GODDARD ENTERPRISES LIMITED

# STRIVING FOR Excellence


ANNUAL REPORT 2018

***"Excellence is doing ordinary things extraordinarily well."***

John W. Gardner

GODDARD ENTERPRISES LIMITED

# Mission Statement

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

# CONTENTS

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the EIGHTIETH 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, 25 January 2019 at 5.30 p.m. for the following purposes:-

1. To receive Opening Remarks from Mr. William P. Putnam, 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 2018.

3. To receive and consider the Consolidated Financial Statements of the Company for the year ended 30 September 2018, together with the Reports of the Directors and the Auditor thereon.

4. To elect Directors.

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

6. (a) To consider and, if thought fit, to authorise the allotment of up to 8,000,000 common shares of the Company, for such purpose as may be required from time to time, including for the purpose of enabling eligible employees and non-executive directors to acquire shares in the Company under the Company's Savings Related Employee Purchase Scheme and other schemes permitted by virtue of the Income Tax Act, Chapter 73 of the Laws of Barbados.
   (b) To authorise any director or officer of the Company to do all things necessary or desirable to carry out the provisions hereof.

7. To receive a Presentation from Mr. Anthony H. Ali, Managing Director of the Company, on the Strategic Outlook for the Company for 2019.

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

By Order of the Board of Directors

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

4 December 2018

# CORPORATE INFORMATION

## Board of Directors

| | |
|---|---|
| Mr. William P. Putnam, B.Sc., M.B.A. | – 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. A. Charles Herbert, B.Sc. (Hons.), F.I.A. | – 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

Mr. Ian K. D. Castilho – Chairman
Ms. Vere P. Brathwaite
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

## Company Secretary

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

## Auditor

Ernst & Young Ltd.

## 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 2018

(Expressed in Barbados Dollars)

| | 2018 | Restated 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Revenue – millions of dollars | **805.9** | 748.1 | 767.5 | 924.5 | 954.1 |
| Profit from operations before other gains/(losses) – net – millions of dollars | **55.6** | 63.7 | 62.4 | 55.3 | 50.1 |
| Profit from operations – millions of dollars | **70.1** | 84.3 | 77.7 | 82.1 | 64.7 |
| Income before taxation – millions of dollars | **61.9** | 71.7 | 71.1 | 73.5 | 59.0 |
| Earnings/(loss) per share – cents† | **12.6** | 17.1 | 16.2 | 20.8 | 15.5 |
| Dividends per share – cents† | **4.5*** | 6.0 | 5.5 | 5.0 | 5.0 |
| Dividend cover (times covered) | **2.8** | 2.9 | 3.0 | 4.2 | 3.1 |
| Net asset value per share – dollars† | **2.46** | 2.38 | 2.23 | 2.09 | 1.98 |
| Closing share price on BSE** – dollars† | **4.12** | 2.75 | 2.08 | 1.65 | 1.58 |
| After tax return on shareholders' equity | **5.3%** | 7.7% | 7.8% | 10.5% | 8.0% |
| Price/earnings ratio | **32.7** | 16.1 | 12.8 | 7.9 | 10.2 |

* First interim dividend per share – 1.5 cents
Second interim dividend per share – 1.5 cents
Third interim dividend per share – 1.5 cents (note 30)
Final dividend per share – to be declared

** Barbados Stock Exchange

† Prior year comparatives have been restated to reflect the 2018 share subdivision agreed by the shareholders at the Special Shareholders' Meeting held on 5 July 2018. (note 21 (d))

# FINANCIAL HIGHLIGHTS

## SUMMARISED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION – $MILLIONS

(Expressed in Barbados Dollars)

| | 2018<br>$ | Restated<br>2017<br>$ | 2016<br>$ | 2015<br>$ | 2014<br>$ |
|---|---|---|---|---|---|
| Trade receivables and prepaid expenses | **121.0** | 98.2 | 97.3 | 114.7 | 124.4 |
| Inventories | **133.3** | 116.4 | 115.5 | 121.2 | 165.5 |
| Other current assets | **97.1** | 137.9 | 138.5 | 113.6 | 90.3 |
| Total current assets | **351.4** | 352.5 | 351.3 | 349.5 | 380.2 |
| Less current liabilities | **(234.2)** | (207.7) | (202.7) | (213.4) | (239.7) |
| Working capital | **117.2** | 144.8 | 148.6 | 136.1 | 140.5 |
| Property, plant and equipment and investment property | **395.5** | 343.0 | 334.7 | 337.4 | 372.9 |
| Financial investments, intangible assets, investments in associated companies, due from associated companies, deferred income tax assets, pension plan assets and long-term receivables | **296.7** | 260.2 | 219.4 | 209.8 | 167.1 |
| | **809.4** | 748.0 | 702.7 | 683.3 | 680.5 |
| **Represented by:** | | | | | |
| Shareholders' equity | **558.4** | 537.6 | 503.9 | 487.0 | 461.7 |
| Non-controlling interests | **110.7** | 108.6 | 94.8 | 95.8 | 103.6 |
| Long-term liabilities | **129.7** | 91.2 | 91.1 | 85.6 | 107.5 |
| Deferred income tax liabilities | **6.6** | 5.6 | 4.0 | 3.2 | 3.2 |
| Pension plan liabilities | **4.0** | 5.0 | 8.9 | 11.7 | 4.5 |
| | **809.4** | 748.0 | 702.7 | 683.3 | 680.5 |

# FINANCIAL HIGHLIGHTS

## SUMMARISED CONSOLIDATED STATEMENTS OF INCOME – $MILLIONS

(Expressed in Barbados Dollars)

| | 2018<br>$ | Restated<br>2017<br>$ | 2016<br>$ | 2015<br>$ | 2014<br>$ |
|---|---|---|---|---|---|
| Revenue | **805.9** | 748.1 | 767.5 | 924.5 | 954.1 |
| Income before taxation: | | | | | |
| Parent company and subsidiaries | **58.6** | 74.0 | 67.1 | 70.2 | 52.4 |
| Share of income from associated companies | **3.3** | (2.3) | 4.0 | 3.3 | 6.6 |
| | **61.9** | 71.7 | 71.1 | 73.5 | 59.0 |
| Taxation | **(17.9)** | (17.2) | (14.6) | (11.6) | (10.1) |
| Non-controlling interests | **(15.4)** | (15.8) | (18.7) | (13.4) | (12.5) |
| Net income for the year attributable to equity holders of the Company | **28.6** | 38.7 | 37.8 | 48.5 | 36.4 |

# BOARD OF DIRECTORS


WILLIAM P. PUTNAM
CHAIRMAN

## WILLIAM P. PUTNAM, B.Sc., M.B.A.

William P. Putnam became Chairman of Goddard Enterprises Limited ("GEL") on 8 August 2018. He served as Deputy Chairman of the Board of Directors of GEL since 7 March 2017 and has been a director of GEL since 31 January 2012. Mr. Putnam was the Executive Vice President of Macmillan Holdings Inc., a fuel distributor based in Florida, responsible for strategic, financial and operational issues. Previously, Mr. Putnam worked for GEL in several capacities at various subsidiaries including Star Discount, Bridgetown Cruise Terminals Inc. and Courtesy Garage Limited. Later he spent 7 years in Brazil, first, as President of Suzuki's automotive operations and then as Managing Director of an industrial export company. Mr. Putnam holds a Bachelor of Science Degree in Finance from Miami University and a Masters of Business Administration from Florida International University. He is currently pursuing doctoral studies at the Paris School of Business.

VERE P. BRATHWAITE
NON-EXECUTIVE DIRECTOR

IAN K. D. CASTILHO
NON-EXECUTIVE DIRECTOR

J. DERECK FOSTER
NON-EXECUTIVE DIRECTOR

A. CHARLES HERBERT
NON-EXECUTIVE DIRECTOR

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

Anthony H. 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. William Putnam, Chairman (standing) with Mr. Anthony Ali, Managing Director at the Goddard Enterprises Limited Head Office.

# DIRECTORS' REPORT

## Consolidated Financial Overview 2017/2018

The Board of Directors of Goddard Enterprises Limited ("GEL") is pleased to present the financial review for the year ended 30 September 2018.

The world economy has strengthened as lingering fragilities related to the global financial crisis subsided. In 2017, global economic growth reached 3%, the highest growth rate since 2011, and is expected to remain steady. However, this growth improvement remains unevenly distributed across countries and regions. Economic prospects for many commodity exporters remain challenging. Negligible growth in per capita Gross Domestic Product ("GDP") was anticipated in several parts of Africa, Western Asia, Latin America and the Caribbean. The International Monetary Fund ("IMF") has raised its growth forecasts for 2018 and 2019 to 3.9%. It expects the global economy to continue to recover on the back of buoyant trade and investment as well as recent tax reforms in the United States of America.

In Barbados, increased tourist arrivals and accompanying visitors' spend are expected to support the growth of the country's GDP. It is also anticipated that while the economy will contract by 0.2% at the end of 2018, a 0.8% growth increase will be achieved in 2019. In October 2018, the Government of Barbados, newly elected following the elections in May 2018, entered into an Extended Fund Facility arrangement with the IMF under which an ambitious and comprehensive fiscal reform programme is being pursued. Since the economic global crisis of 2008, the Barbadian economy had been caught in a cycle of low growth, widening fiscal deficits and increasing debt. International reserves had dwindled to a low of US$220 million at the end of May 2018, well below reserve adequacy levels. At the time of writing this Report, the IMF had, at the end of its staff visit to Barbados, reported that Barbados' international reserves had more than doubled since May 2018, amounting to more than US$500 million in early December 2018, which has helped to rebuild confidence in the country's macroeconomic framework.

For the financial year ended 30 September 2018, Group revenue increased by 7.7% over the prior year to $805.9 million, generating a Gross profit of $344.4 million, an increase on the prior year of 1.6%. Gross profit expressed as a percentage of sales was 42.7%, slightly below the percentage achieved in 2017 of 45.3%. Uncertainty in the Barbados market, depressed oil and gas prices in Trinidad and Tobago and the residual effects of the two major hurricanes experienced in 2017 contributed to this year's under-performance. Extreme hyperinflation in Venezuela and the delayed startup of Ecuador Kakao Processing Proecuakao S.A., ("Proecuakao"), our cocoa processing facility in Ecuador, also contributed to the under-performance.

Selling, marketing and administrative expenses were $294.4 million compared with $280.3 million in 2017 which represented an increase of 5.0%. Profit from operations before other gains/(losses) decreased over prior year by 12.7% to $55.6 million.

Other gains/(losses)-net decreased by $6.1 million or 29.5% compared with the prior year. This decrease was mainly due to the following factors: i) a one-time gain of $10.0 million in the prior year, as a result of the sale of our interests in The West Indies Rum Distillery Limited and International Brand Developers N.V.; ii) in the current year, although we realised a $12.9 million gain on the acquisition of the tangible assets of Proecuakao, this was reduced by an impairment of $6.9 million on the intangible asset acquired; and iii) we recorded fair value losses of $1.8 million on the revaluation of our investment properties in both Saint Vincent and the Grenadines and the Cayman Islands.

Our share of income from our associated companies increased by $5.6 million to $3.3 million compared to a loss of $2.3 million in 2017. Last year's results were affected by a loss of $6.0 million as a result of the two major hurricanes mentioned above. For the current year, we recorded an improved performance from Caribbean Distribution Partners Limited, our joint venture company with Agostini's Limited, but there was a prior period adjustment to its prior year's results from the purchase price allocation exercise required under International Financial Reporting Standard ("IFRS") 3. Income from our associated companies was reduced following the debt restructuring exercise by the Government of Barbados and the impact of the implementation of IFRS 9 on Globe Finance Inc. At the end of the current year, we divested our 49% shareholding in that company.

Overall net income of $44.0 million was reduced below the prior year by 19.3%, despite a 7.7% increase in top line growth.

With regard to the Group's consolidated balance sheet, our working capital ratio at 1.5 is below the prior year's ratio of 1.7. The total assets of the business are being financed by 36% debt, which is well within conservative financial guidelines. Our net asset value per share is $2.46 compared with $2.38 per share in 2017, (taking into account the share split that occurred with effect from 31 July 2018), representing an increase of 8 cents per share. A closing share price of $4.12 per share was recorded on the Barbados Stock Exchange as at 30 September 2018.

# DIRECTORS' REPORT... continued

## Message from the Managing Director

2018 was a challenging year. We recognise that we will continue to operate in an uncertain economic environment but that this uncertainty affords us the opportunity to improve our performance. In 2019, we will focus on efficiency, productivity and cost control to ensure that we are poised to capitalise on opportunities as they arise. With such focus, we will be well positioned after both the local and external markets return to more predictable performance.

During 2019, we intend to concentrate our efforts on getting our newly acquired businesses on track to contribute positively to the overall growth of the Group. We will also continue to pursue our Corporate Strategy: "Reorganise, Reduce and Replicate" and keep true to our Corporate Values which got us to this point.

We will continue to tighten our corporate governance practices and policies. We will continue to align Management skills and compensation to shareholder expectations with the end goal of creating shareholder value. We will continue to build on the strength of our PEOPLE, on whom our success thus far has been based, and will support their pursuit of innovation, product development and enhanced customer service. We will seek to adopt new technologies and information systems to enable our growth.

Our continued growth will require us to reinvent who we are and what we do and foster throughout the entire organisation, a culture of value creation, a sense of urgency and a sustained concentration on continued stakeholder engagement.


The taste of HAPPINESS FOR ALL GENERATIONS.
NEW!
Farmer's Choice
NATURALLY GOOD!
Lentil & Black Bean Burgers
100% VEGAN
AVG. WT. 450g KEEP FROZEN 0°F (-18°C)
4 LENTIL & BLACK BEAN QUARTER POUNDERS
SERVING SUGGESTION
Relish the heart-healthy flavour
Easy to prepare
Great source of protein
100% Vegan
Eating healthy just got a little tastier with our new Lentil and Black Bean Burger. These 100% vegan burgers are great on their own or with a meal. Try them today and relish the heart-healthy flavour!
farmerschoicefood
EXPERIENCE THE FLAVOUR
Farmer's Choice
NATURALLY GOOD!

Mr. Anthony Ali, Managing Director

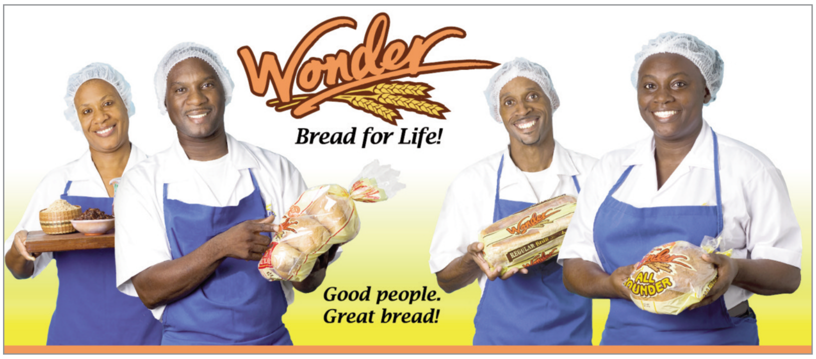
Mr. Ian Alleyne, Divisional General Manager

# MANUFACTURING AND SERVICES DIVISION

The Manufacturing and Services Division recorded revenues which were up compared with prior year. However, overall profits saw a decline.

The reduction in the bottom line was attributable to a number of factors which affected the Division. These factors included environmental issues caused by a dump near to our operations at Precision Packaging Inc. which impacted production to such an extent that we were not able to satisfy some of our customers' demands. Additional taxes incurred by the company also impacted the results.

For McBride (Caribbean) Limited ("MCL"), there was a decline in demand for insecticides and repellents over prior year due to poor economic conditions in key markets. MCL's major investment in its solar photovoltaic system has produced a satisfactory return on investment. With a view to an improved 2019, the company has hired staff to support its entry into two major Latin American markets in the first half of the year.




*Purity's team proudly displaying a variety of "Wonder" bread products.*

Purity Bakeries – a division of GEL ("Purity") was able to grow its sales in the Barbados market despite a challenging economic environment. This growth led to Purity's improved profitability. However, the discontinuation in 2018 of its operation in Saint Lucia due to continuous losses, resulted in significant associated costs which in turn negatively affected the overall results. We anticipate that Purity's significant upgrade of its software, its continued review and refinement of its policies and procedures as well as its focus on employee training and engagement should augur well for the future. In 2019, Purity will be pursuing the Hazard Analysis and Critical Control Points ("HACCP") certification as it seeks to bring itself more in line with international standards.

Ecuador Kakao Processing Proecuakao S.A. in Ecuador, a new addition to the Division, recorded high revenues for 2017/2018. However, a delayed entry into the global commodity market resulted in a slow financial start for the company. In addition, the sales contract period for clients was longer than initially anticipated, which also impacted the results for the first six months of the company's operation.

Our laundry interest, Country Road Investments Limited trading as Tropical Laundries, showed a marked improvement in the results for the year, returning a profit after several years of losses.

Hipac Limited ("Hipac") experienced a decrease in profits over the previous year due to the early sale of ham to its major distributor in June 2018 as opposed to the usual October period. Hipac's focus for 2018 was on "Eat Well, Live Well" principles for both its employees and customers. Employees benefitted from various wellness initiatives while customers enjoyed a range of products formulated with lower sodium as well as a new line of vegan burgers. This focus on health will continue into the new financial year with the planned introduction of vegetarian sausages and healthy pork rind snacks.

Our label printing sector in Barbados and Jamaica enjoyed an improved performance in 2018 despite increased competition. In Barbados, the new ten colour flexographic press and inspection systems installed at Caribbean Label Crafts Limited were significant factors in the improved performance for 2018. However, the company will need to invest further to replace older generation presses with new technology and higher levels of automation to remain competitive in the export markets. Even in the face of competition in the digital label market in Jamaica, our company there experienced an excellent year and has become the recognised market leader in digital label production. Having now outgrown its current location, the company will be moving to a larger facility in 2019 that will allow for further expansion. It will be upgrading its digital equipment and increasing the range of services offered to maintain its market position.

Despite the continued challenges, we will continue to work to increase efficiencies and profitability in the Division.


NOW AVAILABLE ISLANDWIDE!
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NATURALLY GOOD!
Chicken Drumettes
BREADED & DEBONED CHUNKS OF TENDER JUICY CHICKEN!

# Cocktails can liven up any event.

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## COCKTAIL SAUSAGES

Flavourful fun-sized franks.


