax for income years 2001 through 2004 amounting to $2,481 including interest. Objections to these assessments have been lodged. The subsidiaries were also assessed additional taxes of $856 for income years 1998 to 2000 and 2002 and are awaiting correspondence from the Inland Revenue Department.

(Expressed in thousands of Barbados Dollars)

## 31. Contingent liabilities... continued

c) The Group has a claim for payment of amounts to a vendor of a former subsidiary under a contract to pay promotional fees for the distribution of product in the United Kingdom. The Group has accrued $2,000 for claims made to date and advises that further claims can be made under this contract, which cannot be quantified at this time.

d) Certain subsidiaries became defendants in various legal claims and proceedings during the ordinary course of business. Provisions have been established where necessary based on the professional advice received.

## 32. Commitments

*Capital commitments*

Approvals for capital expenditure to be incurred over the next year, for which no provision has been made in these consolidated financial statements, amounted to $59,292 (2016 – $44,428) at the year-end date.

*Purchase commitments*

The Group has signed various agreements to effect the following transactions in the subsequent year:

a) The purchase of assets of a cocoa manufacturing plant in Equador for US$16,500.
b) The purchase of a 32.9% interest in a company to provide shared services to the oil and gas sector in Guyana for US$10,000.
c) The purchase of 100% interest of an industrial catering company in Bogota, Columbia which serves the public and private sector for US$3,200.

*Lease commitments*

a) The Group's flight kitchen operations lease land at various international airports and their environs for periods of up to 25 years, at the following rentals for the next five years:

| | 2017 | 2016 |
|---|---|---|
| Not later than 1 year | 1,684 | 1,561 |
| Later than 1 year and no later than 5 years | 5,928 | 6,857 |
| | 7,612 | 8,418 |

b) The Group has leased space at various international airports for the purpose of operating restaurants for periods of up to 8 years at the following rental rates for the next five years.

| | 2017 | 2016 |
|---|---|---|
| Not later than 1 year | 89 | 94 |
| Later than 1 year and no later than 5 years | 209 | 158 |
| | 298 | 252 |

c) Buildings are also situated on lands leased from St. Lucia Air and Sea Ports Authority for a 20 year period expiring in 2032. The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

| | 2017 | 2016 |
|---|---|---|
| Not later than 1 year | 48 | 48 |
| Later than 1 year and no later than 5 years | 190 | 190 |
| | 238 | 238 |

(Expressed in thousands of Barbados Dollars)

## 32. Commitments... continued

*Lease commitments... continued*

d) Lease of land at Bois D'Orange, St. Lucia which expires in October 2021:

| | 2017 | 2016 |
|---|---|---|
| Not later than 1 year | 356 | 356 |
| Later than 1 year and no later than 5 years | 1,096 | 1,096 |
| | 1,452 | 1,452 |

e) Company vehicles
The Group has leased vehicles from an associated company. The future aggregate minimum lease payments for the remainder of the leases are as follows:

| | 2017 | 2016 |
|---|---|---|
| Not later than 1 year | 612 | 791 |
| Later than 1 year and no later than 5 years | 1,006 | 1,369 |
| | 1,618 | 2,160 |

## 33. Business combinations

### Marshall Trading Limited

On 1 July 2017, the Group acquired 100% of the outstanding shares in Marshall Trading Limited, a retailer of lumber and other building supplies for $3,914. This resulted in goodwill of $400.

The fair values of the assets and liabilities of Marshall Trading Limited at acquisition were as follows:

| | Carrying amount | Fair value |
|---|---|---|
| **Current assets** | | |
| Cash | 111 | 111 |
| Trade and other receivables | 2,343 | 2,343 |
| Prepaid expenses | 237 | 237 |
| Inventories | 5,435 | 5,435 |
| | 8,126 | 8,126 |
| **Current liabilities** | | |
| Borrowings | 2,677 | 2,677 |
| Trade and other payables | 2,292 | 2,292 |
| Current income tax liabilities | 86 | 86 |
| | 5,055 | 5,055 |
| **Working capital** | 3,071 | 3,071 |
| Property, plant and equipment | 637 | 637 |
| | 3,708 | 3,708 |
| Deferred income tax liabilities | 194 | 194 |
| Total net assets | 3,514 | 3,514 |

(Expressed in thousands of Barbados Dollars)

