CFC

Caribbean Finance Company Ltd.

Providing Efficient Service Since 1971

2018

ANNUAL REPORT

ASPIRATION STATEMENT

Caribbean Finance Company Limited aims to be the leader in the non-bank financial sector of Trinidad & Tobago, by offering quality financial facilities to its clients through personalised and efficient service at all levels in our institution.

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CHAIRMAN'S REPORT

On behalf of the Board of Directors of Caribbean Finance Company Limited, I am pleased to report that the Company recorded an after-tax profit of $21.76 million an increase of 7.2% over the prior year's figure of $20.30 million. Total net income was consistent at $45.8 million however our loan receivables increased by 4.4% to $473 million from $453 million in the previous year to end 2018 on a positive note.

During the year the company adopted the International Financial Reporting Standards No. 9 (IFRS 9) which was issued in July 2014 with a transition date of January 1, 2018 replacing the International Accounting Standard 39 (IAS 39). The revised standard introduced changes to the classification and measurement of financial instruments with a more forward-looking approach over the previous incurred loss method towards loan loss provisions. The impact of which is seen in the remeasurement loss of $769,077 being recognised in the opening retained earnings at January 1, 2018 and an amount of $95,182 reclassified from other reserves to retained earnings. Notes 2 d to 2 h in the Financial Statements, further explain the impact of the implementation of the standard.

Despite the changes in Accounting Standards and the adversities experienced in the economy, the notable improvements over prior year's results are a testament to the stability, longevity and business acumen applied in our current environment.

Although there was slow recovery in the energy sector, it did not curtail the unprecedented high unemployment, particularly with the closure of Petrotrin. The other sectors such as construction and distribution remain stagnated all of which impacted our lending and collection activity.

Out of the challenges produced creative ideas as the company explored various measures both technologically and relationally to improve upon 2017's performance. This we achieved by solidifying the benefits of our linkages with our affiliate company, Southern Sales and Service, increasing unsecured lending to the public and enhancing our relationships with the various car dealerships. With delinquency closely monitored, prudent measures were also applied operationally to control expenditure and manage cash flows. As we continued to focus on being more customer centric, internally we further built upon our invaluable resources of our employees, by encouraging team spirit, introducing further incentive-based performance and personal development.

We have noted the improved macro-economic indicators in 2019 and it is hopeful with government spending in capital projects, that these improvements will have a trickle-down effect on the economy. As a company we continue to explore opportunities to innovate and evolve with the changing environment and to remain true to our mission to be the foremost non-bank financial institution.

I take this opportunity to thank my fellow directors for their support and oversight over the company's operations, our loyal customers and the management and staff for embracing the changes and challenges to produce these commendable results.

Reyaz Ahamad
Chairman

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2018.

Financial Results	$
Profit before taxation	31,245,663
Less: Taxation	(9,484,210)
Profit after taxation	21,761,453
Retained earnings at beginning of year (re-stated)	184,266,626
Dividends	(6,500,000)
Retained earnings at end of year	199,528,079

Auditors

PricewaterhouseCoopers retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Aegis Business Solutions Limited
Secretary

CORPORATE INFORMATION

REGISTERED OFFICE
22 Kew Place, Port of Spain

HEAD OFFICE
17-19 Tragarete Road, Port of Spain

BRANCH
27-31 Cipero Road, San Fernando

CLASSES OF BUSINESS
1 Finance House/Finance Company
2 Mortgage Institution
3 Confirming House or Acceptance House
4 Leasing Corporation