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NATURALLY GOOD!

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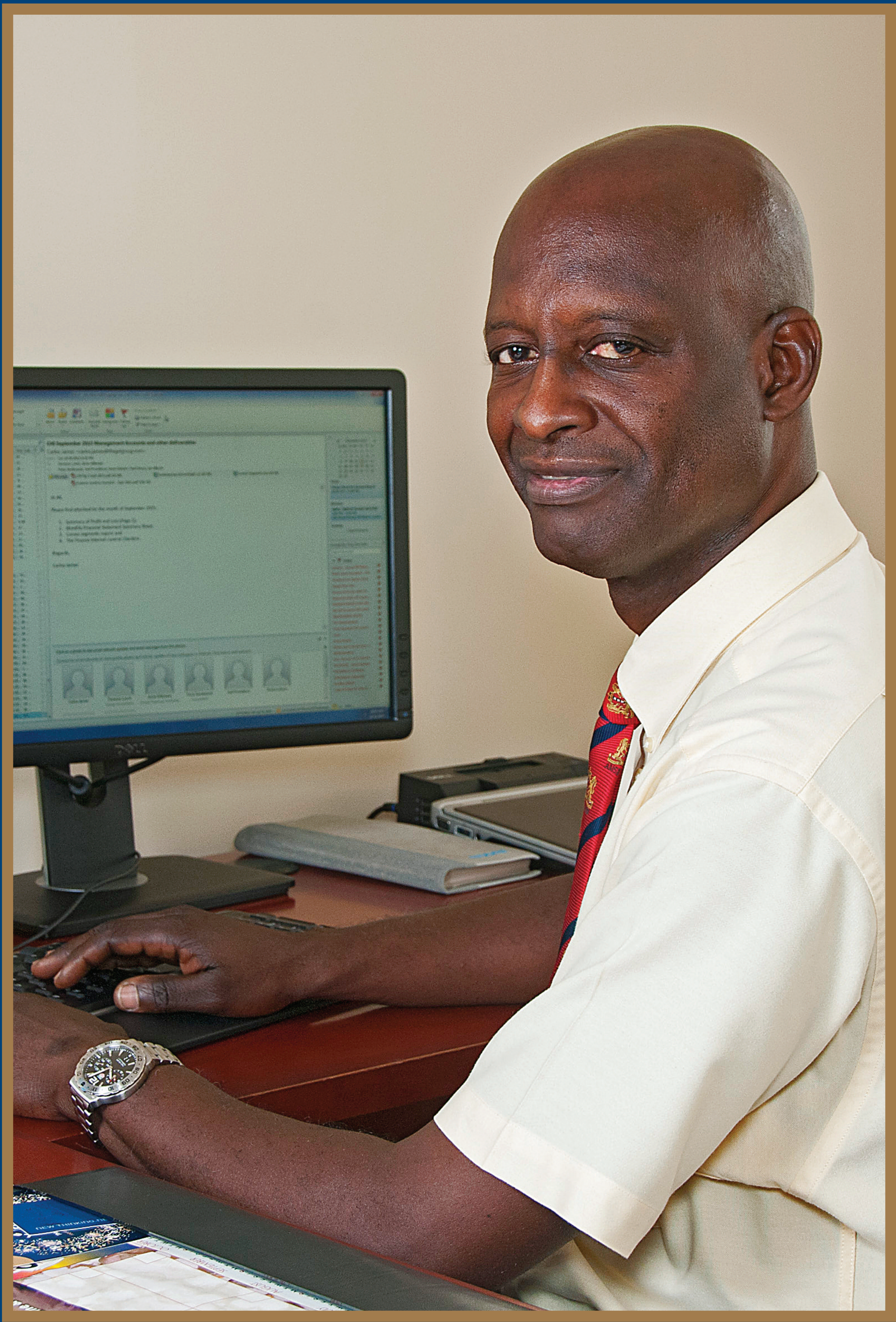
Available in Supermarkets Island Wide!



Mr. Ian Alleyne, Divisional General Manager

# AUTOMOTIVE, BUILDING SUPPLIES AND SERVICES DIVISION

The results for the Automotive, Building Supplies and Services Division reflected the challenging economic climate of the region in which we operated during the year, especially in Barbados, with revenue and profitability both below plan and prior year.

The Automotive department was the area of the business most significantly affected. Courtesy Garage Limited in Barbados showed a decline in performance after three consecutive years of improved results. Even though we were able to maintain market share, the sales of new car units were below last year, due to increases in the tax and duty structure and the harsh economic conditions currently prevailing in the country. The other main business unit in the Automotive department, Fidelity Motors Limited in Jamaica, also returned a decline in results albeit not as significant as in Barbados. The facilities from which we operate in Downtown Kingston have become tired due to the lack of investment over the years and are neither of the standard of our competitors nor in keeping with Nissan's Retail Environment Design Initiative and Visual Identity Recognition Standards ("NREDI Standards"). This is currently being addressed and we expect that our showroom will become fully compliant with the NREDI Standards early in the 2019 calendar year. GET International Inc., the company which is responsible for the importation and sale of vehicles from Zhengzhou Nissan Automobile Company Limited in China, had an improved year with moderate increases in sales and market penetration throughout the region.


*An artist impression of the renovated building housing Fidelity Motors Limited in Jamaica.*

The Building Supplies department experienced a moderate decline in performance compared with the prior year. Some improvement was evident at Jonas Browne and Hubbard (Grenada) Limited operating in Grenada but in Barbados, Saint Vincent and the Grenadines and Saint Lucia, little or no progress was made as there were hardly any new building projects of note in these countries. Nonetheless, Coreas Hazells Inc. ("Coreas") in Saint Vincent and the Grenadines benefitted from the supply of basic lumber items to Dominica and Antigua and Barbuda in the aftermath of the hurricanes which affected these countries in 2017.

The Shipping department had an improved level of performance compared with the prior year. Another year of consistent returns from our companies in Saint Lucia and Grenada together with better revenue and profit levels from Coreas, primarily in the tours section of the business, contributed to this improved result. In Barbados at Goddards Shipping (Barbados) Limited and Sea Freight Agencies & Stevedoring Limited, improvements in market share and financial claw-backs from the prior year positively impacted the department's results. During the year, the acquisition of a controlling interest in Xpress Freight Services Inc. in Doral, Florida was completed. This is a shipping and logistics company which will allow us to procure, consolidate and ship goods from that location resulting in improved efficiencies and inventory levels for the entire Goddard Group of Companies.


*A view of the facilities at Xpress Freight Services Inc. in Florida.*

The Pharmacies in the Division produced a better result this year compared with last year. They recorded increased revenue and profitability. The refurbishment of all of the stores in Saint Lucia was completed during the year, with resultant improvement in operating efficiency as well as increased market share. We continue to make steady progress with the pharmacies in Saint Vincent and the Grenadines where we also recorded improved operating results.

It is expected that the 2019 financial year will be another difficult one considering the harsh economic situation that pertains in the markets in which we operate. This is especially the case with respect to the Automotive department in Barbados. We are more optimistic in the Building Supplies business segment as there are some new building projects on the horizon in the region. Nevertheless, we have budgeted for and expect an overall improved result in the Division for the 2018/2019 financial year.


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

# CATERING AND GROUND HANDLING DIVISION

The GCG Group which consists of the Catering and Ground Handling businesses produced an improved result in Income before taxation over the prior year for the 2018 financial year. This improvement occurred despite the loss of business from the impact of Hurricane Irma on our three businesses in Saint Thomas and Saint Maarten, where significant airport damage led to reduced flight activity.

The result for the Division was negatively impacted by the economic instability in Venezuela. This country continues to experience astronomical currency devaluation and high inflation.

In Trinidad, restructuring measures over the past two years have resulted in improved performance following the loss of a main contract during September 2017 to an international competitor. Our Management team in Trinidad has focussed on business development and has transformed the company into a leaner sales-based organisation which continues to deliver high quality service to our customers. These changes have resulted in the acquisition of several new contracts.

The GCG Group which comprises twenty-eight operations in twenty-two countries across the Caribbean and Latin America, serviced 120,000 flights and produced 23,500,000 meals during the year in review. Our dedicated GCG team of 3,850 employees rose to the occasion during the year despite setbacks of hurricane and flood damage. The tenacity of our team coupled with our geographic spread and business diversity have enabled the GCG Group to overcome the challenges and to focus on delivering to our customers.

Our Ground Handling operations were severely impacted by Hurricane Irma in Saint Thomas, as mentioned earlier, but we are pleased to report that business is slowly returning to near normal levels. During the year, we added Aviation Security to our range of services in Saint Thomas. Our operations in Jamaica saw year on year growth and performed satisfactorily despite increased competition. In early 2019, we will move into a world class cargo facility in Montego Bay which will enhance our portfolio of services to our customers.

Our Industrial Catering operations continued to receive our focus during 2018 as we commenced operations successfully at the Punta de Rieles prison in Montevideo, Uruguay. In addition, we were awarded a contract to provide catering services for the employees of Itaipu Binacional, the entity which manages the hydroelectric plant located on the border of Paraguay and Brazil. In May 2018, we opened two new "Brassas" branded restaurants in Quito and Guayaquil, Ecuador, bringing our total to three restaurants in that market. In August 2018, we began providing catering services to Colegio Arubano, a senior high school in Aruba with 1,800 students on its roll.

GCG EVENTS, our event catering business, continued to service its customers across the Caribbean and Latin America during the year. We were awarded the catering contract for the International Cricket Council Women's World Cup 2018 in Saint Lucia and Antigua.

We continue to focus on our growth and business development strategy with the support of our Human Resources ("HR") department. This focus extends to the ongoing development of our employees through innovative training and developmental programmes. In September 2018, Mr. Alejandro Palma, our Corporate Chef, organised a successful culinary event in Buenos Aires, Argentina, for the


*A view of the Brassas Restaurant in Quito, Ecuador, operated by the GCG Group.*


*Our "GCG FOOD" brand proudly displayed at Colegio Arubano in Aruba.*

# CATERING AND GROUND HANDLING DIVISION... continued

Participants of the bread and pastry making workshop in Argentina, from left to right: Mr. Mario Thompson, GCG Kingston, Ms. Fay Turney, GCG Barbados, Mr. Dagoberto Rivera, GCG Bogota and Mr. Carlos Guairacaja, GCG Quito.

Mr. Wendell Bodkin, Sous Chef, Allied Caterers Ltd., placing finishing touches on his dishes.

development of our internal talent and improvement of current bakery products within the GCG Group. Four participants from the GCG team in the Caribbean and Latin America learnt the authentic French techniques of bread and classic French pastry making at the Culinary Institute of Argentina. The participants then shared their learned techniques with their respective teams on return from the workshops.

In conjunction with our joint venture partner, LSG Sky Chefs Inc. ("LSG"), the GCG Group was invited to participate for the first time in a two-year certified Executive Chef Programme. Two Sous Chefs of the GCG team, Ms. Jeneille Moore from Grand Cayman and Mr. Wendell Bodkin from Trinidad, were selected for this comprehensive training programme which will be conducted in Frankfurt, Germany. The training programme was developed by LSG's Directors of Culinary Excellence and is facilitated by culinary tours, the use of technology for remote learning as well as 'live' exams.

Looking to 2019, we will focus on the continued development of a strong GCG Group Procurement and Logistics department to ensure that we achieve cost benefits across our operations. Our Health, Safety and Lean Manufacturing initiatives will also receive the required support and attention as they remain key to our growth and success. We have set a goal to utilise only sustainable packaging within the GCG Group by the first quarter of 2019 and are pleased to indicate that this initiative remains on track.

The GCG Group would like to thank its Management and Associates for their dedication and efforts during the past year. We wish to place on record our appreciation to Mr. Peter Cox, former General Manager of our Saint Maarten operations, who retired after fifty-three years of dedicated service to the GCG Group.


Mr. J. G. Stewart Massiah, President, GCG Group, (right), extending best wishes for a happy retirement to Mr. Peter Cox, former General Manager, Goddard Catering Group St. Maarten N.V.

Ms. Jeneille Moore, Sous Chef, GCG Cayman, completing her plating with measured concentration.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A subsidiary of Goddard Enterprises Ltd.

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Ms. Tracey Shuffler, Chief Executive Officer, CDP

# CARIBBEAN DISTRIBUTION PARTNERS LIMITED

Caribbean Distribution Partners Limited ("CDP"), our fast moving consumer goods joint venture with Agostini's Limited, showed encouraging growth again this year. This growth was built on expanded sales, better operational efficiencies and continued export development of several of our brands including SWISS, EVE and MOO! to name a few.

The CDP companies finished the year with revenues of just over $630 million up from just under $600 million last year, with all of the companies showing improved turnover, despite the varied pressures related to consumer demand in our regional markets.

CDP's net income for the year improved to just over $17 million with our teams across the region ensuring that our talent was aligned with our strategy, while also improving the return on our capital employed in the business.

During the year, we successfully recruited a Chief Information Officer, Mr. Hayden Mora, to our regional team with the intention of developing our information and communications capabilities which are critical to the rollout of our business strategy.

Barbados based Hanschell Inniss Limited's ("Hanschell Inniss") performance continued to improve in a difficult economy marked by several years of stagnation and soft consumer demand. Through strong efforts with local retailers and marketing of our strategic brands, the team has had a commendable performance this year. The recently completed multi-million dollar expansion and upgrade of the warehouse and offices in Fontabelle will allow for better efficiencies in the coming year and will better reflect the forward-thinking business that Hanschell Inniss is.

The Trinidad based businesses have had mixed results this year. Vemco (formerly Vemco Limited) – a division of CDP Trinidad Limited ("CDP Trinidad") delivered a strong performance based on improved local and export sales and significantly improved plant efficiencies. Hand Arnold – a division of CDP Trinidad once again had a commendable year though the businesses suffered an inventory loss of $0.6 million from the earthquake experienced in August 2018. This seismic activity caused the collapse of some of the warehouse racking which is being rebuilt to the highest safety standards. Our drinks distribution business, Vembev – a division of CDP Trinidad had a disappointing year as it faced an aggressive market fixed on low value beverages. In addition, there were some internal challenges which are being addressed following a comprehensive business review which has reset a number of key strategic parameters within the business.

Our three businesses based in the Organisation of the Eastern Caribbean States all delivered improved performances this year. In Saint Lucia, the Chief Executive Officer ("CEO") of Peter & Company Limited ("PCL"), Ricardo Leonard, passed away in June 2018 following a courageous year-long battle to regain his health. Ricardo would have completed twenty years of dedicated service and we remain thankful for his leadership and camaraderie over those years. His contribution to our development and his friendship to his colleagues will never be forgotten. In the face of this difficult past year, the entire team at PCL must be commended for their determination and teamwork which have allowed them to meet their objectives for the year. We have successfully recruited a new CEO for the business and look forward to future efforts to continue to drive this business forward.

Independence Agencies Limited, based in Grenada, delivered a significantly improved result this year mainly as a result of a stronger sales performance fuelled by better inventory management in the expanded and modernised warehouse in Grand Anse. A further upgrade with expanded capacity was made to our retail outlet, CK's Super Valu, providing an improved shopping experience for our many hotel and restaurant customers, St. George's University students and other walk-in customers.

Once again Coreas Distribution Limited, based in Saint Vincent and the Grenadines, delivered an excellent result this financial year. The team continues to expand distribution of our brands in that market representing several of our strategic partners, while continuing to build our proprietary brands and retail footprint. In 2019 we will break ground on our new distribution centre and offices at Diamond Woods, a location well suited for improved efficiencies and expanded operations.

In January 2018 we increased our shareholding in Desinco Limited, our Guyana based business, from 40% to 51%. The company continues to perform well in a market that is promising for future growth. We completed a new racking project for our distribution centre at Eccles which has allowed for an expanded range of products for distribution.

Overall, the CDP joint venture continues to perform well with ongoing operational improvements as we strengthen our position as the regional partner of choice for brand development and distribution.


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peanuts and more peanuts!
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GOOD SOURCE OF PROTEIN
Better because it's
Swiss


EVEn Sweeter Meals with EVE
Quality products at affordable prices
CORNED BEEF
HOT & SPICY
VIENNA SAUSAGE
CHICKEN
VIENNA SAUSAGE
TOMATO KETCHUP
SOYABEAN OIL
LUNCHEON MEAT
CHICKEN LUNCHEON MEAT
MACKEREL
IN TOMATO SAUCE
MIXED VEGETABLES
PARBOILED Rice
EVE
First Family of Fine Foods


Ju-C
Ju-C adds the Joy in Christmas
Ju-C
BANANA
Ju-C
PINEAPPLE
Ju-C
RED
Ju-C
APPLE
Ju-C
CREAM SODA
Ju-C
Joy Begins with J
#JoyinaBottle


Mrs. C. Natasha Small
Chief Financial Officer

# FINANCIAL SERVICES DIVISION

**Sagicor General Insurance Inc.**, ("Sagicor"), our associated company in which we have a 45% shareholding, saw loss ratios return to acceptable levels during the year. Gross written premiums to September 2018 were up 7% compared with September 2017 as rates increased following the events of 2017 which had significant financial impact on the regional property and casualty insurers and the international reinsurance market. The company's results were negatively impacted by the debt restructuring undertaken by the Government of Barbados.

On 14 September 2018, Sagicor completed its amalgamation with Harmony General Insurance Company Ltd., a general insurer in Barbados. The amalgamated entity continued as Sagicor General Insurance Inc.

**Bridgetown Cruise Terminals Inc.** ("BCTI") experienced a 6.7% decline in revenue compared with the prior year. This resulted from the issuance of a rental rebate due to negligible cruise activity. In addition, a decrease in head tax revenue was recorded as a result of a 1.5% decline in the number of cruise passenger arrivals compared with the prior year. On the expenses side, administrative expenses and staff costs increased by 4.7% and 12.4% respectively. The major contributor to the increase in the administrative expenses was the legal fees incurred in addressing the matter of BCTI's lease with the Barbados Port Inc. ("BPI"). The overall effect has been a 19.9% decline in the net income from the previous year on continuing operations. BCTI and the BPI have agreed to continue discussion on the lease in an effort to find a solution without recourse to legal action.

On 4 September 2018, Goddard Enterprises Limited divested its shares in **Globe Finance Inc.**, ("Globe"), following the execution of an amalgamation agreement between Globe and Signia Financial Group Inc. During the year, our share of income from Globe was impacted by the implementation of International Financial Reporting Standard 9 and the debt restructuring undertaken by the Government of Barbados.