## 33. Business combinations... continued

The cash outflow arising on this acquisition was as follows:

| | | |
|---|---|---|
| Fair value of net assets | | 3,514 |
| Goodwill arising on aquisition (note 16) | | 400 |
| Purchase consideration paid | | 3,914 |
| Less: Cash and cash equivalents assumed on acquisition | 111 | |
| Bank overdraft assumed on acquisition | (2,677) | 2,566 |
| Net outflow on acquisition | | 6,480 |

### Goddard Catering Group (Grenada) Limited

On 1 November 2016, the Group acquired a 25.5% interest in Goddard Catering Group (Grenada) Limited, an operator of a flight kitchen and a provider of restaurant catering. Goddard Catering Group (Grenada) Limited which was previously accounted for as an associate became a 51% subsidiary of the Group. This resulted in goodwill of $362. The Group also recognised a gain of $181 as a result of remeasuring to fair value the 25.5% equity interest it held in Goddard Catering Group (Grenada) Limited prior to the business combination. This gain is included in other gains/(losses) – net in the Group's consolidated statement of income.

The fair values of the assets and liabilities of Goddard Catering Group (Grenada) Limited at acquisition were as follows:

| | Carrying amount | Fair value |
|---|---|---|
| **Current assets** | | |
| Cash | 188 | 188 |
| Trade and other receivables | 71 | 71 |
| Prepaid expenses | 4 | 4 |
| Inventories | 166 | 166 |
| | 429 | 429 |
| **Current liabilities** | | |
| Borrowings | 274 | 274 |
| Trade and other payables | 450 | 450 |
| Due to associated companies | 470 | 470 |
| | 1,194 | 1,194 |
| **Working capital deficiency** | (765) | (765) |
| Property, plant and equipment | 95 | 95 |
| | (670) | (670) |
| Borrowings | 40 | 40 |
| Total net liabilities | (710) | (710) |

(Expressed in thousands of Barbados Dollars)

## 33. Business combinations... continued

The cash outflow arising on this acquisition was as follows:

| | | |
|---|---|---|
| Group's share of fair value of net assets | | 362 |
| Fair value of net assets acquired from associated company on transfer to subsidiary company status (note 17) | | (181) |
| Gain on remeasurement of previously held equity interest | | 181 |
| Goodwill arising on aquisition | | 362 |
| Purchase consideration paid | | – |
| Less: Cash and cash equivalents assumed on acquisition | 188 | |
| Bank overdraft assumed on acquisition | (240) | 52 |
| Net outflow on acquisition | | 52 |

The revenue and net loss included in the consolidated statement of income since 1 November 2016 contributed by Goddard Catering Group (Grenada) Limited was $1,512 and $67 respectively.

## 34. Related party disclosures

a) The consolidated financial statements include the financial statements of Goddard Enterprises Limited, which is the ultimate parent company, and its subsidiaries listed below:

| Company | Principal Place of Business | Effective Shareholder's Interests | Effective Non-Controlling Interests |
|---|---|---|---|
| Admiral Shipping Limited | St. Lucia | 100% | – |
| Caribbean Label Crafts Ltd. | Barbados | 51% | 49% |
| Corea & Co. (1988) Limited | St. Vincent | 100% | – |
| Coreas Hazells Inc. | St. Vincent | 100% | – |
| Courtesy Garage Limited | Barbados | 99% | 1% |
| Fidelity Motors Limited | Jamaica | 100% | – |
| GEL Holdings (St. Lucia) Ltd. | St. Lucia | 100% | – |
| Goddard Catering Group Inc. | USA | 100% | – |
| Goddard Enterprises (St. Lucia) Ltd. | St. Lucia | 100% | – |
| Goddard Flite Kitchens (Cayman) Limited | Cayman Islands | 100% | – |
| Goddard Flite Kitchens (St. Lucia) Ltd. | St. Lucia | 100% | – |
| Goddards Shipping (Barbados) Limited | Barbados | 100% | – |
| Haggatt Hall Holdings Limited | Barbados | 67% | 33% |
| Hanschell Inniss Holdings (Curaçao) N.V. | Curaçao | 100% | – |
| Hipac Limited | Barbados | 100% | – |
| Hutchinson Investments Limited | Antigua | 100% | – |
| Inflite Holdings (Cayman) Limited which holds 100% interest in the following subsidiaries: | Cayman Islands | 51% | 49% |
| Calloway Corporation N.V. | Aruba | | |
| Fontana Project - S.A. | Uruguay | | |
| GCG Events Curaçao N.V. | Curaçao | | |
| GCG Ground Services, LLC | St. Thomas | | |
| Goddard Catering Group (Guatemala) S.A. | Guatemala | | |
| Goddard Catering Group Bogota Ltda. | Colombia | | |
| Goddard Catering Group Bonaire N.V. | Bonaire | | |