DIRECTORS

Reyaz Ahamad
Chairman
22 Kew Place, Port of Spain

Brian Sheppard
17-19 Tragarete Road, Port of Spain

Russell Martineau
50 Pembroke Street, Port of Spain

Anthony Agostini
18 Victoria Avenue, Port of Spain

Steve Mathura
29 Alberto Street, Woodbrook

Gillian Pollidore
5 Fitt Street, Woodbrook

SECRETARY
Aegis Business Solutions Limited
18 Scott Bushe Street
Port of Spain

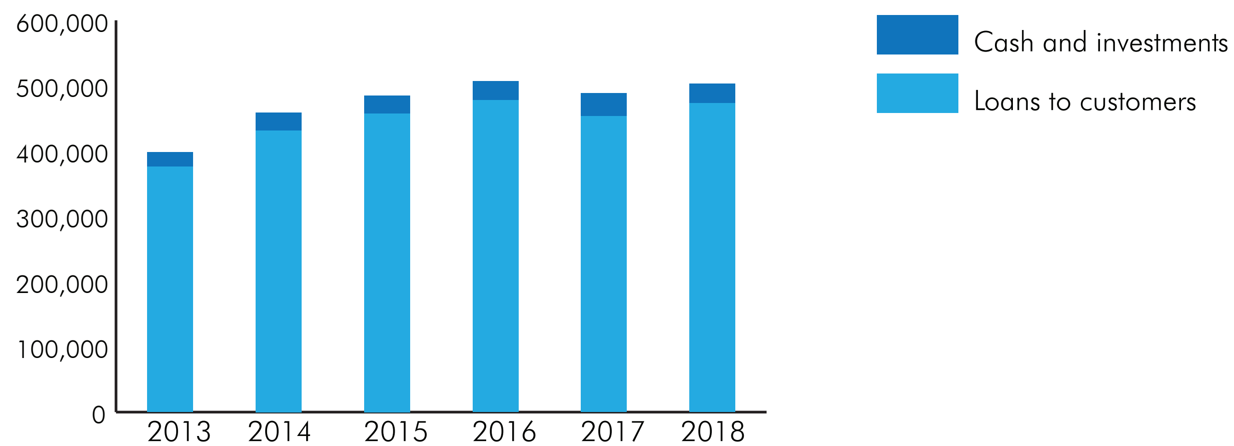
BANKERS
Scotiabank Trinidad and Tobago Limited
56-58 Richmond Street
Port of Spain

ATTORNEY AT LAW
MG Daly & Partners
115A Abercromby Street
Port of Spain

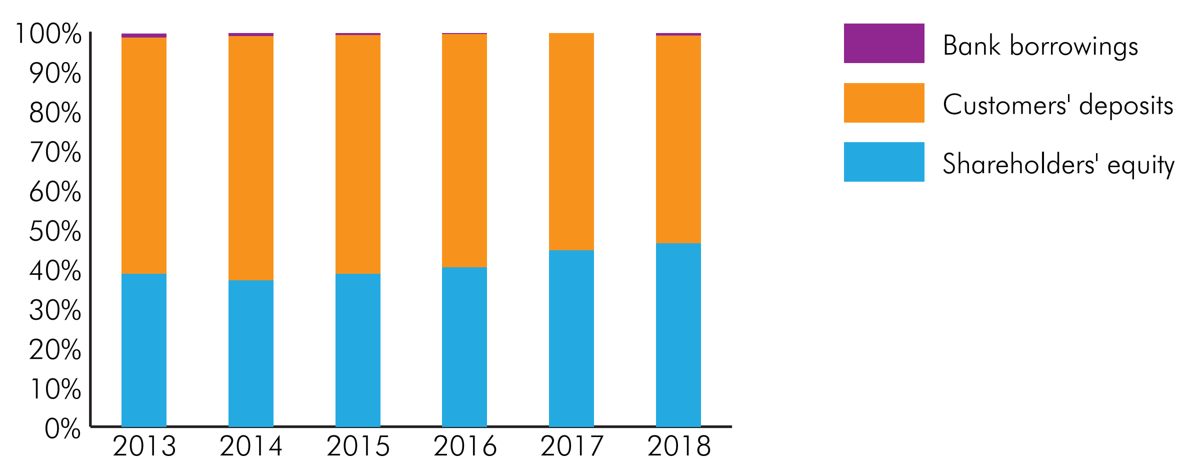
AUDITORS
PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