Mrs. R. Anne Wilkinson
Group Financial Controller

Mr. Terrence Lynch
Group Accountant

# INFORMATION TECHNOLOGY

## New and completed system implementations

During 2018, a second phase of the planned rollout of the new software for the Auto department of the Automotive, Building Supplies and Services Division was completed on time and on budget with the system implementation at Peter's Holdings Limited trading as Peter and Company Auto in Saint Lucia. Courtesy Garage Limited has reviewed its first full year's use of the new software system and has identified areas for refresher training and expanded use. The business was satisfied with the new system and will widen its use of the functionality in 2019 while planning for the rollout to the Jamaica subsidiary.

A multi-system implementation was carried out in the 2017/2018 year with the onboarding of Marshall Trading Limited to the Company's systems. This implementation comprised of several separate projects which suffered major setbacks primarily due to a delay in the delivery of the network. This meant that 'go-live' was moved to the end of the financial year which was several months later than originally planned.

The selection process for the Group's financial consolidation software has been completed and implementation is targetted for early 2019. The Catering and Ground Handling Division is expected to complete its digital strategy consultation before moving on to the selection of a new software system for its Division. It is anticipated that the Group HR department will make a final decision on its software selection by the end of the 2018 calendar year.

## Information Technology ("IT") Governance

During the year, the IT department developed policies for the use of mobile devices and for digital communication. These policies seek to mitigate risks of data leakage and phishing from the overuse of email for corporate communications. In addition, rules to establish endpoint security for mobile devices have been drafted for implementation in the coming year. GEL plans to continue to develop policies to strengthen information security across the Group. A standard for disaster recovery has been designed and is to be tested in 2019. Written policies and standards are to be developed to ensure IT compliance across the Group.

The wider Group IT team formed on completion of the first phase of IT centralisation has settled and is working well together. The centralisation has facilitated the expansion of formal project management which has seen a rise in the number of successful project closures across Group projects and the introduction of change management processes.

## Update on Digital Media projects

The first phase of the implementation of Microsoft 365 was successfully completed in 2018. GEL expects to take advantage of the options available with the Microsoft 365 tool to improve the security of communications. With Email and Office deployed, the migration for the Catering and Ground Handling Division has been completed. Group IT will embark on the application of other aspects of the tool including SharePoint, OneDrive and Teams with a cloud backup solution. This programme will result in a further strengthening of policies around the security of information as new rules are developed and implemented. This is planned to run in parallel with the migration of Email and Office for the remaining divisions of the Group.

The GEL Group will launch its new website in 2019. The existing website has been re-designed with a more modern look while maintaining GEL's current logo. As the subsidiary sites will be able to link to the Group's new website, refreshment of subsidiary websites will be considered within the coming year.

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BOP
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EVERGREEN BOP
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Read Directions Carefully Before Use
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A subsidiary of Goddard Enterprises Ltd.

Ms. Glenda Gilkes
Group HR Manager

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

Ms. Stephanie Catling-Birmingham
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

# HUMAN RESOURCES AND COMMUNITY RELATIONS

During the last fiscal year, we focussed on refining those initiatives previously launched in 2017. One such initiative, Employee Engagement, received increased attention. GEL has adopted Aon Hewitt's model of engagement which identifies specific engagement drivers such as leadership, brand recognition and company practices which lead to engagement outcomes measured by what employees say about the organisation, their willingness to give of their best and their readiness to stay with the organisation. Group companies continued to launch initiatives across the Group aimed at increasing their engagement levels. These programmes were planned and executed under the leadership of employee-led teams and ranged from improving internal communication to focussing on corporate social responsibility based on gap areas identified in the results of the Engagement survey.

The Company continued its succession planning process with a view to understanding the level of performance and potential of each senior employee across the Group and mechanisms for developing them accordingly. In addition, the process of identification of high potential employees to enable smooth transition to senior leadership roles with little disruption to the operations continued.

The first phase of the Group's Corporate Wellness Programme was implemented across the Group's eleven companies in Barbados. GEL believes that employees who focus on their personal wellbeing are happier and healthier which not only benefits them and their families, but also leads to a more productive organisation overall. The Company partnered with a Wellness Consultant from Canada to implement a standardised programme while taking into account the peculiar requirements of each organisation through the appointment of company 'Wellness Champions' who in turn support a corporate level committee. Biometric screenings were conducted and educational talks facilitated. The creation of synergies across the operations via the exchange of ideas and information is continuing.

During the year, new legislation for the protection of employees from sexual harassment in the workplace was passed in Barbados. This development prompted a review of the Company's existing Sexual Harassment Policy by the HR and Legal teams. The updated Policy was subsequently reinforced in all companies in both English and Spanish. Training sessions for employees were conducted in Barbados in keeping with the legislative requirements in that territory.

The rollout of the Company's seven Corporate Values across the Group via a video produced by some of GEL's employees was another highlight of the 2018 year. The use of a video, illustrative of examples of the behaviours expected in the workplace, ensured that a consistent message was delivered to all Group employees in each territory in its native language of either Spanish or English. A Core Values poster which was created by one of our employees, will be displayed in each Group company as a daily reinforcement to all.

The HR team continued its work on a number of other programmes including the creation of an HR audit template and process documentation to ensure that a GEL defined HR standard is maintained across the Group. The implementation of an enterprise-wide HR Information System is another key continuing objective of the Group HR department, as this is expected to increase efficiency and consistency across the GEL Group. The Company's Whistleblowing Policy which features a reporting system accessible to all employees with internet and telephone platforms in both Spanish and English, will shortly be implemented. This reporting system will be facilitated by an international service provider.

Across the Group, our Industrial Relations' climate remained sound during the course of the year and relationships with the workers' representatives remained cordial.

# CORPORATE SOCIAL RESPONSIBILITY

During the past year, GEL, through its many subsidiaries around the region, has been assisting the communities in which it operates in various ways. The subsidiaries have responded to the needs of their respective communities under the broad headings of Charity, Education, Culture, Youth and Sports and Community Development.

Following are some of the projects to which the Company and its subsidiaries have contributed:

## BARBADOS
## GEL HEAD OFFICE

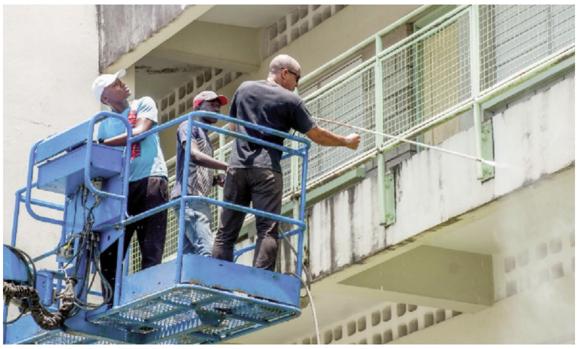
**GEL Adopts Parkinson School**
What started out in March 2018 as a one-off mentorship session to commemorate International Women's Day for girls at the Parkinson Memorial Secondary School ("Parkinson School"), has blossomed into a full adoption of the school by the Management and staff of GEL.

*Mr. Anthony Ali, Managing Director, GEL, (right), cleans the wall in preparation for Ms. Natasha Haynes (backing), Mrs. Pamela Bonnett and Ms. Tracey Taitt, all GEL employees, to apply paint along the covered walkway.*

Over the final weekend in August 2018, some twenty-eight staff members went to the Parkinson School armed with paint brushes, rollers and gallons of paint to give the school a fresh look in preparation for the start of the new school term. The team cleaned and painted the walls along the covered walkway where most of the children 'hang out' during breaks and lunch and they painted the staff room to welcome back the teachers from the long summer holiday.

*Mr. Anthony Ali, Managing Director, (standing), interacting with the eligible fifth formers of the Parkinson Memorial Secondary School about the Internship Programme with GEL.*

The Company engaged students of the Parkinson School in a six-week Internship Programme where twelve students spent their vacation time in various companies in the Group learning what happens in the world of work. Two of the students had their internships extended and then joined GEL's staff during the beautification weekend at the school. They power washed the walls of one of the blocks from atop a genie lift which they skillfully man-oeuvred to reach the third story of the building. Ms. Julia Edey, Guidance Counsellor of Parkinson School, heralded the Internship Programme as "a valuable teaching/learning tool for our students." Sessions were held with GEL's officials, parents and students to examine the programme and how it would work to ensure the commitment of both students and parents.



*Shaquon Burke, Intern, operates the genie lift while Mr. Ian Holder, Principal, Parkinson Memorial Secondary School, operates the power washer under the watchful eye of Jonathan Carter, another Intern.*

Other aspects of the overall adoption by GEL include a mentoring programme for which staff will get time off during their work day to interact with the students.

Mr. Anthony Ali, GEL's Managing Director, in explaining some of his plans for the Parkinson School stated that "we would like to get some musical equipment for the school through our contacts overseas. I understand that the school has some very talented students but not enough instruments for them to properly hone their skills."

During the month of July 2018, staff at GEL also pitched in to assist a 15-year-old student and his family who lost their home and all of their possessions to a fire. GEL's staff got together and donated a number of household items as well as clothing for the family.

## JAMAICA
## GCG JAMAICA

**Port Royal Infant and Primary School**

The Port Royal Infant and Primary School, located in the same Eastern Kingston Constituency where Goddard Catering Group (Jamaica) Ltd ("GCG Jamaica") operates, has a population of seventy students and seven teachers. Through its Donations Committee, GCG Jamaica donated a Canon digital photocopy machine as well as some chairs to the school. GCG Jamaica also undertook repairs to the roof of the school's canteen. The company has pledged its continued partnership to the institution.

*Mr. Strephon Sanderson, Managing Director of GCG Jamaica, hands overs the copier to Jamey Gordon, Head Girl of the Port Royal Infant and Primary School.*

## SAINT LUCIA
## M&C GROUP OF COMPANIES

**Support for Faces of Cancer Saint Lucia**

The staff of the Minvielle & Chastanet Limited ("M&C") Group of Companies as part of their own Corporate Social Responsibility Programme was on hand to show their support for the first Health Fair of "Faces of Cancer Saint Lucia". The event concentrated on cervical, prostate and breast cancer examinations and testing. A number of men and women descended on the Oncology Centre at Tapion on 17 March 2018 for their free examinations at the Health Fair. Free smear testing for women, free PSA blood tests for men as well as hearing tests and counselling were available at the Health Fair.

The staff of M&C Drugstore Limited ("M&C Drugstore") provided information on a number of supplements which were on sale to promote and boost a healthy body and strong immune system.

The M&C Group of Companies recognises the important work that is being done by Faces of Cancer Saint Lucia and is looking forward to working closely with the organisation at other health fairs and programmes in the coming year.

*M&C Drugstore's staff at the Faces of Cancer Health Fair.*

*A large turnout awaiting available services at the Faces of Cancer Health Fair.*

## M&C DRUGSTORE

**Raising Breast Cancer Awareness**

M&C Drugstore joined many organisations around Saint Lucia to raise awareness during the month of October – Breast Cancer Awareness Month. The company has undertaken a number of awareness raising activities centred on breast cancer and the impact it has on women and their families.

The Pink Friday Campaign, for example, encouraged staff members at all drugstore locations to wear pink on 20 October 2018 to show support for the cause. Customers were treated with pink cupcakes at various M&C Drugstore locations. Staff members wore a pink ribbon for the duration of October to show support. Each location (Rodney Bay, Gablewoods Mall, Bridge Street, Soufriere and Vieux Fort) was decorated in pink and white and distributed pamphlets to customers with information on breast cancer. Determined to reduce the number of breast cancer-related deaths in Saint Lucia through early detection, M&C Drugstore has committed to sponsoring five mammograms to the Faces of Cancer Annual Breast Health Fair held in communities around Saint Lucia. M&C Drugstore is committed to promoting health and wellness.


*An M&C Drugstore team member proudly wearing pink in support of Breast Cancer Awareness.*

# CORPORATE SOCIAL RESPONSIBILITY... continued

## M&C HOME DEPOT

**Bringing the magic of Christmas to the Ebenezer Home**
M&C Home Depot Limited ("M&C Home Depot"), one of the largest retailers of building materials, hardware and household items in Saint Lucia, donated a brand new "Daichi" microwave to the Ebenezer Home in Soufriere just in time for the holidays.

The Ebenezer Home is a non-profit organisation, established to minister to troubled young people and provide them with a safe Christian Home. Over a period of six years, the Ebenezer Home has been assisting teens to take responsibility for their choices and develop a positive self-image, enabling them to learn, hope, dream and work towards a happy, meaningful and successful life.

Due to the successful administration of the programmes at the Ebenezer Home, several students have graduated, four are now in college and one is furthering studies in the vocational field. They attribute their success to the support and donations from the community, church members, corporate organisations and other stakeholders. Ms. Jennifer Alexis, Programme Co-ordinator at the Home, thanked M&C Home Depot for its contribution to the Ebenezer Home which would be used to enhance the lives of the young people there.


*Representatives of the Ebenezer Home accepting the microwave from an officer of M&C Home Depot.*

## SAINT THOMAS
## GCG ST. THOMAS

**Vaccination Event**
The Health and Safety Committee of Goddard Catering Group St. Thomas Corporation ("GCG St. Thomas") co-ordinated a Flu Vaccination Day at the Cyril E. King International Airport in Saint Thomas, United States Virgin Islands, on 9 February 2018. Mr. Kerry Rhymer, Management Representative and Safety Co-ordinator, was on hand to ensure that customers and neighbours of the Airport were able to take advantage of the vaccination drive administered by the Virgin Islands Department of Health. Individuals who received vaccinations were each given a t-shirt which read "Keep Calm, I'm Vaccinated." The initiative was well received as many individuals were able to get their flu, tetanus and pneumonia vaccinations. Participants were treated to fruit and yogurt provided by the GCG St. Thomas catering team.

*Participants in the Vaccination Event hosted by GCG St. Thomas.*


*A GCG St. Thomas employee seen here participating in the Vaccination Event.*

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# CORPORATE GOVERNANCE OVERVIEW

## The Board of Directors

The Board of Directors of the Company (the "Board") adheres to the belief that good corporate governance is essential to the efficient and prudent operation of the Group's business. The Board has developed strong corporate governance policies and procedures which are continuously reviewed and strengthened to ensure their soundness in keeping with best practice.

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

The Board's mandate extends to the review of Management decisions, the approval, implementation and monitoring of the Group's strategic plan and budget, the consideration and approval of recommendations issuing from its Committees and receipt of progress reports on the implementation of such recommendations, 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 approval of dividends and the review and monitoring of internal controls, risk management and legal and regulatory compliance.

## The Board Committee Structure

To assist it with fulfilling its mandate, the Board has established three standing Committees namely: the Audit and Risk, the Corporate Governance and the Compensation and Human Resources Committees. The Charters for each Committee 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 also on the Company's Website. Each Committee has worked assiduously during 2018 to attain the objectives mandated by the Board for the year.

## Evaluation of the Board

In November 2018, the Board undertook its annual evaluation exercise aimed at assessing the effectiveness of the Board's performance as a whole during the 2018 financial year. The evaluation process took the form of a confidential questionnaire facilitated on the Company's new boardroom software which was implemented in December 2017. The Board has reviewed the results of the evaluation and plans to address some of the identified gaps in the coming year.

## Meeting Attendance

The attendance at both the Board and Committee Meetings held during the year for the period 1 October 2017 to 30 September 2018 is submitted in the Appendix A at page 130 of this Report. The Board is pleased to report another good attendance record by its Members for the 2018 financial 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, three directors, Mr. William P. Putnam, Chairman, Mr. J. Dereck Foster, Non-Executive Director and Mr. Anthony H. Ali, Managing Director, 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.

Messrs. William Putnam, J. Dereck Foster and Anthony Ali were each re-elected to the Board at the seventy-seventh annual meeting of the shareholders held on 29 January 2016 for a term of three years.

In addition, the Board is recommending the election to its membership of Ms. Laurie Condon and Dr. José S. López as non-executive directors each for a term of two years.

Ms. Laurie Condon is a citizen of the United States of America and is Corporate Managing Director of Savills-Studley. She is an experienced real estate executive with twenty-one years' experience in developing real estate asset and workplace strategies. She has executed over US$2.5 billion in sale and lease transactions and has extensive experience in creating consensus among stakeholders. She holds a Bachelor of Science degree from Duke University.

Dr. José S. López is a citizen of the United States of America and is the Adjunct Professor of Florida International University. He is also the Programme Co-ordinator in Finance at Lynn University. He is an experienced multilingual executive, motivational leader and educator with a proven record of successfully leading and training teams in national and international business projects, market entry and strategy development and implementation. Dr. López has worked with Fortune 500 companies in product development, marketing and strategy. He holds a Ph.D in Global Leadership with a specialisation in Corporate and Organisational Management from Lynn University. He has completed postgraduate Certifications in Finance and Corporate Finance from Cornell University and the University of Liverpool respectively.

## Condolences

On 31 December 2017, the Board was saddened to learn of the passing of Mr. Randall Cecil Goddard. Mr. Goddard served GEL with distinction for over thirty-nine years. He joined Harrison's Ltd in 1957 and was transferred to Saint Vincent and the Grenadines in 1964 where he managed two of the Group's subsidiaries until 1966. During that period, he also served at Peter & Company Limited in Saint Lucia. Mr. Goddard was instrumental in establishing GEL's Human Resources department and the Group's Pension programme in the early 1970s. He served as an Executive Director on the Company's Board for twenty-five years until his retirement from the executive duties of Group Personnel Director in July 1996. The Board will long treasure the outstanding contribution made by Mr. Goddard to its deliberations and to the Group as a whole and extends its condolences to his widow Mrs. Ann Goddard and his family.

On 11 August 2018, the Board learnt of the passing of Kathleen Lady Goddard, widow of Sir John Stanley Goddard, deceased, a former Senator, Managing Director and Chairman of GEL. We wish to express our condolences to the family of the late Kathleen Lady Goddard.

## Appointment of Auditor

The Company's incumbent Auditor, Ernst & Young Ltd., retires at the close of the eightieth annual meeting and offers itself for re-appointment for the ensuing year at a fee to be determined. Your Directors recommend that they be authorised to negotiate the Auditor's fee on a Group basis.

## Share Subdivision Event

On 5 July 2018, at a special meeting, shareholders of the Company approved a four-to-one share split with effect from 31 July 2018. On completion of the share subdivision, the Company's issued and outstanding shares stood at 226,607,708.