(Expressed in thousands of Barbados Dollars)

34. Related party disclosures... continued

| Company | Principal Place of Business | Effective Shareholder's Interests | Effective Non-Controlling Interests |
|---|---|---|---|
| Goddard Catering Group Caracas S.A. | Venezuela | | |
| Goddard Catering Group Curaçao, N.V. | Curaçao | | |
| Goddard Catering Group El Salvador, S.A. de C.V. | El Salvador | | |
| Goddard Catering Group GCM Ltd. | Cayman Islands | | |
| Goddard Catering Group Guayaquil S.A. | Ecuador | | |
| Goddard Catering Group Honduras, S.A. | Honduras | | |
| Goddard Catering Group Margarita, C.A. | Margarita | | |
| Goddard Catering Group St. Maarten N.V. | St. Maarten | | |
| Goddard Catering Group Uruguay S.A. | Uruguay | | |
| Inversiones Ibero Caribe S.A.S. | Colombia | | |
| Inflite Holdings (St. Lucia) Ltd. which holds 100% interest in the following subsidiaries: | St. Lucia | 51% | 49% |
| Airport Restaurants (1996) Limited | Barbados | | |
| Goddard Catering Group (Antigua) Limited | Antigua | | |
| Goddard Catering Group (Barbados) Limited | Barbados | | |
| Goddard Catering Group (Grenada) Limited | Grenada | | |
| Goddard Catering Group (Jamaica) Limited | Jamaica | | |
| Goddard Catering Group (St. Lucia) Ltd. | St. Lucia | | |
| Jamaica Dispatch Services Limited | Jamaica | | |
| Jonas Browne and Hubbard (Grenada) Limited | Grenada | 52% | 48% |
| Label Crafts Jamaica Ltd. | Jamaica | 51% | 49% |
| MCR Limited – trading as M & C Drugstore | St. Lucia | 100% | – |
| M & C General Insurance Company Limited | St. Lucia | 100% | – |
| M & C Home Depot Limited | St. Lucia | 100% | – |
| Marshall Trading Limited | Barbados | 100% | – |
| McBride (Caribbean) Limited | Barbados | 100% | – |
| Minvielle & Chastanet Insurance Brokers (Barbados) Limited | Barbados | 100% | – |
| Minvielle & Chastanet Insurance Brokers Limited | St. Lucia | 100% | – |
| Minvielle & Chastanet Limited | St. Lucia | 100% | – |
| PBH Limited | Barbados | 100% | – |
| Penrith Development Limited | Barbados | 100% | – |
| Peter's Holdings Limited | St. Lucia | 100% | – |
| Precision Packaging Inc. | Barbados | 100% | – |
| Purity Bakeries – a division of Goddard Enterprises Limited | Barbados | – | – |
| Sea Freight Agencies & Stevedoring Limited | Barbados | 100% | – |
| Sunbilt Limited | St. Lucia | 100% | – |
| Wonder Bakery Limited | St. Lucia | 70% | 30% |

All subsidiary undertakings are included in the consolidation. The total non-controlling interests for the year is $108,559 of which $59,888 is for group companies in the catering and ground handling division, $37,074 for group companies in the automotive, building supplies and services division and $7,850 for group companies in the manufacturing and services division. The remaining non-controlling interests in respect of the remaining group companies is not considered to be material. See the consolidated statement of changes in equity for transactions with non-controlling interests.