## Dividends

The Board continued its strategy of more evenly spreading the Company's dividend payments throughout the year. The Company paid first and second interim dividends for the 2018 financial year each of 1.5 cents per share on 31 August and 29 November 2018. At its 4 December 2018 meeting, the Board declared a third interim dividend of 1.5 cents per share on the issued and outstanding shares of the Company for the year ended 30 September 2018. The third interim dividend will be paid on 28 February 2019.

## Acknowledgement

As we close our Report to you for the 2018 year, we reflect on the committed patronage of our customers of the Group's businesses during the year. We note shareholders' continued unwavering support of the Board and the confidence and trust they have placed in us even in the face of continued challenges. We acknowledge the contribution of our Management and Staff, a testament to their professionalism, commitment and hard work. We wish therefore to thank our customers, shareholders, Management and Staff for your dedicated loyalty in 2018 and look forward to your continued support in 2019.

On behalf of the Board of Directors

| | |
|---|---|
| William P. Putnam<br>Chairman<br>4 December 2018 | Anthony H. Ali<br>Managing Director |

# ANALYSIS OF COMMON SHAREHOLDERS

As at 30 September 2018

| Category | Number of shareholders | % | Number of common shares held | % |
|---|---|---|---|---|
| Group Employees | 435 | 21% | 5,453,810 | 2% |
| Local Individuals | 1,290 | 61% | 33,267,565 | 15% |
| Non-Resident Persons | 234 | 11% | 51,258,473 | 23% |
| Local Companies and Institutions | 155 | 7% | 136,627,860 | 60% |
| Totals | 2,114 | 100% | 226,607,708 | 100% |

# Additional Information for the year ended 30 September 2018 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 2018:

| Names of Directors | Number of common shares held beneficially at 30 September 2018 |
|---|---|
| W. P. Putnam | 2,045,063 |
| A. H. Ali | 125,708 |
| V. P. Brathwaite (Ms.) | NIL |
| I. K. D. Castilho | 36,248 |
| J. D. Foster | 62,924 |
| A. C. Herbert | 673,340 |
| C. G. Rogers | 66,924 |
| S. T. Worme | 101,524 |

c) No change in Directors' beneficial interests took place between 30 September 2018 and 4 December 2018.

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 4 December 2018.

| Shareholders | | Number of common shares held |
|---|---|---|
| Neptune Investments Limited | | 13,781,668 |
| Sagicor Group | Beneficial | 20,200 |
| | Non-Beneficial | 26,188,644 |
| | Total Sagicor Group Holding | **26,208,844** |

# 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 | |
| | GET International Inc. | |
| | 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% |
| Cocoa Traders and Manufacturers: | Ecuakao Kakao Processing Proecuakao S.A. – Ecuador | |
| | Ecuakao Trading Company S.A. – Uruguay | |
| 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") | |
| | GCG Ground Services (Jamaica) Limited formerly Jamaica Dispatch Services Limited – Jamaica | 51% |


GODDARD CATERING GROUP
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
United Kingdom
United States of America
Uruguay
Venezuela

# SUBSIDIARY COMPANIES... continued

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

| | | |
|---|---|---|
| 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% |
| 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% |
| | Ecuakao Group Ltd. – Cayman Islands | |
| | GEL Holdings (St. Lucia) Ltd. – St. Lucia | |
| | Goddard Ecuador Holdings (Cayman) Ltd. – Cayman Islands | |
| | 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% |
| | Inflite Management (Barbados) Ltd. | |
| | 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: | Vembev (formerly Pepsi-Cola Trinidad Bottling Company Limited) – a division of CDP Trinidad Limited – Trinidad and Tobago | 50% |
| Biotechnology: | Mirexus Biotechnologies Inc. – Canada | 43% |
| General Insurance: | Sagicor General Insurance Inc. | 45% |
| General Trading: | Bryden & Partners Limited – St. Lucia | 50% |
| | Caribbean Distribution Partners Limited – Trinidad and Tobago | 50% |
| | Coreas Distribution Limited – St. Vincent | 50% |
| | Desinco Limited – Guyana | 20% |
| | Facey Trading Limited | 50% |
| | Hand Arnold – a division of CDP 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 (formerly Vemco Limited) – a division of CDP Trinidad Limited – Trinidad and Tobago | 50% |
| Laundry Services: | Country Road Investments Inc. – Trading as Tropical Laundries | 50% |
| Petroleum Industry Services: | International Petroleum & Maritime Academy Inc. – Guyana | 33% |
| | TOTAL-BASE Services Guyana Inc. – Guyana | 33% |
| | Totaltec Oilfield Services Limited – United Kingdom | 33% |
| 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
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

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Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

# 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** and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 September 2018, 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 2018 and its financial performance and its 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.

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**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 17% of the gross assets on the consolidated statement of financial position. The Group includes investments for which management was required to demonstrate significant influence versus control over the investees. The investments include a significant investee which is not audited by EY, and whose yearend is not coterminous with the Group. In addition, the Group also divested of one of its investments in associates during the year, which included contingent features.<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. | 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 2018 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 ($23.26 million as at 30 September 2018); and (ii) the level of subjectivity associated with the forecast assumptions which underpin management's assessment of the recoverable amount, including the degree of subjectivity of cash flow forecasts, associated growth rates and the appropriateness of the discount rate applied in the value-in-use calculation. | As part of our audit response, we examined the Group's forecast 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 enquiry 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. |

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# 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 2018 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.

Building a better working world

# 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 Group'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 Group'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 Group and the Group'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

Barbados
4 December 2018

# Consolidated Statement of Financial Position

As at 30 September 2018
(Expressed in thousands of Barbados Dollars)

| | Notes | 2018 | Restated 2017 |
|---|---|---|---|
| **Current assets** | | | |
| Cash | 6 | 65,705 | 104,063 |
| Trade and other receivables | 7 | 104,687 | 82,518 |
| Prepaid expenses | | 16,350 | 15,734 |
| Due by associated companies | 8 | 19,699 | 20,846 |
| Reinsurance assets | 9 | 6,819 | 6,170 |
| Current income tax assets | | 4,835 | 3,632 |
| Inventories | 10 | 133,343 | 116,374 |
| Non-current assets held for sale | | – | 3,177 |
| | | 351,438 | 352,514 |
| **Current liabilities** | | | |
| Borrowings | 11 | 101,028 | 84,858 |
| Trade and other payables | 12 | 111,312 | 106,568 |
| Due to associated companies | 8 | 3,686 | 2,630 |
| Current income tax liabilities | | 8,210 | 4,302 |
| Insurance contracts | 13 | 9,981 | 9,355 |
| | | 234,217 | 207,713 |
| **Working capital** | | 117,221 | 144,801 |
| Property, plant and equipment | 14 | 365,163 | 314,018 |
| Investment property | 15 | 30,370 | 29,024 |
| Intangible assets | 16 | 23,265 | 23,950 |
| Investments in associated companies | 17 | 175,298 | 154,539 |
| Due by associated companies | 8 | 4,469 | 5,965 |
| Financial investments | 18 | 65,134 | 59,260 |
| Deferred income tax assets | 19 | 4,129 | 5,106 |
| Pension plan assets | 20 | 10,829 | 2,144 |
| Long-term trade and other receivables | 7 | 13,564 | 9,236 |
| | | 809,442 | 748,043 |
| Borrowings | 11 | 129,646 | 91,217 |
| Deferred income tax liabilities | 19 | 6,601 | 5,612 |
| Pension plan liabilities | 20 | 4,038 | 5,009 |
| **Net assets employed** | | 669,157 | 646,205 |
| Financed by: | | | |
| **Equity** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 21 | 46,353 | 45,169 |
| Other reserves | 22 | 76,550 | 80,942 |
| Retained earnings | | 435,525 | 411,535 |
| | | 558,428 | 537,646 |
| **Non-controlling interests** | | 110,729 | 108,559 |
| | | 669,157 | 646,205 |

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

Approved by the Board of Directors on 4 December 2018.

William P. Putnam
Chairman

Anthony H. Ali
Managing Director

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2018
(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 2016** | 44,004 | 72,054 | 387,834 | 94,826 | 598,718 |
| Net income for the year (restated) (note 38) | – | – | 38,690 | 15,794 | 54,484 |
| Other comprehensive income/(loss) | – | 8,488 | (1,996) | 3,982 | 10,474 |
| Total comprehensive income for the year (restated) | – | 8,488 | 36,694 | 19,776 | 64,958 |
| 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 (7.5 cents per share) (note 30) | – | – | (8,469) | – | (8,469) |
| Dividend – Interim 2017 (4 cents per share) (note 30) | – | – | (4,524) | – | (4,524) |
| | 1,165 | 400 | (12,993) | (6,043) | (17,471) |
| **Balance as at 30 September 2017 (restated)** | **45,169** | **80,942** | **411,535** | **108,559** | **646,205** |
| **Balance as at 1 October 2017 (as previously reported)** | 45,169 | 80,942 | 413,845 | 108,559 | 648,515 |
| Effect of restatements (note 38) | – | – | (2,310) | – | (2,310) |
| **Balance as at 1 October 2017 (restated)** | 45,169 | 80,942 | 411,535 | 108,559 | 646,205 |
| Net income for the year | – | – | 28,598 | 15,368 | 43,966 |
| Other comprehensive income/(loss) | – | (4,578) | 8,022 | (1,899) | 1,545 |
| Total comprehensive income for the year | – | (4,578) | 36,620 | 13,469 | 45,511 |
| Investment in subsidiary company | – | – | – | (279) | (279) |
| Increase in advances to non-controlling interests | – | – | – | 1,269 | 1,269 |
| Value of employee services | – | 186 | – | – | 186 |
| Issue/(repurchase) of common shares – net | 1,184 | – | (179) | – | 1,005 |
| Dividends declared | – | – | – | (12,289) | (12,289) |
| Dividend – Interim 2017 (8 cents per share) (note 30) | – | – | (4,526) | – | (4,526) |
| Dividend – Final 2017 (8 cents per share) (note 30) | – | – | (4,526) | – | (4,526) |
| Dividend – Interim 2018 (1.5 cents per share) (note 30) | – | – | (3,399) | – | (3,399) |
| | 1,184 | 186 | (12,630) | (11,299) | (22,559) |
| **Balance as at 30 September 2018** | **46,353** | **76,550** | **435,525** | **110,729** | **669,157** |

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

# Consolidated Statement of Income

For the year ended 30 September 2018
(Expressed in thousands of Barbados Dollars)

| | Notes | 2018 | Restated 2017 |
|---|---|---|---|
| Revenue | | 805,852 | 748,122 |
| Cost of sales | 24 | (461,426) | (409,278) |
| Gross profit | | 344,426 | 338,844 |
| Underwriting income | | 5,588 | 5,216 |
| Selling, marketing and administrative expenses | 24 | (294,367) | (280,345) |
| Profit from operations before the following | | 55,647 | 63,715 |
| Other gains/(losses) – net | 25 | 14,492 | 20,551 |
| Profit from operations | | 70,139 | 84,266 |
| Finance costs | 27 | (11,534) | (10,274) |
| | | 58,605 | 73,992 |
| Share of income/(loss) of associated companies | 17 | 3,321 | (2,293) |
| Income before taxation | | 61,926 | 71,699 |
| Taxation | 28 | (17,960) | (17,215) |
| Net income for the year | | 43,966 | 54,484 |
| Attributable to: | | | |
| Equity holders of the Company | | 28,598 | 38,690 |
| Non-controlling interests | | 15,368 | 15,794 |
| | | 43,966 | 54,484 |
| Earnings per share attributable to the equity holders of the Company during the year (expressed in cents per share) | | | |
| – basic | 29 | 12.6 | 17.1 |
| – diluted | 29 | 12.6 | 17.1 |

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

# Consolidated Statement of Comprehensive Income

For the year ended 30 September 2018
(Expressed in thousands of Barbados Dollars)

| | Notes | 2018 | Restated 2017 |
|---|---|---|---|
| Net income for the year | | 43,966 | 54,484 |
| **Other comprehensive income:** | | | |
| **Items net of tax that may be recycled to income in the future:** | | | |
| Unrealised (losses)/gains on available-for-sale financial investments: | | | |
| – Group | | (311) | 2,240 |
| – Associated companies | | (109) | 60 |
| Currency translation differences | | | |
| – Group | | (5,477) | (2,094) |
| – Associated companies | | (503) | (2,575) |
| Hyperinflationary adjustments | | (676) | 865 |
| **Items net of tax that will not be recycled to income in the future:** | | | |
| Increase/(decrease) in revaluation surplus: | | | |
| – Group | 37 | (1,899) | 10,872 |
| – Associated companies | | 2,385 | (440) |
| Remeasurement of employee benefits: | | | |
| – Group | 37 | 7,663 | 1,739 |
| – Associated companies | 37 | 472 | (193) |
| Other comprehensive income for the year | | 1,545 | 10,474 |
| Total comprehensive income for the year | | 45,511 | 64,958 |
| **Attributable to:** | | | |
| Equity holders of the Company | | 32,042 | 45,182 |
| Non-controlling interests | | 13,469 | 19,776 |
| | | 45,511 | 64,958 |

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

# Consolidated Statement of Cash Flows

For the year ended 30 September 2018
(Expressed in thousands of Barbados Dollars)

| | Notes | 2018 | Restated 2017 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Income before taxation | | 61,926 | 71,699 |
| Adjustments for: | | | |
| Depreciation | 14 | 22,958 | 20,943 |
| Amortisation of intangible assets | 16 | 1,387 | 1,267 |
| Impairment of intangible assets | 16 | 6,887 | 362 |
| Loss on revaluation of freehold land and buildings | 25 | – | 393 |
| Loss/(gain) on disposal of property, plant and equipment | 25 | 671 | (515) |
| Gain arising on acquisition of assets | | (12,930) | – |
| Loss on disposal of an associated company | | 616 | – |
| Gain on disposal of financial investments | 25 | – | (147) |
| Gain on re-measurement of previous equity interest in associate at fair value | 25 | – | (181) |
| Exchange adjustments | | (3,624) | (1,842) |
| Gain on disposal of subsidiary companies | 25 | – | (10,244) |
| Hyperinflationary adjustments | | (1,601) | 332 |
| Interest income | 25 | (2,384) | (2,533) |
| Finance costs incurred | 27 | 11,534 | 10,274 |
| Share of (income)/loss of associated companies | 17 | (3,321) | 2,293 |
| Pension plan expense | 20 | 2,337 | 2,849 |
| Employee share schemes expenses | 26 | 186 | 400 |
| Fair value losses/(gains) on revaluation of investment property | 15 | 1,798 | (241) |
| Operating profit before working capital changes | | 86,440 | 95,109 |
| Net change in non-cash working capital balances related to operations | 35 | (29,723) | 1,171 |
| Cash generated from operations | | 56,717 | 96,280 |
| Finance costs paid | | (11,534) | (10,274) |
| Income and corporation taxes paid | | (13,710) | (16,633) |
| Pension plan contributions paid | 20 | (2,952) | (3,765) |
| Net cash from operating activities | | 28,521 | 65,608 |
| **Cash flows from investing activities** | | | |
| Acquisition of interest in subsidiary companies | 33 | (331) | (6,532) |
| Acquisition of interest in an associated company | 17 | (25,629) | – |
| Increase in investment in an associated company | | – | (36,988) |
| Proceeds from disposal of subsidiary companies | | – | 24,323 |
| Proceeds from disposal of an associated company | 17 | 4,423 | – |
| Acquisition of assets | 33 | (32,960) | – |
| Purchase of property, plant and equipment | 14 | (44,570) | (25,318) |
| Proceeds on disposal of property, plant and equipment | | 2,914 | 1,564 |
| Transfer from held for sale to investment property | | (666) | – |
| Purchase of financial investments | | (13,027) | (26,229) |
| Proceeds on disposal of financial investments | | 6,351 | 9,649 |
| Proceeds from repayment of loan to an associated company | | 1,378 | 1,303 |
| Long-term loans advanced | | (1,409) | (2,477) |
| Transfers from trade and other receivables to long-term trade and other receivables | 7 | (4,280) | – |
| Proceeds from repayment of long-term loans | | 652 | 1,701 |
| Unsecured and secured loans (issued)/received – net | | (2,517) | (3,476) |
| Interest received | | 2,384 | 2,533 |
| Dividends received from associated companies | 17 | 5,396 | 2,100 |
| Net cash used in investing activities | | (101,891) | (57,847) |
| **Cash flows from financing activities** | | | |
| Issue of common shares | 21 | 1,198 | 1,165 |
| Repurchase of common shares | | (193) | – |
| Long-term loans received | 11 | 66,601 | 30,723 |
| Repayments of long-term loans | 11 | (18,329) | (21,973) |
| Dividends paid to non-controlling interests | | (12,289) | (7,399) |
| Loans received from/(repaid to) non-controlling interests | | 1,269 | 1,057 |
| Dividends paid to shareholders | | (12,451) | (12,993) |
| Net cash from/(used in) financing activities | | 25,806 | (9,420) |
| **Net decrease in cash and cash equivalents** | | (47,564) | (1,659) |
| **Cash and cash equivalents – beginning of year** | | 95,186 | 96,845 |
| **Cash and cash equivalents – end of year** | 6 | 47,622 | 95,186 |

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 and cocoa processing, printing and print brokering, baking, packaging, automobile and automotive parts sales, insurance, real estate, shipping agents and stevedoring, freighting services, manufacturing of aerosols and liquid detergents and investments. Associated companies are involved in general trading, beverage distribution, waste disposal, laundry services, research, development and manufacturing of natural biomaterials, petroleum industry services, property rentals, investments and general insurance (see pages 43 – 46). The Group operates throughout the Caribbean and North, 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 4 December 2018. 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 2018 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 2017. The following interpretations and standards became effective and were adopted in the current year.

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.

On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Group.

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.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2018 financial year ... continued*

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

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (effective 1 January 2017) ... continued

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments have no impact on the Group.

*ii) 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.

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, unless the contracts are in scope for other standards, such as IAS 17 Leases (or IFRS 16, once effective). It also provides a model for the recognition and measurement of gains and losses on 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 principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

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.

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.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or a modified retrospective approach which is applied as an adjustment to retained earnings on the date of adoption. When the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group is currently assessing the impact of the new Standard on the consolidated financial statements.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2018 financial year ... continued*

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

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)... continued
The Group has decided to apply the modified retrospective approach from the start of the new financial year beginning on 1 October 2018.

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.

*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*
A risk component of a financial or non-financial instrument may 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.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2018 financial year ... continued*

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

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.

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 derecognition 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.

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2018 financial year ... continued*

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

IFRS 16 Leases (effective 1 January 2019)... continued
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/(loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation – (effective 1 January 2019)
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' ("the SPPI criterion") and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such a change in law or regulation leading to the early termination of the contract.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement – (effective 1 January 2019)
The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during the reporting period.

*Determining the current service cost and net interest*
When accounting for defined benefit plans under IAS 19, the standard generally requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest if generally calculated by multiplying the net defined benefit liability/(asset) by the discount rate, both as determined at the start of the annual reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability/(asset) reflecting the benefits offered under the plan and the plan assets after that event

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2018 financial year ... continued*

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

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement – (effective 1 January 2019) ... continued

*Determining the current service cost and net interest... continued*

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability/(asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability/(asset)

*Effect on asset ceiling requirements*

A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.

The amendments clarify that an entity first determines any past service cost, or gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

Amendments to IAS 28 - Long-term interests in associates and joint ventures – (effective 1 January 2019)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28.

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

2. Significant accounting policies... continued

a) Basis of preparation... continued

*Standards, interpretations and amendments to existing standards effective in the 2018 financial year ... continued*

iii) 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.

Annual Improvements to IFRS 2014-2016 Cycle
The following amendments are applicable to annual periods beginning on or after 1 January 2018.

IFRS Subject of Amendment
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.

Annual Improvements to IFRS 2015-2017 Cycle
The following amendments are applicable to annual periods beginning on or after 1 January 2019.

IFRS Subject of Amendment
IFRS 3 – Business Combinations – Previously held interests in a joint operation.

IFRS 11 – Joint Arrangements – Previously held interests in a joint operation.

IAS 12 – Income Taxes – Income tax consequences of payments on financial instruments classified as equity.

IAS 23 – Borrowing Costs – Borrowing costs eligible for capitalization.

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)).

2. Significant accounting policies... continued

b) Consolidation... continued

*i) Subsidiaries... continued*

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.

*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.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment, and proceeds from disposal, is recognised in profit or loss.

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.

2. Significant accounting policies... continued

d) Foreign currency translation ... continued

*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. 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 and this classification is still in effect. The Central Bank of Venezuela has not published an official index for 2018 and 2017. In this regard the company used an average index of 165,558 (2017: 350), 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.

2. Significant accounting policies... continued

e) Property, plant and equipment... continued

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)).

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.

2. Significant accounting policies... continued

g) Intangible assets... continued

*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 |
| Other | – | 15 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.

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.

2. Significant accounting policies... continued

i) Financial assets... continued

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.

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

## 2. Significant accounting policies... continued

### n) Borrowings... continued

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.

### 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.

2. Significant accounting policies... continued

q) Share-based payments

The Group operates two cash-settled share-based plans. 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.

Any discounts offered under the bonus share purchase scheme and the employee share purchase scheme are recognised in the share-based payments expense in selling, marketing and administrative expenses and credited to the share-based payments reserve in equity.

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:

*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) Derivative financial instruments

The Group's derivatives mainly consist of futures. Derivatives are mainly used to manage exposures to commodity price risk.

## 2. Significant accounting policies... continued

### u) Derivative financial instruments... continued

Derivatives are initially recognised at fair value. They are subsequently remeasured at fair value on a regular basis and at each reporting date as a minimum, with all their gains and losses, realised and unrealised, recognised in the consolidated statement of income unless they are in a qualifying hedging relationship.

### v) 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.

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.

2. Significant accounting policies... continued

v) Insurance contracts... continued

*Reinsurance contracts held... continued*
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.

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.

w) 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.

x) 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.

## 2. Significant accounting policies... continued

### x) Non-current assets held for sale... continued

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the 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.

During the year, non-current assets held for sale were either sold or transferred to investment property.

## 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.

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.

*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 2018.

| Effect of a 5% depreciation of | Effect on equity | Effect on net income |
|---|---|---|
| Jamaican dollar | (96) | (261) |
| Latin American currencies | (207) | (617) |

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 ("XCD") and USD but these currencies have a fixed exchange rate with the Barbados dollar and have been excluded from this analysis.

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

a) Financial risk factors... continued

*i) Market risk... continued*

2) Price risk

Equity 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. 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 $603 (2017 – $598) as a result of gains or losses on equity securities classified as available-for-sale financial assets.

Commodity price risk

Commodity price risk arises from transactions by one of the Group's subsidiaries on the world commodity markets for securing the supply of cocoa beans necessary for the manufacture of cocoa products.

The Group's objective is to minimize the impact of commodity price fluctuations and this exposure is hedged in accordance with the Group's policy on commodity price risk management. The Company's commercial department is responsible for managing commodity price risk on the basis of limits predetermined by its Board of Directors generally through the use of exchange-traded commodity derivatives. As a result of the short product business cycle of the Company, the anticipated future raw material transactions outstanding at the reporting date are expected to occur in the next year.

*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.

The maximum exposure to credit risk is as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **$** | **%** | **$** | **%** |
| Cash | **65,705** | **28** | 104,063 | 41 |
| Trade and other receivables | **118,251** | **50** | 91,754 | 37 |
| Due by associated companies | **24,168** | **10** | 26,811 | 11 |
| Financial investments (debt securities and fixed deposits) | **28,298** | **12** | 28,326 | 11 |
| Reinsurance assets (outstanding claims) | **482** | **–** | 840 | – |
| | **236,904** | **100** | 251,794 | 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.

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

a) Financial risk factors... continued

*ii) Credit risk... continued*

The Group has a large number of customers dispersed across the Caribbean and Latin America. 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 reporting date constitute 14.6% (2017 – 17.8%) of the total gross trade receivable amount and individually they accounted for between 1.9% and 5.6% (2017 – 2.0% and 7.0%) 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.

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 2018** | | | | | |
| Borrowings | **107,675** | **27,562** | **72,024** | **53,068** | **260,329** |
| Trade and other payables | **110,627** | – | – | – | **110,627** |
| Due to associated companies | **3,686** | – | – | – | **3,686** |
| Insurance contracts | **1,425** | – | – | – | **1,425** |
| | **223,413** | **27,562** | **72,024** | **53,068** | **376,067** |
| **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 |

(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 2018** | | | | | |
| Cash | 65,705 | – | – | – | 65,705 |
| Trade and other receivables | 104,439 | 854 | 6,193 | 1,346 | 112,832 |
| Due by associated companies | 19,987 | 1,742 | 3,038 | – | 24,767 |
| Reinsurance assets | 482 | – | – | – | 482 |
| Financial investments (debt securities and fixed deposits) | 19,687 | 2,685 | 2,335 | 3,024 | 27,731 |
| | 210,300 | 5,281 | 11,566 | 4,370 | 231,517 |

| | 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 |

*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 2018, the Group's borrowings at variable rates were denominated in Barbados dollars, Eastern Caribbean dollars, United States dollars and Colombian pesos (2017 – 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 2018, 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 $501 (2017 – $262) lower or higher, mainly as a result of higher or lower finance costs on floating rate borrowings.

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

a) Financial risk factors... continued

*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 aforementioned Agreement. The amounts and conditions of the amounts of the respective auction is determined 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. On 7 September 2018, this Foreign Exchange Agreement No. 38 was superseded by the Foreign Exchange Agreement No. 1. Under this mechanism the Bolivar has devalued significantly, moving from a conversion rate of Bolivars 0.03 to US$1.00 in the prior year to a conversion rate of Bolivars 62.17 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 loss of $2,126 (2017 - $1,566) 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 |
|---|---|---|---|---|
| **2018** | | | | |
| **Available-for-sale securities:** | | | | |
| Equity securities | 2,254 | 9,808 | – | 12,062 |
| **2017** | | | | |
| **Available-for-sale securities:** | | | | |
| Equity securities | 2,146 | 9,818 | – | 11,964 |

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

(Expressed in thousands of Barbados Dollars)

3. Risk management... continued

b) Fair value of financial assets and liabilities... continued

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.

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 equity 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 2018 and 2017, the Group's strategy was to achieve a debt to equity ratio of 40:60. The debt to equity ratios at 30 September 2018 and 2017, are as follows:

| | 2018 | Restated 2017 |
|---|---|---|
| Total debt | 374,502 | 309,551 |
| Total equity | 669,157 | 646,205 |
| Debt to equity ratio | 36:64 | 32:68 |

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 2018 and 2017.

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 forty percent (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 2018 and 2017.

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 2018 and 2017.

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

The table below summarises the minimum required capital and the regulatory capital held by the company.

| | **2018** | **2017** |
|---|---|---|
| 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 Agreement that has an initial term through 30 September 2035, with an automatic ten 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 |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **Revenue** | | | | | | | |
| External sales | 372,713 | – | 177,839 | 257,264 | – | (1,964) | 805,852 |
| Inter-segment sales | 2,729 | – | 2,432 | 472 | – | (5,633) | – |
| Associated companies' sales | – | 630,838 | 18,252 | 73,093 | 149,034 | (871,217) | – |
| **Total revenue** | 375,442 | 630,838 | 198,523 | 330,829 | 149,034 | (878,814) | 805,852 |
| **Segment result** | | | | | | | |
| Profit/(loss) from operations | 20,154 | – | 12,816 | 39,888 | – | (17,211) | 55,647 |
| Other gains/(losses) – net | 2,185 | – | 5,390 | 3,765 | – | 3,152 | 14,492 |
| Finance costs | (5,450) | – | (287) | (126) | – | (5,671) | (11,534) |
| Share of income/(loss) of associated companies | – | 8,260 | 582 | 834 | (3,782) | (2,573) | 3,321 |
| **Income/(loss) before non-controlling interests and taxation** | 16,889 | 8,260 | 18,501 | 44,361 | (3,782) | (22,303) | 61,926 |
| Non-controlling interests | (1,717) | – | (278) | (23,600) | – | 25,595 | – |
| **Income/(loss) before taxation** | 15,172 | 8,260 | 18,223 | 20,761 | (3,782) | 3,292 | 61,926 |
| Taxation | | | | | | | (17,960) |
| **Net income for the year** | | | | | | | 43,966 |
| **Other information** | | | | | | | |
| Operating assets | 319,254 | – | 144,848 | 132,840 | – | 132,857 | 729,799 |
| Intangible assets | 18,206 | – | 1,244 | 3,815 | – | – | 23,265 |
| Investments in associated companies | – | 106,780 | 14,531 | 6,909 | 23,530 | 23,548 | 175,298 |
| Unallocated corporate assets | – | – | – | – | – | 115,297 | 115,297 |
| **Consolidated corporate assets** | 337,460 | 106,780 | 160,623 | 143,564 | 23,530 | 271,702 | 1,043,659 |
| Capital expenditure | 16,129 | – | 39,837 | 14,316 | – | 10,601 | 80,883 |
| Depreciation | 6,764 | – | 5,729 | 8,828 | – | 1,637 | 22,958 |
| Amortisation of intangible assets | 1,195 | – | – | 192 | – | – | 1,387 |
| Impairment of intangible assets | – | – | 6,887 | – | – | – | 6,887 |
| Employee numbers – subsidiary companies only | 1,416 | – | 766 | 3,135 | – | 54 | 5,371 |

(Expressed in thousands of Barbados Dollars)

## 5. Segmental reporting... continued

Operating segments... continued

| | Automotive, building supplies and services | Caribbean Distribution Partners Ltd. | Manufac-turing and services | Catering and ground handling | Financial services | Elimina-tions/ unallocated | Total |
|---|---|---|---|---|---|---|---|
| **2017 Restated** | | | | | | | |
| **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 | – | 4,218 | 171 | 406 | (5,889) | (1,199) | (2,293) |
| **Income/(loss) before non-controlling interests and taxation** | 21,483 | 4,218 | 26,569 | 43,356 | (5,889) | (18,038) | 71,699 |
| Non-controlling interests | (1,651) | – | (1,345) | (23,136) | – | 26,132 | – |
| **Income/(loss) before taxation** | 19,832 | 4,218 | 25,224 | 20,220 | (5,889) | 8,094 | 71,699 |
| Taxation | | | | | | | (17,215) |
| **Net income for the year** | | | | | | | 54,484 |
| **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 |
| Investments in associated companies | – | 93,773 | 14,320 | 7,462 | 33,026 | 5,958 | 154,539 |
| Unallocated corporate assets | – | – | – | – | – | 99,166 | 99,166 |
| **Consolidated corporate assets** | 321,679 | 93,773 | 104,592 | 140,293 | 33,026 | 262,393 | 955,756 |
| 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 |

(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:

| | 2018 | Restated 2017 |
|---|---|---|
| Total income before non-controlling interests and taxation for reportable segments | 84,229 | 89,737 |
| **Eliminations/unallocated** | | |
| Unallocated group companies | (22,319) | (17,995) |
| Intercompany eliminations | 16 | (43) |
| Total eliminations/unallocated | (22,303) | (18,038) |
| Total income before taxation | 61,926 | 71,699 |

Reportable segment assets are reconciled to total assets as follows:

| | 2018 | Restated 2017 |
|---|---|---|
| Total assets for reportable segments | 771,957 | 693,363 |
| **Unallocated assets** | | |
| Operating assets for unallocated group companies | 156,405 | 163,227 |
| Current income tax assets | 4,835 | 3,632 |
| Investment property | 30,370 | 29,024 |
| Financial investments | 65,134 | 59,260 |
| Deferred income tax assets | 4,129 | 5,106 |
| Pension plan assets | 10,829 | 2,144 |
| Total unallocated assets | 271,702 | 262,393 |
| Total assets | 1,043,659 | 955,756 |

Geographical information

| | External sales | | Non-current assets | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | Restated 2017 |
| Barbados | 203,965 | 187,529 | 204,778 | 201,331 |
| St. Lucia | 98,622 | 97,470 | 71,742 | 69,217 |
| Grenada | 85,417 | 80,759 | 48,892 | 49,576 |
| Other Caribbean | 124,448 | 122,702 | 204,390 | 172,597 |
| Latin America | 153,210 | 126,770 | 77,142 | 38,053 |
| Other | 140,190 | 132,892 | 5,185 | 5,958 |
| **Total** | 805,852 | 748,122 | 612,129 | 536,732 |

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.

(Expressed in thousands of Barbados Dollars)

## 5. Segmental reporting... continued

### Geographical segments

| | Barbados | Other Caribbean | Latin America | Eliminations/ unallocated | Total |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Revenue** | | | | | |
| External sales | 274,222 | 356,530 | 173,838 | 1,262 | 805,852 |
| Inter-segment sales | 4,507 | 1,126 | – | (5,633) | – |
| Associated companies' sales | 170,122 | 671,130 | 31,647 | (872,899) | – |
| **Total revenue** | 448,851 | 1,028,786 | 205,485 | (877,270) | 805,852 |
| **Segment result** | | | | | |
| Profit/(loss) from operations | 25,139 | 26,398 | 21,490 | (17,380) | 55,647 |
| Other gains/(losses) – net | 2,136 | 611 | 8,593 | 3,152 | 14,492 |
| Finance costs | (1,265) | (4,484) | (114) | (5,671) | (11,534) |
| Share of (loss)/income of associated companies | (3,125) | 6,895 | 1,150 | (1,599) | 3,321 |
| **Income/(loss) before non-controlling interests and taxation** | 22,885 | 29,420 | 31,119 | (21,498) | 61,926 |
| Non-controlling interests | 2,970 | 9,479 | 13,222 | (25,671) | – |
| **Income before taxation** | 25,855 | 38,899 | 44,341 | (47,169) | 61,926 |
| Taxation | | | | | (17,960) |
| **Net income for the year** | | | | | 43,966 |
| **Other information** | | | | | |
| Operating assets | 167,958 | 306,075 | 122,332 | 133,434 | 729,799 |
| Intangible assets | 7,179 | 13,936 | 1,448 | 702 | 23,265 |
| Investments in associated companies | 36,759 | 129,781 | 4,307 | 4,451 | 175,298 |
| Unallocated corporate assets | – | – | – | 115,297 | 115,297 |
| **Consolidated corporate assets** | 211,896 | 449,792 | 128,087 | 253,884 | 1,043,659 |
| Capital expenditure | 9,621 | 18,942 | 41,686 | 10,634 | 80,883 |
| Depreciation | 7,659 | 8,055 | 5,606 | 1,638 | 22,958 |
| Amortisation of intangible assets | 641 | 746 | – | – | 1,387 |
| Impairment of intangible assets | – | – | 6,887 | – | 6,887 |
| Employee numbers – subsidiary companies only | 966 | 2,363 | 1,975 | 67 | 5,371 |

(Expressed in thousands of Barbados Dollars)

5. Segmental reporting... continued

Geographical segments... continued

| | Barbados | Other Caribbean | Latin America | Eliminations/ unallocated | Total |
|---|---|---|---|---|---|
| **2017 Restated** | | | | | |
| **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) | 3,263 | 1,001 | (1,199) | (2,293) |
| **Income/(loss) before non-controlling interests and taxation** | 26,936 | 35,686 | 27,115 | (18,038) | 71,699 |
| Non-controlling interests | (2,167) | (11,169) | (12,796) | 26,132 | – |
| **Income before taxation** | 24,769 | 24,517 | 14,319 | 8,094 | 71,699 |
| Taxation | | | | | (17,215) |
| **Net income for the year** | | | | | 54,484 |
| **Other information** | | | | | |
| Operating assets | 166,890 | 289,249 | 61,516 | 157,269 | 674,924 |
| Non-current assets held for sale | – | 2,511 | 666 | – | 3,177 |
| Intangible assets | 7,819 | 14,683 | 1,448 | – | 23,950 |
| Investments in associated companies | 45,970 | 98,188 | 4,423 | 5,958 | 154,539 |
| Unallocated corporate assets | – | – | – | 99,166 | 99,166 |
| **Consolidated corporate assets** | 220,679 | 404,631 | 68,053 | 262,393 | 955,756 |
| 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)

## 6. Cash and cash equivalents

| | 2018 | 2017 |
|---|---|---|
| Cash | 65,705 | 104,063 |
| Bank overdraft (note 11) | (18,083) | (8,877) |
| | 47,622 | 95,186 |

Significant concentrations of cash are as follows:

| | 2018 | 2017 |
|---|---|---|
| CIBC FirstCaribbean International Bank (unrated) | 15,890 | 13,885 |
| CIBC (Long Term Issue Credit Rating A+ by Standard & Poor's) | 22,263 | 61,836 |