(Expressed in thousands of Barbados Dollars)

### 34. Related party disclosures... continued

During the year, the Group disposed of two of its subsidiaries, namely The West Indies Rum Distillery Limited and International Brand Developers N.V. The resulting gains on disposal, which are included in other gains/(losses) – net in the Group's consolidated statement of income, are as follows:

| | The West Indies Rum Distillery Limited | International Brand Developers N.V. | Total |
|---|---|---|---|
| **Sales proceeds less cost to sell** | 23,575 | (501) | 23,074 |
| Less carrying value of net assets/(liabilities) disposed | 18,738 | (5,908) | 12,830 |
| **Gain on disposal** | 4,837 | 5,407 | 10,244 |

Cash inflows arising on disposal of subsidiaries were as follows:

| | The West Indies Rum Distillery Limited | International Brand Developers N.V. | Total |
|---|---|---|---|
| **Sales proceeds less costs to sell** | 23,575 | (501) | 23,074 |
| **Less cash and cash equivalents disposed of:** | | | |
| Cash | 775 | 1 | 776 |
| Bank overdraft | (2,025) | – | (2,025) |
| | (1,250) | 1 | (1,249) |
| **Net inflows on disposal** | 24,825 | (502) | 24,323 |

b) The Group's significant associates at 30 September 2017 were as follows:

| Company | Country of Incorporation | Effective Shareholder's Interests |
|---|---|---|
| Sagicor General Insurance Inc. | Barbados | 45% |
| Caribbean Distribution Partners Limited which holds the following subsidiaries and associate: | Trinidad and Tobago | 50% |
| Bryden & Partners Limited – 100% | St. Lucia | |
| Bryden & Partners (St. Vincent) Limited – 100% | St. Vincent | |
| Coreas Distribution Limited – 100% | St. Vincent | |
| Facey Trading Limited – 100% | Barbados | |
| CDP Trinidad Limited (formerly Hand Arnold Trinidad Limited) – 100% | Trinidad and Tobago | |
| Hanschell Inniss Limited – 100% | Barbados | |
| Hilbe Investments Limited – 100% | Barbados | |
| Independence Agencies Limited – 55% | Grenada | |
| Orange Wood Distributors Limited – 100% | St. Lucia | |
| Peter & Company Limited – 100% | St. Lucia | |
| Pepsi-Cola Trinidad Bottling Company Limited – 100% | Trinidad and Tobago | |
| Desinco Trading Company Limited – 40% | Guyana | |
| Vemco Limited – 100% | Trinidad and Tobago | |
| Various interests held ultimately by Goddard Enterprises Limited | Various Caribbean and Latin American countries, Canada and Barbados | 20% – 50% |

(Expressed in thousands of Barbados Dollars)

## 34. Related party disclosures... continued

c) The following transactions were carried out by the Group with related parties during the year:

| | 2017 | 2016 |
|---|---|---|
| i) Sales of goods and services | 72,240 | 69,902 |
| ii) Purchases of goods and services | 7,986 | 7,982 |
| iii) Management fee income | 1,633 | 1,729 |
| iv) Dividend income (note 17) | 2,100 | 6,564 |

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash with the exception of a balance of $7,268 (2016 – $8,571) which is interest bearing (note 8). There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 September 2017, the Group recorded an impairment of $1,570 relating to receivables owed by related parties (2016 – nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

d) *Key management*

Key management comprises directors, divisional management and other senior Group personnel. Compensation to these individuals was as follows:

| | 2017 | 2016 |
|---|---|---|
| **Compensation** | | |
| Salaries and other short-term employee benefits | 6,878 | 7,069 |
| Post-employment benefits | 308 | 371 |
| Share-based payments | 84 | 48 |
| | 7,270 | 7,488 |

There were no loans to key management in 2017 and 2016.

## 35. Cash flows

The net change in non-cash working capital balances related to operations is as follows:

| | 2017 | 2016 |
|---|---|---|
| (Increase)/decrease in trade and other receivables | (8,964) | 22,651 |
| Decrease/(increase) in prepaid expenses | 2,681 | (5,710) |
| Decrease in due by associated companies | 3,300 | 8,701 |
| (Increase)/decrease in reinsurance assets | (110) | 838 |
| (Increase)/decrease in inventories | (4,964) | 1,731 |
| Increase in non-current assets held for sale | (666) | – |
| Increase in trade and other payables | 11,537 | 5,276 |
| (Decrease)/increase in due to associated companies | (1,469) | 1,511 |
| Decrease in insurance contracts | (174) | (1,375) |
| | 1,171 | 33,623 |

(Expressed in thousands of Barbados Dollars)