## 7. Trade and other receivables

| | 2018 | 2017 |
|---|---|---|
| Trade receivables | 86,168 | 62,510 |
| Other receivables | 21,092 | 22,659 |
| Trade and other receivables | 107,260 | 85,169 |
| Less: Provision for impairment of receivables | (4,004) | (3,620) |
| Trade and other receivables – net | 103,256 | 81,549 |
| Other long-term receivables (Government of Barbados debt) | 4,280 | – |
| Loans receivable (other) | 10,715 | 10,154 |
| Loans receivable (mortgages) | – | 51 |
| | 118,251 | 91,754 |
| Less: Long-term portion – loans receivable | (13,564) | (9,236) |
| Current portion | 104,687 | 82,518 |

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:

| | 2018 | 2017 |
|---|---|---|
| New customers (<6 months) | 16,239 | 1,510 |
| Existing customers (>6 months) – no past defaults | 34,183 | 28,222 |
| Existing customers (>6 months) – some past defaults fully recovered | 10,894 | 11,139 |
| | 61,316 | 40,871 |

(Expressed in thousands of Barbados Dollars)

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

### a) Trade receivables... continued

Counterparties with external ratings:

| | 2018 | 2017 |
|---|---|---|
| Avianca Airlines Group (rated B by Standard & Poor's) | 4,786 | 2,436 |
| British Airways PLC (rated BB+ by Standard & Poor's) | 1,085 | 970 |
| American Airlines Inc. (rated BB- by Standard & Poor's) | 731 | 613 |
| Delta Air Lines Inc. (rated BBB- by Standard & Poor's) | 1,670 | 1,756 |
| United Airlines Inc. (rated BB- by Standard & Poor's) | 880 | 711 |
| Air Canada (rated BB- by Standard & Poor's) | 225 | 328 |
| United Parcel Service Inc. (rated A+ by Standard & Poor's) | 2 | 2 |
| | 9,379 | 6,816 |
| Total fully performing trade receivables | 70,695 | 47,687 |

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 2018, trade receivables of $12,386 (2017 – $11,752) were past due but not impaired. The ageing of these trade receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| Up to 3 months | 7,285 | 7,888 |
| 3 to 6 months | 2,459 | 1,564 |
| 6 to 12 months | 2,642 | 2,300 |
| | 12,386 | 11,752 |

As at 30 September 2018, trade receivables of $3,087 (2017 – $3,071) were impaired and provided for. A portion of these receivables is expected to be recovered. The ageing of these trade receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| 3 to 6 months | 444 | 546 |
| 6 to 12 months | 768 | 631 |
| Over 12 months | 1,875 | 1,894 |
| | 3,087 | 3,071 |
| Total trade receivables | 86,168 | 62,510 |

(Expressed in thousands of Barbados Dollars)

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

### *b) Other receivables*

| | 2018 | 2017 |
|---|---|---|
| Total fully performing other receivables | **13,938** | 11,074 |

Other receivables that are less than three months past due are not considered impaired. As at 30 September 2018, other receivables of $6,237 (2017 – $11,036) were past due but not impaired. The ageing of these other receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| Up to 3 months | **1,354** | 1,792 |
| 3 to 6 months | **3,120** | 1,534 |
| 6 to 12 months | **1,141** | 3,165 |
| Over 12 months | **622** | 4,545 |
| | **6,237** | 11,036 |

As at 30 September 2018, other receivables of $917 (2017 – $549) were impaired and provided for. A portion of these receivables is expected to be recovered. The ageing of these other receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| 3 to 6 months | **3** | – |
| 6 to 12 months | **17** | 23 |
| Over 12 months | **897** | 526 |
| | **917** | 549 |
| Total other receivables | **21,092** | 22,659 |

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

| | 2018 | 2017 |
|---|---|---|
| Balance – beginning of year | **3,620** | 3,047 |
| Provision for impairment of receivables | **1,344** | 1,407 |
| Receivables written off during the year as uncollectible | **(368)** | (826) |
| Unused amounts reversed | **(586)** | (161) |
| Exchange adjustment | **(6)** | (3) |
| Subsidiaries disposed of during the year | **–** | (30) |
| Subsidiaries acquired during the year | **–** | 186 |
| Balance – end of year | **4,004** | 3,620 |

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 $382 (2017 – $161).

Loans receivable (other) include interest bearing loans repayable no later than ten years. The amounts owed by the Government of Barbados represent mainly VAT recoverables which are expected to be settled between 3 to 5 years.

(Expressed in thousands of Barbados Dollars)

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

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

| | 2018 | 2017 |
|---|---|---|
| Loans receivable (other) | 0%–7% | 0%–7% |
| Loans receivable (mortgages) | – | 6% |

## 8. Due by/to associated companies

Of these amounts, $14,591 (2017 – $16,913) is interest free, unsecured and due on demand and $5,891 (2017 – $7,268) carries interest at a rate of 5.5% (2017 – 5.5%) and is repayable over five years. Due by/to associated companies is constituted as follows:

| | 2018 | 2017 |
|---|---|---|
| Due by associated companies (due within twelve months) | 19,699 | 20,846 |
| Due by associated companies (due after twelve months) | 4,469 | 5,965 |
| Due to associated companies | (3,686) | (2,630) |
| | 20,482 | 24,181 |

## 9. Reinsurance assets

| | 2018 | 2017 |
|---|---|---|
| Outstanding claims | 482 | 840 |
| Deferred reinsurance costs | 6,337 | 5,330 |
| | 6,819 | 6,170 |

## 10. Inventories

| | 2018 | 2017 |
|---|---|---|
| Finished goods | 108,836 | 97,015 |
| Raw materials | 23,922 | 19,847 |
| Work in progress | 1,597 | 675 |
| | 134,355 | 117,537 |
| Less: Provision for obsolescence | (1,012) | (1,163) |
| Total | 133,343 | 116,374 |

The cost of inventories written down and recognised as an expense and included in cost of sales amounted to $2,857 (2017 – $2,447).

(Expressed in thousands of Barbados Dollars)

## 11. Borrowings

| | 2018 | 2017 |
|---|---|---|
| **Non-current** | | |
| Bank term loans at interest rates between 3.50% to 12.86% (2017 – 3.75% to 12.86%) repayable in regular instalments maturing at various intervals through 2028 (2017 – through to 2026) – see note (a) | 129,646 | 91,217 |
| **Current** | | |
| Bank term loans at interest rates between 3.50% to 12.86% (2017 – 3.75% to 12.86%) repayable in regular instalments maturing at various intervals through 2028 (2017 – through to 2026) – see note (a) | 49,686 | 40,205 |
| Short-term loans repayable on demand – see note (b) | 825 | 3,342 |
| Preference shares – redeemable up to 2023 at a dividend rate of 6.50% (2017 – 6.50%) payable semi-annually – see note (c) | 32,434 | 32,434 |
| Bank overdraft (interest rates of 5.00% to 10.25%) (2017 – 5.00% to 10.25%) (note 6) – see note (a) | 18,083 | 8,877 |
| | 101,028 | 84,858 |
| Total | 230,674 | 176,075 |

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 5% (2017 – 3% and 7%) 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 United States dollars. The shares have a fixed preferential dividend rate of 6.50% 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 $55,247, 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 $12,660, 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 $5,318 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 $3,111.

**Colombia:** Mortgage on property stamped to secure $3,012.

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:

| | 2018 | 2017 |
|---|---|---|
| No exposure | 189,070 | 157,323 |
| Less than 1 year | 19,706 | 17,483 |
| 1 - 5 years | 14,787 | 1,269 |
| Over 5 years | 7,111 | – |
| | 230,674 | 176,075 |

The fair value of the Group's fixed rate borrowings at the year end was $152,764 (2017 – $155,047).

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

| | 2018 | 2017 |
|---|---|---|
| Barbados dollar | 72,131 | 61,438 |
| Eastern Caribbean dollar | 91,628 | 57,681 |
| Jamaica dollar | 5,001 | 5,848 |
| United States dollar | 55,075 | 41,452 |
| Colombia peso | 713 | 954 |
| Trinidad and Tobago dollar | 6,126 | 7,301 |
| Uruguay peso | – | 1,401 |
| | 230,674 | 176,075 |

Reconciliation of movement of borrowings to cash flows arising from financing activities:

(Amounts represent bank term loans)

| | 2018 | 2017 |
|---|---|---|
| Opening bank term loans | 131,422 | 123,776 |
| Loans received | 66,601 | 30,723 |
| Loans repaid | (18,329) | (21,973) |
| Disposal of a subsidiary | – | (1,091) |
| Investment in associate transferred to subsidiary company status | – | 74 |
| Foreign exchange adjustments | (362) | (87) |
| Closing bank term loans | 179,332 | 131,422 |

(Expressed in thousands of Barbados Dollars)

## 12. Trade and other payables

| | 2018 | 2017 |
|---|---|---|
| Trade payables | 50,367 | 42,223 |
| Accrued liabilities | 60,945 | 64,345 |
| | 111,312 | 106,568 |

## 13. Insurance contracts

| | 2018 | 2017 |
|---|---|---|
| Provision for losses and loss adjustment expenses | 1,425 | 1,895 |
| Unearned premiums | 8,556 | 7,460 |
| | 9,981 | 9,355 |

(Expressed in thousands of Barbados Dollars)

## 14. Property, plant and equipment

| | Freehold land and buildings | Construction in progress | Leasehold buildings | General equipment | Total |
|---|---|---|---|---|---|
| **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 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 |
| **Year ended 30 September 2018** | | | | | |
| Opening net book amount | 234,456 | – | 11,791 | 67,771 | 314,018 |
| Exchange differences | (769) | – | (330) | (1,122) | (2,221) |
| Additions | 7,906 | 11,377 | 1,467 | 23,820 | 44,570 |
| Acquisition of assets (note 33) | 18,614 | – | – | 17,699 | 36,313 |
| Disposals | (554) | – | (358) | (2,673) | (3,585) |
| Reclassifications | (3,016) | – | 3,507 | (491) | – |
| Revaluations | (1,899) | – | – | – | (1,899) |
| Hyperinflationary revaluation | – | – | 84 | 841 | 925 |
| Depreciation charge (note 24) | (3,339) | – | (2,396) | (17,223) | (22,958) |
| **Closing net book amount** | 251,399 | 11,377 | 13,765 | 88,622 | 365,163 |
| **At 30 September 2018** | | | | | |
| Cost or valuation | 262,231 | 11,377 | 56,010 | 270,861 | 600,479 |
| Accumulated depreciation | (10,832) | – | (42,245) | (182,239) | (235,316) |
| **Net book amount** | 251,399 | 11,377 | 13,765 | 88,622 | 365,163 |

(Expressed in thousands of Barbados Dollars)

## 14. Property, plant and equipment… continued

Depreciation expense of $3,905 (2017 – $3,533) and $19,053 (2017 – $17,410) respectively has been included in cost of sales and selling, marketing and administrative expenses.

Operating lease rental expenses amounting to $7,357 (2017 – $5,829) 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:

| | 2018 | 2017 |
|---|---|---|
| Cost | 153,717 | 152,270 |
| Accumulated depreciation | (30,295) | (27,396) |
| | 123,422 | 124,874 |

Land and buildings up to a total value of $67,280 (2017 – $63,129) 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 October 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 the consolidated statement of comprehensive income.

## 15. Investment property

| | 2018 | 2017 |
|---|---|---|
| Balance – beginning of year | 29,024 | 28,684 |
| Fair value (losses)/gains on revaluation of investment property (note 25) | (1,798) | 241 |
| Transfer from non-current assets held for sale | 666 | – |
| Exchange adjustment | (212) | 99 |
| Acquisition of investment property (note 33) | 2,690 | – |
| Balance – end of year | 30,370 | 29,024 |

The Group's investment properties are situated in Barbados, Cayman Islands, Guatemala, El Salvador, Ecuador and St. Vincent. These were revalued during the year 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.

(Expressed in thousands of Barbados Dollars)

## 15. Investment property... continued

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 the consolidated statement of income.

Rental income from investment properties amounted to $2,442 (2017 – $2,017) and direct operating expenses totalled $14 (2017 – $7) for the year.

## 16. Intangible assets

| | Goodwill | Trade names | Customer relationships | Other | Total |
|---|---|---|---|---|---|
| **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 |
| **Year ended 30 September 2018** | | | | | |
| Opening net book amount | 9,460 | 7,444 | 6,993 | 53 | 23,950 |
| Acquisition of intangible assets | 702 | – | – | 6,887 | 7,589 |
| Amortisation charge (note 25) | – | (604) | (772) | (11) | (1,387) |
| Impairment (note 25) | – | – | – | (6,887) | (6,887) |
| **Closing net book amount** | **10,162** | **6,840** | **6,221** | **42** | **23,265** |
| **At 30 September 2018** | | | | | |
| Cost | 27,089 | 12,462 | 11,712 | 7,049 | 58,312 |
| Accumulated amortisation | – | (5,622) | (5,491) | (120) | (11,233) |
| Accumulated impairment | (16,927) | – | – | (6,887) | (23,814) |
| **Net book amount** | **10,162** | **6,840** | **6,221** | **42** | **23,265** |

(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 | Allocation end of year |
|---|---|---|---|
| Automotive, building supplies and services | 5,936 | 702 | 6,638 |
| Manufacturing and services | 1,243 | – | 1,243 |
| Catering and ground handling | 2,281 | – | 2,281 |
| | 9,460 | 702 | 10,162 |

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.

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 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.

| | 2018 | |
|---|---|---|
| | 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:

| | 2018 | Restated 2017 |
|---|---|---|
| Investments in associated companies – beginning of year | 156,849 | 123,656 |
| Prior period adjustment – (note 38) | (2,310) | – |
| Investments in associated companies – beginning of year restated | 154,539 | 123,656 |
| Investment transferred to subsidiary company status | – | 181 |
| Investments made during the year | 25,629 | 36,988 |
| Investment transferred from financial investments | – | 7,000 |
| Disposal of an associated company | (5,039) | (5,745) |
| Share of net income less dividends received for the year | (2,076) | (4,393) |
| Other comprehensive income/(loss) | 2,245 | (3,148) |
| Investments in associated companies – end of year | 175,298 | 154,539 |

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

During the year, the Group acquired a 32.9% shareholding in Totaltec Oilfield Services Limited ("Totaltec") for $20,000. Totaltec is a company incorporated in the United Kingdom with subsidiaries in Guyana which provide services to the oil and gas sector.

During the year, the Group disposed of one of its associates, namely Globe Finance Inc. The resulting loss on disposal, which is included in other gains/(losses) – net in the Group's consolidated statement of income, is as follows:

| | 2018 |
|---|---|
| Sales proceeds less cost to sell | 4,423 |
| Less carrying value of investment in associate | (5,039) |
| Loss on disposal | (616) |

The Group is contingently liable up to three years following the closing date of sale of Globe Finance Inc. for any inadequate impairments recorded on material loans at the date of sale. Included in long-term trade and other receivables is an amount of $1,409 which is being held in escrow to cover any such possible impairments.

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 |
|---|---|---|---|---|
| 2018 | | | | |
| **Assets** | | | | |
| Current assets | 236,290 | 195,058 | 71,641 | 502,989 |
| Non-current assets | 187,829 | 58,787 | 59,076 | 305,692 |
| | 424,119 | 253,845 | 130,717 | 808,681 |
| **Liabilities** | | | | |
| Current liabilities | 123,935 | 187,638 | 42,166 | 353,739 |
| Non-current liabilities | 76,769 | 15,032 | 22,075 | 113,876 |
| | 200,704 | 202,670 | 64,241 | 467,615 |
| **Net assets** | 223,415 | 51,175 | 66,476 | 341,066 |
| Average proportion of the Group's ownership | 48% | 45% | 41% | 46% |
| Carrying amount of investments before intangibles | 106,780 | 23,029 | 27,027 | 156,836 |
| Intangibles on investments in associated companies | – | – | 18,462 | 18,462 |
| **Carrying amount of investments** | 106,780 | 23,029 | 45,489 | 175,298 |

(Expressed in thousands of Barbados Dollars)

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

Summarised statement of financial position for the associated companies... continued:

| | CDP | Sagicor General | Other | Total |
|---|---|---|---|---|
| **2017 Restated** | | | | |
| **Assets** | | | | |
| Current assets | 218,137 | 128,518 | 102,231 | 448,886 |
| Non-current assets | 158,201 | 89,637 | 190,998 | 438,836 |
| | 376,338 | 218,155 | 293,229 | 887,722 |
| **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** | 194,029 | 56,085 | 73,060 | 323,174 |
| Average proportion of the Group's ownership | 48% | 45% | 42% | 46% |
| Carrying amount of investments before intangibles | 93,773 | 25,238 | 30,846 | 149,857 |
| Intangibles on investments in associated companies | – | – | 4,682 | 4,682 |
| **Carrying amount of investments** | 93,773 | 25,238 | 35,528 | 154,539 |

Summarised statement of income for the associated companies:

| | CDP | Sagicor General | Other | Total |
|---|---|---|---|---|
| **2018** | | | | |
| Revenue | 630,838 | 130,213 | 112,418 | 873,469 |
| Income/(loss) before taxation | 23,086 | (3,897) | (6,723) | 12,466 |
| Taxation | (5,713) | 56 | (1,540) | (7,197) |
| Net income/(loss) for the year | 17,373 | (3,841) | (8,263) | 5,269 |
| Other comprehensive income/(loss) | 4,356 | (1,069) | (59) | 3,228 |
| Total comprehensive income/(loss) | 21,729 | (4,910) | (8,322) | 8,497 |
| Group's share of income/(loss) for the year | 8,260 | (1,728) | (3,211) | 3,321 |
| Group's share of dividends received for the year | (3,505) | – | (1,891) | (5,396) |

(Expressed in thousands of Barbados Dollars)

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

Summarised statement of income for the associated companies... continued:

| 2017 Restated | CDP | Sagicor General | Other | Total |
|---|---|---|---|---|
| Revenue | 597,416 | 127,773 | 120,177 | 845,366 |
| Income/(loss) before taxation | 14,186 | (11,674) | (666) | 1,846 |
| Taxation | (4,743) | (1,210) | (1,220) | (7,173) |
| Net income/(loss) for the year | 9,443 | (12,884) | (1,886) | (5,327) |
| Other comprehensive income/(loss) | 254 | (2,241) | (828) | (2,815) |
| Total comprehensive income/(loss) | 9,697 | (15,125) | (2,714) | (8,142) |
| Group's share of income/(loss) for the year | 4,218 | (5,798) | (713) | (2,293) |
| Group's share of dividends received for the year | (800) | – | (1,300) | (2,100) |

## 18. Financial investments

| | 2018 | 2017 |
|---|---|---|
| **Available-for-sale:** | | |
| Equity securities (listed) | 12,062 | 11,964 |
| Equity securities (unlisted) | 24,774 | 18,970 |
| | 36,836 | 30,934 |
| **Loans and receivables:** | | |
| Debt securities (unlisted) | 26,792 | 25,618 |
| Fixed deposits | 1,506 | 2,708 |
| | 28,298 | 28,326 |
| Total | 65,134 | 59,260 |

Significant concentrations of financial investments are as follows:

| | 2018 | 2017 |
|---|---|---|
| **Debt securities and fixed deposits:** | | |
| Government of St. Lucia Bonds (unrated) | 4,906 | 3,316 |
| Government of St. Lucia Treasury Notes (unrated) | 4,882 | 2,737 |
| Government of St. Vincent Treasury Notes (unrated) | 1,481 | 1,481 |
| East Caribbean Financial Holding Co. – Bank of St. Lucia (unrated) | 2,587 | 2,592 |
| Grenada Co-Operative Bank Limited Fixed Deposit (unrated) | – | 1,201 |
| First Citizens Investment Services Ltd. (unrated) | 7,265 | 7,224 |
| Government of Antigua Treasury Notes (unrated) | 889 | 889 |
| Government of St. Vincent Treasury Bonds (unrated) | – | 3,229 |
| Government of Grenada Treasury Bill (unrated) | 1,081 | – |
| Eastern Caribbean Home & Mortgage Bank Corporate Note (unrated) | 1,185 | – |
| Commonwealth of Bahamas Bond (unrated) | 1,111 | – |

(Expressed in thousands of Barbados Dollars)

## 18. Financial investments... continued

| | 2018 | 2017 |
|---|---|---|
| **Equity securities:** | | |
| CIBC FirstCaribbean International Bank (unrated) | **1,241** | 1,076 |
| OAM Asian Recovery Fund (unrated) | **5,816** | 5,887 |
| OAM European Value Fund (unrated) | **3,923** | 3,869 |
| Mutual Financial Services Inc. (unrated) | **1,538** | 1,500 |
| Sagicor Financial Corporation (unrated) | **860** | 937 |
| Mirexus Biotechnologies Inc. (unrated) | **18,088** | 12,400 |
| Unidad Punta de Rieles S.A. (unrated) | **3,855** | 3,840 |

Debt securities carry fixed interest rates ranging from 1.5% to 7.15% (2017– 1.5% to 7.15%) and maturity dates between 2019 and 2057 (2017 – 2018 and 2057).

No debt securities were past due at the reporting date.

The Group has subscribed to a convertible promissory note in its associate Mirexus Biotechnologies Inc. ("Mirexus") amounting to $17,927 (CDN$11,565) accruing interest at 1% per annum. 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 2018, 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 $7,801 (2017 – $7,705) were used as securities for the statutory deposits and motor insurance fund for the Group's insurance company.

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

| | 2018 | 2017 |
|---|---|---|
| Deferred income tax (liabilities)/assets (net) – beginning of year | **(506)** | 3,069 |
| Disposal of subsidiary companies | **–** | (343) |
| Acquisition of subsidiary company | **–** | (194) |
| Deferred income tax charge to other comprehensive income | **(1,378)** | (1,336) |
| Deferred income tax charge (note 28) | **(581)** | (1,648) |
| Exchange adjustment | **(7)** | (54) |
| Deferred income tax liabilities (net) – end of year | **(2,472)** | (506) |

| | 2018 | 2017 |
|---|---|---|
| Represented by: | | |
| Deferred income tax assets | **4,129** | 5,106 |
| Deferred income tax liabilities | **(6,601)** | (5,612) |
| Deferred income tax liabilties (net) – end of year | **(2,472)** | (506) |

(Expressed in thousands of Barbados Dollars)

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

The deferred income tax assets consist of the following components:

| | 2018 | 2017 |
|---|---|---|
| Delayed tax depreciation | 8,570 | 11,763 |
| Taxed provisions | 949 | 1,074 |
| Pension plan assets net of liabilities | (967) | 2,660 |
| Unutilised tax losses | 10,490 | 9,479 |
| Other | 409 | (957) |
| | 19,451 | 24,019 |
| Deferred income tax assets at applicable corporation tax rates | 4,129 | 5,106 |

The deferred income tax liabilities consist of the following components:

| | 2018 | 2017 |
|---|---|---|
| Accelerated tax depreciation | (19,636) | (19,053) |
| Taxed provisions | (2,699) | (1,792) |
| Pension plan assets net of liabilities | (5,824) | 205 |
| Unutilised tax losses | 1,020 | 310 |
| Revaluation of freehold property | – | (925) |
| Other | (1,093) | (2,558) |
| | (28,232) | (23,813) |
| Deferred income tax liabilities at applicable corporation tax rates | (6,601) | (5,612) |

| | 2018 | 2017 |
|---|---|---|
| Deferred income tax assets: | | |
| Deferred income tax assets to be recovered after more than 12 months | 3,921 | 4,882 |
| Deferred income tax assets to be recovered within 12 months | 208 | 224 |
| | 4,129 | 5,106 |
| Deferred income tax liabilities: | | |
| Deferred income tax liabilities to be settled after more than 12 months | (6,366) | (5,004) |
| Deferred income tax liabilities to be settled within 12 months | (235) | (608) |
| | (6,601) | (5,612) |

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

| | 2018 | 2017 |
|---|---|---|
| Delayed tax depreciation | (8) | 152 |
| Unutilised tax losses | 6,258 | 7,628 |
| Intangible assets | (5,433) | (6,005) |
| | 817 | 1,775 |
| Deferred income tax assets at applicable corporation tax rates | 205 | 444 |

(Expressed in thousands of Barbados Dollars)

## 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 2017. Interim actuarial valuations of the plans were performed as at 30 September 2018.

The defined benefit pension plans expose the Company to actuarial risks, such as longevity risk, currency risk, interest rate risk and 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 $2,789 (2017 – $2,675).

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

| | 2018 | 2017 |
|---|---|---|
| Fair value of plan assets | 114,760 | 13,607 |
| Present value of funded obligations | (103,931) | (11,463) |
| Net assets – end of year | 10,829 | 2,144 |

### Pension plan liabilities

| | 2018 | 2017 |
|---|---|---|
| Fair value of plan assets | 18,503 | 110,735 |
| Present value of funded obligations | (22,541) | (111,032) |
| | (4,038) | (297) |
| Initial additional liability due to IFRIC 14 | – | (4,712) |
| Net liabilities – end of year | (4,038) | (5,009) |

(Expressed in thousands of Barbados Dollars)

## 20. Pension plans... continued

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

| | 2018 | 2017 |
|---|---|---|
| Fair value of plan assets – beginning of year | 124,342 | 122,639 |
| Employer contributions | 2,952 | 3,765 |
| Employee contributions | 1,126 | 1,162 |
| Benefits paid | (4,813) | (7,398) |
| Disposal of subsidiary companies | – | (6,058) |
| Transfer value received | 1,485 | – |
| Plan administration expenses | (225) | (226) |
| *Remeasurements:* | | |
| Return on plan assets | 8,396 | 10,458 |
| Fair value of plan assets – end of year | 133,263 | 124,342 |

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

| | 2018 | 2017 |
|---|---|---|
| Present value of funded obligations – beginning of year | 122,495 | 129,281 |
| Current service cost | 2,061 | 2,217 |
| Contributions paid | 1,126 | 1,162 |
| Interest cost | 9,460 | 9,268 |
| Benefits paid | (4,813) | (7,398) |
| Disposal of subsidiary companies | – | (6,769) |
| Benefits transferred | 1,485 | – |
| *Remeasurements:* | | |
| Experience gains | (5,342) | (5,266) |
| Present value of funded obligations – end of year | 126,472 | 122,495 |

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

| | 2018 | 2017 |
|---|---|---|
| Net liability – beginning of year | (2,865) | (6,642) |
| Net pension expense included in the consolidated statement of income | (2,337) | (2,849) |
| Remeasurements included in the consolidated statement of comprehensive income | 9,041 | 2,150 |
| Contributions paid | 2,952 | 3,765 |
| Disposal of subsidiary companies | – | 711 |
| Net asset/(liability) – end of year | 6,791 | (2,865) |

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

| | 2018 | 2017 |
|---|---|---|
| Current service cost | 2,061 | 2,217 |
| Net interest on the net defined benefit liability/asset | (173) | 406 |
| Plan administration expenses | 225 | 226 |
| Amount not recognised because of limit placed on the economic value of surplus | 224 | – |
| Net amount recognised in the consolidated statement of income | 2,337 | 2,849 |

(Expressed in thousands of Barbados Dollars)

## 20. Pension plans... continued

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

| | 2018 | 2017 |
|---|---|---|
| *Remeasurements:* | | |
| Experience gains | (5,342) | (5,266) |
| Return on plan assets excluding amounts included in interest expense | 1,237 | (1,596) |
| Adjustment due to IFRIC 14 | (4,936) | 4,712 |
| Net amount recognised in the consolidated statement of comprehensive income | (9,041) | (2,150) |

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:

| | 2018 | 2017 |
|---|---|---|
| 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 | 0.0% - 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:

| | 2018 | 2017 |
|---|---|---|
| Bonds Fund | 9.6% | 9.8% |
| Equity Fund | 74.2% | 71.7% |
| Balanced Fund | 13.1% | 14.5% |
| Other | 3.1% | 4.0% |
| Total | 100.0% | 100.0% |

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 2019 are $3,022.

The weighted average duration of the defined benefit obligations within the Group ranges from 12.58 to 26.85 years (2017 – 13.47 to 26.17 years).

(Expressed in thousands of Barbados Dollars)

## 20. Pension plans... continued

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% | 13,723 | 19,027 |
| Salary growth rate | 0.5% | 4,115 | 3,262 |
| Life expectancy | 1 year | 6,535 | – |

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:

| | 2018 | 2017 |
|---|---|---|
| Less than 1 year | **4,374** | 4,149 |
| Between 1 - 2 years | **4,883** | 4,677 |
| Between 2 - 5 years | **17,073** | 16,134 |
| Over 5 years | **41,824** | 38,915 |
| | **68,154** | 63,875 |

(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

| | 2018 | 2017 |
|---|---|---|
| Common shares | 46,353 | 45,169 |

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of shares | $ | Number of shares | $ |
| Balance – beginning of year | 56,544,431 | 45,169 | 56,394,670 | 44,004 |
| Shares issued during the year – see (a) & (b) | 124,873 | 1,198 | 149,761 | 1,165 |
| Shares repurchased during the year – see (c) | (17,377) | (14) | – | – |
| Share subdivision – see (d) | 169,955,781 | – | – | – |
| Balance – end of year | 226,607,708 | 46,353 | 56,544,431 | 45,169 |

Changes during the year were as follows:

a) In November 2017, employees of the Company and its Barbados subsidiary companies were offered shares in part payment of bonus payable in December 2017, as permitted by law. A total of 47,094 shares were issued at a price of $9.56 each. These shares qualified for the 2017 interim dividend paid in February 2018. Subsequently, in May 2018, 77,779 shares were allotted under the employee share purchase scheme at $9.61 per share. These shares qualified for the 2018 interim dividend paid in August.

b) During the year, 909 (2017 – Nil) share options expired (note 23).

c) During the prior year, the Company repurchased 17,377 (2017 – Nil) common shares at a price of $11.11 per share.

d) At a Special Shareholders' Meeting held in July 2018, the shareholders agreed that each of the issued and outstanding common shares without par value be divided into four common shares without par value.

(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 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 |
| **Balance at 1 October 2017** | 5,017 | 101,141 | (29,714) | 2,109 | 2,389 | 80,942 |
| Other comprehensive income/(loss): | | | | | | |
| Unrealised losses on available-for-sale financial investments: | | | | | | |
| – Group | (311) | – | – | – | – | (311) |
| – Associated companies | (109) | – | – | – | – | (109) |
| Currency translation differences: | | | | | | |
| – Group | – | – | (2,979) | – | – | (2,979) |
| – Associated companies | – | – | (503) | – | – | (503) |
| Hyperinflationary revaluations | – | (345) | – | – | – | (345) |
| Share of revaluation surplus: | | | | | | |
| – Group | – | (2,716) | – | – | – | (2,716) |
| – Associated companies | – | 2,385 | – | – | – | 2,385 |
| Other comprehensive income/(loss) for the year | (420) | (676) | (3,482) | – | – | (4,578) |
| Value of employee services: | | | | | | |
| – Other share-based plans | – | – | – | 186 | – | 186 |
| **Balance at 30 September 2018** | **4,597** | **100,465** | **(33,196)** | **2,295** | **2,389** | **76,550** |

(Expressed in thousands of Barbados Dollars)

## 22. Other reserves... continued

Unrealised gains and losses arising on the remeasurement of financial assets are recorded in the financial investments reserve 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 the financial investments reserve 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's 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.

Any discounts offered under the bonus share purchase scheme and the employee share purchase scheme are 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.

## 23. Share option plan

The Board of Directors made a decision to discontinue the Executive Share Option Plan.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price $ | Number of share options | Weighted average exercise price $ |
| Outstanding – beginning of year | 909 | 5.501 | 909 | 5.501 |
| Expired (note 21 (b)) | (909) | 5.501 | – | – |
| Outstanding – end of year | – | – | 909 | 5.501 |

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

| | Exercise price $ | Number 2018 | Number 2017 |
|---|---|---|---|
| Expiry date | | | |
| 1 October 2017 | 5.50 | – | 909 |

(Expressed in thousands of Barbados Dollars)

## 24. Expenses by nature

| | 2018 | 2017 |
|---|---|---|
| Cost of sales | 461,426 | 409,278 |
| Selling and marketing expenses | 48,777 | 41,579 |
| Administrative expenses | 245,590 | 238,766 |
| | 294,367 | 280,345 |
| | 755,793 | 689,623 |

| | 2018 | 2017 |
|---|---|---|
| Depreciation (note 14) | 22,958 | 20,943 |
| Employee benefits expense (note 26) | 189,538 | 184,332 |
| Changes in inventories of finished goods and work in progress | (17,351) | (5,916) |
| Raw materials and consumables used | 444,513 | 381,950 |
| Transportation | 2,941 | 2,308 |
| Advertising costs | 8,463 | 8,356 |
| Provision for impairment of receivables | 1,140 | 1,407 |
| Other expenses | 103,591 | 96,243 |
| Total cost of sales and selling, marketing and administrative expenses | 755,793 | 689,623 |

## 25. Other gains/(losses) – net

| | 2018 | 2017 |
|---|---|---|
| Gain on disposal of financial investments | – | 147 |
| (Loss)/gain on disposal of property, plant and equipment | (671) | 515 |
| Interest income | 2,384 | 2,533 |
| Rental income | 8,715 | 8,227 |
| Dividends from other companies | 202 | 91 |
| Amortisation charge (note 16) | (1,387) | (1,267) |
| Impairment of intangible assets (note 16) | (6,887) | (362) |
| Gain arising on disposal of subsidiary companies | – | 10,244 |
| Gain on remeasurement of previous equity interest in an associate at fair value | – | 181 |
| Loss on disposal of an associated company | (616) | – |
| Fair value (losses)/gains on revaluation of investment property (note 15) | (1,798) | 241 |
| Loss on revaluation of freehold land and buildings | – | (393) |
| Bargain purchase gain on acquisition of assets (note 33) | 12,930 | – |
| Insurance refund | 846 | 709 |
| Recovery of assets in fraud lawsuit | – | 746 |
| Hyperinflationary adjustments | 774 | (1,061) |
| | 14,492 | 20,551 |

## 26. Employee benefits expense

| | 2018 | 2017 |
|---|---|---|
| Salaries and other employee benefits | 189,352 | 183,932 |
| Share-based payments | 186 | 400 |
| | 189,538 | 184,332 |

(Expressed in thousands of Barbados Dollars)

## 27. Finance costs

| | 2018 | 2017 |
|---|---|---|
| Interest expense: | | |
| Bank borrowings | 7,815 | 6,403 |
| Dividend on redeemable preference shares | 2,108 | 2,108 |
| Other borrowings | 1,611 | 1,763 |
| | 11,534 | 10,274 |

## 28. Taxation

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

| | 2018 | 2017 |
|---|---|---|
| Current income tax | 17,379 | 15,567 |
| Deferred income tax (note 19) | 581 | 1,648 |
| | 17,960 | 17,215 |

The Group's effective tax rate of 29.0% (2017 – 24.0%) differs from the statutory Barbados tax rate of 30% (2017 – 25%) as follows:

| | 2018 | Restated 2017 |
|---|---|---|
| Income before taxation | 61,926 | 71,699 |
| Taxation calculated at 30% (2017 – 25%) | 18,578 | 17,925 |
| Effect of different tax rates in other countries | (639) | 1,622 |
| Foreign income subject to different tax rate | (1,957) | (1,027) |
| Tax effect of different tax rates on deferred tax assets and liabilities | 454 | 2 |
| Tax effect of associated companies' results reported net of taxes | (996) | 498 |
| Income not subject to taxation | (1,192) | (6,079) |
| Expenses not deductible for tax purposes | 4,355 | 6,880 |
| Taxation allowances | (812) | (2,531) |
| (Increase)/decrease in deferred tax assets not recognised | (335) | 12 |
| Amounts under/(over) provided in prior years | 210 | (84) |
| Amounts over/(under) provided in current year | 17 | (77) |
| Irrecoverable tax on foreign income | 294 | 302 |
| Tax effect of change in tax rate | 252 | (58) |
| Effect of losses incurred | (259) | (170) |
| Effect of losses expired | (10) | – |
| | 17,960 | 17,215 |

Subsequent to the year end, the Government of Barbados announced a change in the tax rates from 30% to a sliding scale of 5.5% to 1% effective from fiscal year commencing 1 January 2019. The Group is currently assessing the impact of this change.