## 36. Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by material non-controlling interests:

| Company | Country of Incorporation | % Interest 2017 | % Interest 2016 |
|---|---|---|---|
| Inflite Holdings (Cayman) Limited | Cayman Islands | 49% | 49% |
| Inflite Holdings (St. Lucia) Ltd. | St. Lucia | 49% | 49% |
| Jonas Browne and Hubbard (Grenada) Limited | Grenada | 48% | 48% |

Summarised statement of financial position:

| | Inflite Holdings (Cayman) Limited | Inflite Holdings (St. Lucia) Ltd. | Jonas Browne and Hubbard (Grenada) Limited |
|---|---|---|---|
| 2017 | | | |
| Assets | | | |
| Current assets | 58,324 | 36,949 | 23,369 |
| Non-current assets | 53,352 | 25,257 | 67,435 |
| | 111,676 | 62,206 | 90,804 |
| Liabilities | | | |
| Current liabilities | 29,176 | 14,324 | 12,298 |
| Non-current liabilities | 2,400 | 1,160 | 1,510 |
| | 31,576 | 15,484 | 13,808 |
| Net assets | 80,100 | 46,722 | 76,996 |
| Attributable to non-controlling interests | 39,103 | 20,785 | 36,666 |

| | Inflite Holdings (Cayman) Limited | Inflite Holdings (St. Lucia) Ltd. | Jonas Browne and Hubbard (Grenada) Limited |
|---|---|---|---|
| 2016 | | | |
| Assets | | | |
| Current assets | 49,806 | 29,878 | 21,524 |
| Non-current assets | 46,405 | 25,831 | 61,146 |
| | 96,211 | 55,709 | 82,670 |
| Liabilities | | | |
| Current liabilities | 27,459 | 12,958 | 14,049 |
| Non-current liabilities | 1,206 | 783 | – |
| | 28,665 | 13,741 | 14,049 |
| Net assets | 67,546 | 41,968 | 68,621 |
| Attributable to non-controlling interests | 33,042 | 17,796 | 32,678 |

(Expressed in thousands of Barbados Dollars)

## 36. Material partly-owned subsidiaries... continued

**Summarised statement of total comprehensive income:**

| | Inflite Holdings (Cayman) Limited | Inflite Holdings (St. Lucia) Ltd. | Jonas Browne and Hubbard (Grenada) Limited |
|---|---|---|---|
| **2017** | | | |
| Revenue | 175,623 | 83,667 | 79,019 |
| Net income for the year | 17,871 | 12,283 | 2,402 |
| Other comprehensive income/(loss) | 625 | (814) | 6,862 |
| Total comprehensive income | 18,496 | 11,469 | 9,264 |
| Attributable to non-controlling interests | 8,434 | 6,277 | 4,412 |

| | Inflite Holdings (Cayman) Limited | Inflite Holdings (St. Lucia) Ltd. | Jonas Browne and Hubbard (Grenada) Limited |
|---|---|---|---|
| **2016** | | | |
| Revenue | 170,904 | 80,142 | 79,713 |
| Net income for the year | 15,565 | 21,035 | 2,291 |
| Other comprehensive income/(loss) | 1,315 | (234) | – |
| Total comprehensive income | 16,880 | 20,801 | 2,291 |
| Attributable to non-controlling interests | 7,607 | 10,680 | 1,091 |

## 37. Income tax effects relating to other comprehensive income

| | Gross | Tax | Net of Tax |
|---|---|---|---|
| **2017** | | | |
| Remeasurement of employee benefits: | | | |
| – Group | 2,150 | (411) | 1,739 |
| – Associated companies | (48) | (145) | (193) |
| Increase in revaluation surplus – group | 11,797 | (925) | 10,872 |
| All other components of other comprehensive income | (1,944) | – | (1,944) |
| Other comprehensive income for the year | 11,955 | (1,481) | 10,474 |

(Expressed in thousands of Barbados Dollars)

## 37. Income tax effects relating to other comprehensive income... continued

| | Gross | Tax | Net of Tax |
|---|---|---|---|
| **2016** | | | |
| Remeasurement of employee benefits: | | | |
| – Group | 3,691 | (604) | 3,087 |
| – Associated companies | 883 | (396) | 487 |
| All other components of other comprehensive income | 1,460 | – | 1,460 |
| Other comprehensive income for the year | 6,034 | (1,000) | 5,034 |

## 38. Subsequent events

Subsequent to the year end, the Company signed letters of intent to dispose its investment in Globe Finance Inc. to a third party and its investment in Hipac Limited to a related party.

# Management Proxy Circular

COMPANY No. 1330

Management is required by the Companies Act, Chapter 308 of the Laws of Barbados (the "Companies Act") to send forms of proxy with the notice convening the meeting. In complying with those provisions, management is deemed to be soliciting proxies within the meaning of the Companies Act.

This Management Proxy Circular accompanies the notice of the seventy-ninth annual meeting of the shareholders of Goddard Enterprises Limited (the "Company") to be held on Friday, 26 January 2018 at 5.30 p.m. at the Walcott Warner Theatre, Errol Barrow Centre for Creative Imagination, The University of the West Indies, Cave Hill Campus, St. Michael (the "meeting") and is furnished in connection with the solicitation by the management of the Company of proxies for use at the meeting, or any adjournment thereof. It is expected that the solicitation will be primarily by mail. The cost of the solicitation will be borne by the Company.

## APPOINTMENT AND REVOCATION OF PROXIES

A shareholder who is entitled to vote at the meeting has the right by means of the enclosed form of proxy to appoint a person to represent him at the meeting and may do so by inserting the name of such person in the space indicated on the form. The completed proxy form must be returned to the Company no later than 4.00 p.m. on Thursday, 25 January 2018.

A proxy given by a shareholder for use at the meeting may be revoked by the shareholder at any time prior to its use. A proxy may be revoked in any manner permitted by law, including by an instrument in writing executed by the shareholder or his attorney in writing. If the shareholder is a company, the written instrument of revocation must be executed under its corporate seal or by any duly authorised officer or attorney of the company. The instrument of revocation must be deposited at the office of the Company, Top Floor, The Goddard Building, Haggatt Hall, St. Michael, Barbados at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the meeting on the day of the meeting, or adjournment thereof. Upon deposit in either manner, the proxy is revoked.

## RECORD DATE AND VOTING SHARES

The Directors of the Company have not fixed a record date for determining the shareholders who are entitled to receive notice of the meeting. Therefore, in accordance with the Companies Act, the statutory record date applies. Accordingly, only shareholders of record at the close of business on the day immediately preceding the day on which the notice of the meeting is given will be entitled to receive notice of the meeting. Only such registered holders of shares of the Company will be entitled to vote at the meeting. In the event of a poll, each shareholder is entitled to one vote for each share held. As at the date hereof, there are 56,544,431 common shares of the Company issued and outstanding.

## PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE AUDITOR'S REPORT

The Consolidated Financial Statements of the Company for the year ended 30 September 2017 and the Auditor's Report thereon are included in the 2017 Annual Report.

## ELECTION OF DIRECTORS

The Board of Directors of the Company currently comprises eight members. The number of Directors to be elected at this meeting is two.

The names of the persons proposed as nominees for election as Directors of the Company, and for whom it is intended that votes will be cast for their election as Directors pursuant to the form of proxy herewith enclosed, are as follows:

| Nominee for Director | Present Principal Occupation |
|---|---|
| Ms. Vere P. Brathwaite | Non-Executive Director |
| Mr. Ian K. D. Castilho | Non-Executive Director |

# Management Proxy Circular... continued

COMPANY No. 1330

Ms. Vere P. Brathwaite and Mr. Ian K. D. Castilho are currently Directors of the Company and will retire at the close of the seventy-ninth annual meeting in accordance with article 4.4 of the by-laws of the Company but being qualified, are eligible for re-election. Each of Ms. Brathwaite and Mr. Castilho was last re-elected to the Board at the seventy-sixth annual meeting of shareholders held on 30 January 2015 for a term of three years.

It is proposed that the term of office for each of Ms. Brathwaite and Mr. Castilho will expire at the close of the third annual meeting of shareholders following her or his election or until her or his successor is elected or appointed.

The management of the Company does not contemplate that any of the two persons named above will, for any reason, become unable or unwilling to serve as a Director.