(Expressed in thousands of Barbados Dollars)

## 28. Taxation... continued

### 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 |
|---|---|---|
| 2012 | 6,244 | 2021 |
| 2013 | 102 | 2022 |
| 2013 | 1,585 | 2019 |
| 2014 | 1,434 | 2023 |
| 2014 | 1 | 2020 |
| 2015 | 1,129 | 2022 |
| 2016 | 187 | 2023 |
| 2016 | 84 | 2022 |
| 2017 | 3,018 | 2024 |
| 2018 | 3,984 | 2025 |
| | 17,768 | |

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.

## 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.

| | 2018 | Restated 2017 |
|---|---|---|
| Net income for the year attributable to equity holders of the Company | 28,598 | 38,690 |
| Weighted average number of common shares in issue (thousands) | 226,547 | 226,200 |
| Basic earnings per share | 12.6¢ | 17.1¢ |

*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. Diluted earnings per share exclude the impact of redeemable preference shares as the effect would be anti-dilutive.

(Expressed in thousands of Barbados Dollars)

## 29. Earnings per share... continued

| | 2018 | Restated 2017 |
|---|---|---|
| Net income for the year attributable to equity holders of the Company | 28,598 | 38,690 |
| Weighted average number of common shares in issue (thousands) | 226,547 | 226,200 |
| Adjustments for share options (thousands) | – | 1 |
| Weighted average redeemable number of common shares for diluted earnings per share (thousands) | 226,547 | 226,201 |
| Diluted earnings per share | 12.6¢ | 17.1¢ |

## 30. Dividends per share

The dividends paid in 2018 and 2017 were $12,451 ($0.08 per share – interim for 2017; $0.08 per share – final for 2017; and $0.015 per share – interim for 2018) and $12,993 ($0.15 per share – final for 2016 and $0.08 per share – interim for 2017).

At the Directors' meetings of 2 October 2018 and 4 December 2018, interim dividends in respect of the 2018 financial year of $0.015 and $0.015 per share respectively were declared. These financial statements do not reflect these dividends 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 $22,947 (2017 – $13,072) 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.

c) 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 $41,800 (2017 – $59,292) at the year-end date.

*Lease commitments*

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

| | 2018 | 2017 |
|---|---|---|
| Not later than 1 year | 2,553 | 1,684 |
| Later than 1 year and no later than 5 years | 7,230 | 5,928 |
| | 9,783 | 7,612 |

(Expressed in thousands of Barbados Dollars)

## 32. Commitments... continued

*Lease commitments... continued*

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.

| | 2018 | 2017 |
|---|---|---|
| Not later than 1 year | 144 | 89 |
| Later than 1 year and no later than 5 years | 313 | 209 |
| | 457 | 298 |

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:

| | 2018 | 2017 |
|---|---|---|
| Not later than 1 year | 48 | 48 |
| Later than 1 year and no later than 5 years | 190 | 190 |
| | 238 | 238 |

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

| | 2018 | 2017 |
|---|---|---|
| Not later than 1 year | 400 | 356 |
| Later than 1 year and no later than 5 years | 833 | 1,096 |
| | 1,233 | 1,452 |

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

| | 2018 | 2017 |
|---|---|---|
| Not later than 1 year | 570 | 612 |
| Later than 1 year and no later than 5 years | 1,138 | 1,006 |
| | 1,708 | 1,618 |

(Expressed in thousands of Barbados Dollars)

## 33. Business combinations

### Xpress Freight Services Inc.

On 1 February 2018, the Group acquired a 55% interest in Xpress Freight Services Inc., for $360 resulting in goodwill of $702. Xpress Freight Services Inc., located in Florida, United States of America, provides ocean and air cargo shipping, frozen cargo consolidation, warehousing and trucking services.

The fair values of the assets and liabilities of Xpress Freight Services Inc. at acquisition were as follows:

| | Carrying amount | Fair value |
|---|---|---|
| **Current assets** | | |
| Cash | 29 | 29 |
| Trade and other receivables | 400 | 400 |
| | 429 | 429 |
| **Current liabilities** | | |
| Trade and other payables | 1,050 | 1,050 |
| **Total net liabilities** | (621) | (621) |

The cash outflow arising on this acquisition was as follows:

| | $ |
|---|---|
| Group's share of fair value of net liabilities | (342) |
| Goodwill arising on aquisition (note 16) | 702 |
| Purchase consideration paid | 360 |
| Less: Cash and cash equivalents assumed on acquisition | (29) |
| Net outflow on acquisition | 331 |

The revenue and net loss included in the consolidated statement of income since 1 March 2018 contributed by Xpress Freight Services Inc. was $3,226 and $186 respectively.

(Expressed in thousands of Barbados Dollars)

## 33. Business combinations... continued

### Ecuakao Group Ltd.

On 15 March 2018, Ecuakao Group Ltd., a subsidiary of the Company, entered into an agreement with Transmar International Ltd. to purchase all the assets needed to conduct the business of sourcing, processing, marketing, distributing and selling cocoa beans and cocoa products. This resulted in a bargain purchase gain on acquisition of assets of $12,930.

The fair values of the assets acquired were as follows:

| | Fair value |
|---|---|
| Property, plant and equipment | 36,313 |
| Investment property | 2,690 |
| Intangible asset | 6,887 |
| Total assets acquired | 45,890 |

The cash outflow arising on this acquisition was as follows:

| | $ |
|---|---|
| Fair value of assets | 45,890 |
| Less: Bargain purchase gain on aquisition of assets (note 25) | (12,930) |
| Purchase consideration paid | 32,960 |

(Expressed in thousands of Barbados Dollars)

## 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% |
| Ecuakao Group Ltd. | Cayman | 100% | – |
| Ecuakao Kakao Processing Proecuakao S.A. | Ecuador | 100% | – |
| Ecuakao Trading Company S.A. | Uruguay | 100% | – |
| Fidelity Motors Limited | Jamaica | 100% | – |
| GEL Holdings (St. Lucia) Ltd. | St. Lucia | 100% | – |
| Goddard Catering Group Inc. | United States of America | 100% | – |
| Goddard Ecuador Holdings (Cayman) Ltd. | Cayman | 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 | | |
| 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 | | |

(Expressed in thousands of Barbados Dollars)

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

| Company | Principal Place of Business | Effective Shareholder's Interests | Effective Non-Controlling Interests |
|---|---|---|---|
| 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 | | |
| GCG Ground Services (Jamaica) Limited | Jamaica | | |
| Jonas Browne and Hubbard (Grenada) Limited | Grenada | 52% | 48% |
| Label Crafts Jamaica Ltd. | Jamaica | 51% | 49% |
| M & C Drugstore Limited | 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% |
| Xpress Freight Services Inc. | United States of America | 55% | 45% |

All subsidiary undertakings are included in the consolidation. The total non-controlling interests for the year is $110,729 of which $61,206 is for group companies in the catering and ground handling division, $37,468 for group companies in the automotive, building supplies and services division and $8,198 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

b) The Group's significant associates at 30 September 2018 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 | |
| Coreas Distribution Limited – 100% | St. Vincent | |
| Facey Trading Limited – 100% | Barbados | |
| CDP Trinidad Limited – 100% | Trinidad and Tobago | |
| Hand Arnold – a division of CDP Trinidad Limited | Trinidad and Tobago | |
| Hanschell Inniss Limited – 100% | Barbados | |
| Vemco – a division of CDP Trinidad Limited | Trinidad and Tobago | |
| Vembev – a division of CDP Trinidad Limited | Trinidad and Tobago | |
| Hilbe Investments Limited – 100% | Barbados | |
| Independence Agencies Limited – 55% | Grenada | |
| Orange Wood Distributors Limited – 100% | St. Lucia | |
| Peter & Company Limited – 100% | St. Lucia | |
| Desinco Limited – 51% | Guyana | |
| Various interests held ultimately by Goddard Enterprises Limited | Various Caribbean and Latin American countries, Canada and Barbados | 20% – 50% |

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

| | 2018 | 2017 |
|---|---|---|
| i) Sales of goods and services | **59,319** | 72,240 |
| ii) Purchases of goods and services | **7,950** | 7,986 |
| iii) Management fee income | **1,375** | 1,633 |
| iv) Rental income | **2,656** | 2,955 |
| v) Dividend income (note 17) | **5,396** | 2,100 |

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 $5,891 (2017 – $7,268) which is interest bearing (note 8). There have been no guarantees provided or received for any related party receivables or payables. 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.

(Expressed in thousands of Barbados Dollars)

## 34. Related party disclosures... continued

d) *Key management*

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

| | 2018 | 2017 |
|---|---|---|
| Compensation | | |
| Salaries and other short-term employee benefits | 4,081 | 6,878 |
| Post-employment benefits | 257 | 308 |
| Share-based payments | 91 | 84 |
| | 4,429 | 7,270 |

There were no loans to key management in 2018 and 2017.

## 35. Cash flows

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

| | 2018 | 2017 |
|---|---|---|
| Increase in trade and other receivables | (21,307) | (8,964) |
| (Increase)/decrease in prepaid expenses | (616) | 2,681 |
| Decrease in due by associated companies | 1,265 | 3,300 |
| Increase in reinsurance assets | (649) | (110) |
| Increase in inventories | (16,969) | (4,964) |
| Decrease/(increase) in non-current assets held for sale | 3,177 | (666) |
| Increase in trade and other payables | 3,694 | 11,537 |
| Increase/(decrease) in due to associated companies | 1,056 | (1,469) |
| Increase/(decrease) in insurance contracts | 626 | (174) |
| | (29,723) | 1,171 |

## 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 2018 | % Interest 2017 |
|---|---|---|---|
| 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% |

(Expressed in thousands of Barbados Dollars)

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

Summarised statement of financial position:

| | Inflite Holdings (Cayman) Limited | Inflite Holdings (St. Lucia) Ltd. | Jonas Browne and Hubbard (Grenada) Limited |
|---|---|---|---|
| **2018** | | | |
| **Assets** | | | |
| Current assets | 60,680 | 39,113 | 26,535 |
| Non-current assets | 53,115 | 30,229 | 66,586 |
| | 113,795 | 69,342 | 93,121 |
| **Liabilities** | | | |
| Current liabilities | 34,331 | 15,655 | 12,745 |
| Non-current liabilities | 1,862 | 2,152 | 1,821 |
| | 36,193 | 17,807 | 14,566 |
| **Net assets** | 77,602 | 51,535 | 78,555 |
| Attributable to non-controlling interests | 38,043 | 23,163 | 37,409 |

| | 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 |

(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 |
|---|---|---|---|
| **2018** | | | |
| Revenue | 168,429 | 88,833 | 83,085 |
| Net income for the year | 13,644 | 15,495 | 2,670 |
| Other comprehensive (loss)/income | (5,411) | 950 | – |
| Total comprehensive income | 8,233 | 16,445 | 2,670 |
| Attributable to non-controlling interests | 3,551 | 8,258 | 1,271 |

| | 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 |

(Expressed in thousands of Barbados Dollars)

## 37. Income tax effects relating to other comprehensive income/(loss)

| | Gross | Tax | Net of Tax |
|---|---|---|---|
| **2018** | | | |
| Remeasurement of employee benefits: | | | |
| – Group | 9,041 | (1,378) | 7,663 |
| – Associated companies | 697 | (225) | 472 |
| All other components of other comprehensive income | (6,590) | – | (6,590) |
| Other comprehensive income for the year | 3,148 | (1,603) | 1,545 |

| | 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 |

## 38. Restatements

In the prior period, our associated company, Caribbean Distribution Partners Limited ("CDP") acquired Vemco Limited ("Vemco") and Pepsi-Cola Trinidad Bottling Company Limited ("PCT"). The consolidation of both Vemco and PCT into the CDP Group was treated as a business combination using the acquisition method of accounting in accordance with IFRS 3 "Business Combinations". At the reporting date in the prior year, the CDP Group was still in the process of finalising the fair value adjustments for these acquisitions and therefore provisional amounts were used to account for these acquisitions.

As a result of a revision to the provisional amounts, restatements of the Group's investment in associated companies and share of income of associated companies for the year ended 30 September 2017 were required to reflect the corresponding prior year adjustments recorded by CDP. The impact of these restatements are noted below.

### Impact on the consolidated statement of financial position:

| | 2017 | Prior period adjustment | As restated 2017 |
|---|---|---|---|
| **Assets** | | | |
| Investments in associated companies | 156,849 | (2,310) | 154,539 |
| **Equity** | | | |
| Retained earnings | 413,845 | (2,310) | 411,535 |

(Expressed in thousands of Barbados Dollars)

## 38. Restatements... continued

Impact on the consolidated statement of income:

| | For the year ended 30 September 2017 | Prior period adjustment | As restated for the year ended 30 September 2017 |
|---|---|---|---|
| Share of income of associated companies | 17 | (2,310) | (2,293) |
| **Net income for the year** | 56,794 | (2,310) | 54,484 |

Impact on the consolidated statement of comprehensive income:

| | For the year ended 30 September 2017 | Prior period adjustment | As restated for the year ended 30 September 2017 |
|---|---|---|---|
| Total comprehensive income for the year | 67,268 | (2,310) | 64,958 |

Impact on the consolidated statement of changes in equity:

| | Retained earnings |
|---|---|
| Net income for the year as previously reported – 30 September 2017 | 41,000 |
| Effect of restatement: Prior period adjustment | (2,310) |
| Net income for the year as restated | 38,690 |
| Total comprehensive income for the year as previously reported – 30 September 2017 | 39,004 |
| Effect of restatement: Prior period adjustment | (2,310) |
| Total comprehensive income for the year as restated | 36,694 |
| Balance as at 30 September 2017 as previously reported | 413,845 |
| Effect of restatement: Prior period adjustment | (2,310) |
| Balance as at 30 September 2017 as restated | 411,535 |

## 39. Subsequent events

Subsequent to the year-end, the Company signed an agreement to dispose of its 45% shareholding in Sagicor General Insurance Inc.

# 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 eightieth annual meeting of the shareholders of Goddard Enterprises Limited (the "Company") to be held on Friday, 25 January 2019 at 5.30p.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, 24 January 2019.

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 226,607,708 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 2018 and the Auditor's Report thereon are included in the 2018 Annual Report.

## ELECTION OF DIRECTORS

The Board of Directors of the Company (the "Board") consists of Members who retire in rotation annually. As at 4 December 2018, there are eight Members of the Board. The Articles of Continuance of the Company provide for a minimum of five and a maximum of fifteen directors. The Directors propose that the composition of the Board should be increased from the current eight to ten members and have nominated Ms. Laurie Condon and Dr. José S. López, along with the three retiring Directors, for election to the Board at the meeting. The number of persons to be elected as directors of the Company at the meeting is therefore five.

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 |
|---|---|
| Mr. Anthony H. Ali | Managing Director |
| Mr. John Dereck Foster | Non-Executive Director |
| Mr. William P. Putnam | Chairman |
| Ms. Laurie Condon | Corporate Managing Director, Savills-Studley |
| Dr. José S. López | Adjunct Professor, Florida International University and Programme Co-ordinator, Finance, Lynn University |

Messrs. Anthony Ali, J. Dereck Foster and William Putnam are currently Directors of the Company and will retire at the close of the eightieth 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 Messrs. Anthony Ali, J. Dereck Foster and William Putnam was last re-elected to the Board at the seventy-seventh annual meeting of shareholders held on 29 January 2016 for a term of three years. It is proposed that the term of office for each of Messrs. Ali, Foster and Putnam will expire at the close of the third annual meeting of shareholders following his election or until his successor is elected or appointed.

Ms. Laurie Condon and Dr. José S. López are not currently directors of the Company and are being recommended by the Board for election by shareholders as non-executive directors in accordance with article 4.3 of the by-laws of the Company. It is proposed that the term of office for each of Ms. Condon and Dr. López shall expire at the close of the second 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 persons named above will, for any reason, become unable or unwilling to serve as a director.

## APPOINTMENT OF AUDITOR

It is proposed to nominate the firm of Ernst & Young Ltd., the incumbent Auditor of the consolidated financial statements of the Company, as the Auditor of the Company to hold office until the next annual meeting of shareholders.

## ALLOCATION OF SHARES FOR ALLOTMENT

The Directors recommend that shareholders authorise the allotment of up to 8,000,000 common shares of the Company, for such purpose as may be required from time to time, including for the purpose of enabling eligible employees and non-executive directors to acquire shares in the Company under the Company's Savings Related Employee Purchase Scheme and other schemes permitted by virtue of the Income Tax Act, Chapter 73 of the Laws of Barbados (the "Income Tax Act").

At their annual meeting held on 31 January 2013, shareholders approved the allotment of up to 1,000,000 common shares of the Company under the 1998 Executive Share Option Plan, the Savings Related Employee Share Purchase Scheme and other schemes permitted by the Income Tax Act, for the purpose of enabling eligible employees to acquire shares in the Company, including shares taken in part payment of annual profit sharing bonus. As at the date hereof, just over 100,000 shares remain for allocation from the said 1,000,000 shares authorised in January 2013. The 1998 Executive Share Option Plan was discontinued by the Company on 31 May 2017.

## 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.

4 December 2018

Kathy-Ann Scantlebury

Kathy-Ann L. Scantlebury
Corporate Secretary

# APPENDIX A –
# BOARD AND COMMITTEE MEETING ATTENDANCE FOR 2018

| NAME OF DIRECTOR | BOARD MEETINGS ATTENDED FOR THE YEAR | COMMITTEE MEETINGS ATTENDED FOR THE YEAR | TOTAL | OVERALL PERCENTAGE |
|---|---|---|---|---|
| Mr. William P. Putnam, Chairman | 6 of 6 | 7 of 7 | 13 of 13 | 100% |
| Mr. Anthony H. Ali, Managing Director | 6 of 6 | 11 of 11 | 17 of 17 | 100% |
| Ms. Vere P. Brathwaite | 6 of 6 | 8 of 8 | 14 of 14 | 100% |
| Mr. Ian K. D. Castilho | 5 of 6 | 5 of 8 | 10 of 14 | 71% |
| Mr. J. Dereck Foster | 6 of 6 | N/A | 6 of 6 | 100% |
| Mr. A. Charles Herbert | 6 of 6 | 11 of 11 | 17 of 17 | 100% |
| Mr. Christopher G. Rogers | 6 of 6 | 4 of 4 | 10 of 10 | 100% |
| Mr. Stephen T. Worme | 6 of 6 | 11 of 11 | 17 of 17 | 100% |

# 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 80th annual meeting of the shareholders of the Company to be held on 25 January 2019 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, 24 January 2019.

# NOTES

# GODDARD ENTERPRISES LIMITED

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