## APPOINTMENT OF AUDITOR

The firm of Ernst & Young, Chartered Accountants, is the present Auditor of the consolidated financial statements of the Company. The Directors are continuing discussions with Ernst & Young regarding its proposal for an increase in audit fees for the ensuing year. It is anticipated that those discussions will be concluded and a resolution reached before the meeting, when Ernst & Young's appointment will expire. The Directors of the Company are unable at the date hereof to nominate the incumbent Auditor for re-appointment. However, by law, if no auditor is appointed at the meeting, the incumbent auditor continues in office until its successor is appointed.

It is proposed that the Directors of the Company be authorised to appoint an auditor of the consolidated financial statements of the Company during the ensuing year to hold office following the meeting and until the next annual meeting of shareholders.

## DISCRETIONARY AUTHORITY

Management knows of no matter to come before the meeting other than the matters referred to in the Notice of Meeting enclosed herewith. However, if any other matter which is not now known to management should properly come before the meeting or any adjournment thereof, the shares represented by proxies in favour of management nominees will be voted on any such matter in accordance with the best judgment of the proxy holders.

Similar discretionary authority is deemed to be conferred with respect to any amendment to any matter identified in the Notice of Meeting.

The contents of this Management Proxy Circular and the sending thereof to all the holders of shares of the Company have been approved by the Directors of the Company.

No director's statement is submitted pursuant to section 71(2) of the Companies Act.

No auditor's statement is submitted pursuant to section 163(1) of the Companies Act.

No shareholder's statement is submitted pursuant to sections 112(a) and 113(2) of the Companies Act.

5 December 2017

Kathy-Ann L. Scantlebury
Corporate Secretary

# Appendix A –
# Board and Committee Meeting Attendance for 2017

| NAME OF DIRECTOR | BOARD MEETINGS ATTENDED FOR THE YEAR | COMMITTEE MEETINGS ATTENDED FOR THE YEAR | TOTAL | OVERALL PERCENTAGE |
|---|---|---|---|---|
| Mr. A. Charles Herbert, Chairman | 7 of 7 | 15 of 16 | 22 of 23 | 96% |
| Mr. William P. Putnam, Deputy Chairman | 7 of 7 | 7 of 7 | 14 of 14 | 100% |
| Mr. Anthony H. Ali, Managing Director | 7 of 7 | 11 of 11 | 18 of 18 | 100% |
| Ms. Vere P. Brathwaite | 7 of 7 | 9 of 9 | 16 of 16 | 100% |
| Mr. Ian K. D. Castilho* | 3 of 7 | 2 of 4 | 5 of 11 | 45% |
| Mr. J. Dereck Foster | 7 of 7 | N/A | 7 of 7 | 100% |
| Mr. Christopher G. Rogers | 7 of 7 | 5 of 5 | 12 of 12 | 100% |
| Mr. Stephen T. Worme | 7 of 7 | 11 of 11 | 18 of 18 | 100% |

* Mr. Castilho was on medical leave for a period during the year.

# Form of Proxy

COMPANY No. 1330

The undersigned shareholder(s) of Goddard Enterprises Limited (the "Company") hereby appoint(s)

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

of . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

or failing him . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

of . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

as the nominee of the undersigned to attend and act for the undersigned and on behalf of the undersigned at the 79th annual meeting of the shareholders of the Company to be held on 26 January 2018 and at any adjournment or adjournments thereof in the same manner, to the same extent and with the same powers as if the undersigned were present at the said meeting or such adjournment or adjournments thereof.

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
Name of Shareholder(s)

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
Signature of Shareholder(s)

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
Date (DD/MM/YYYY)

Notes

1. (a) A shareholder who is entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxy holder, or one or more alternate proxy holders, none of whom need be shareholders, to attend and act at the meeting in the manner and to the extent authorised by the proxy and with the authority conferred by the proxy.

   (b) In the case of a shareholder who is a body corporate or association, votes at meetings of shareholders may be given by an individual authorised by a resolution of the directors or governing body of that body corporate or association to represent it at meetings of shareholders of the Company.

2. A proxy must be executed in writing by the shareholder or his attorney authorised in writing.

3. Proxy appointments are required to be deposited at the registered office of the Company no later than 4:00 p.m. on Thursday, 25 January 2018.

GODDARD ENTERPRISES LIMITED

P.O. Box 502, Bridgetown, BB11000, Barbados, West Indies
Tel: (246) 430-5700 | Fax: (246) 436-8934 | www.goddardenterprisesltd.com