FINANCIAL HIGHLIGHTS

	December 2013 $'000	December 2014 $'000	December 2015 $'000	December 2016 $'000	December 2017 $'000	December 2018 $'000
Loans to customers	375,498	431,315	457,185	477,688	453,084	473,097
Cash and investments	22,269	26,855	27,369	29,140	35,629	30,057

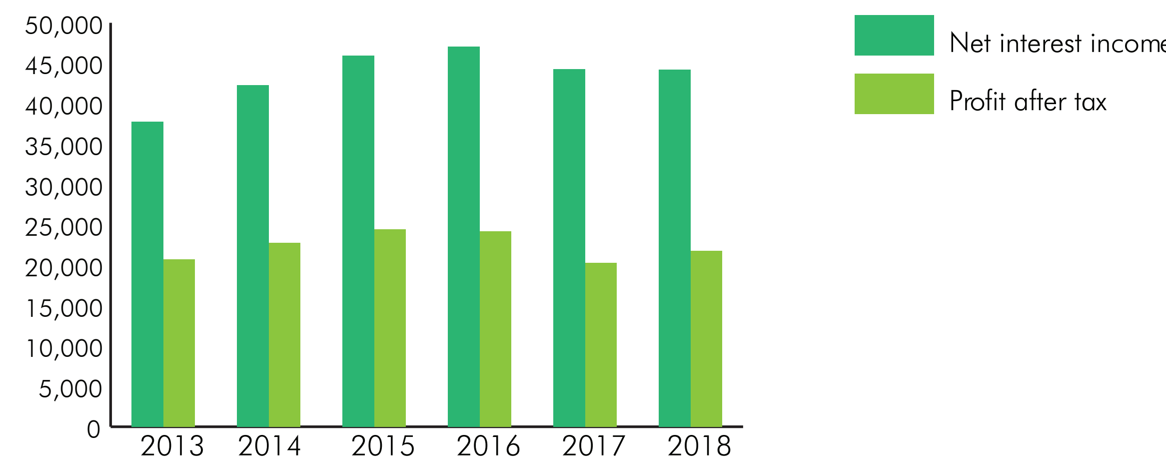


	December 2013 $'000	December 2014 $'000	December 2015 $'000	December 2016 $'000	December 2017 $'000	December 2018 $'000
Shareholders' equity	152,835	168,927	186,127	203,236	217,536	232,028
Customers' deposits	235,334	281,127	289,963	296,819	266,963	262,497
Bank borrowings	4,174	2,973	2,455	939	-	3,239



FINANCIAL HIGHLIGHTS (continued)

	December 2013 $'000	December 2014 $'000	December 2015 $'000	December 2016 $'000	December 2017 $'000	December 2018 $'000
Net interest income	37,758	42,283	45,947	47,073	44,256	44,215
Profit after tax	20,729	22,786	24,441	24,207	20,302	21,761



Ratios	2018 %	2017 %	
Profit Margin	80.89	79.33	Measures the Company's Total Expense Management
Efficiency Ratio	31.82	36.34	Indicates Non-Interest Expense Management
Return on Assets	4.36	4.06	Measures the Profitable use of Assets
Return on Equity	9.68	9.65	Is the Profitable use of Owner's Equity
Capital Adequacy	48.70	47.63	The Company's capital to its risk adjusted Assets

BOARD OF DIRECTORS

Russell Martineau

Gillian Pollidore

Reyaz Ahamad
Chairman

Steve Mathura

Brian Sheppard

Sherrine Gordon
Chief Executive Officer

Anthony Agostini

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Caribbean Finance Company Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Company keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Financial Institutions Act 2008; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Chief Executive Officer
14 March 2019

Accountant
14 March 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Caribbean Finance Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Caribbean Finance Company Limited (the Company) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

the statement of financial position as at 31 December 2018;
the statement of comprehensive income for the year then ended;
the statement of changes in equity for the year then ended;
the statement of cash flows for the year then ended; and
the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Director's report, corporate information and financial highlights but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers
15 March 2019
Port of Spain
Trinidad, West Indies

Caribbean Finance Company Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	As at 31 December 2018 $	As at 31 December 2017 $
Assets			
Cash and cash equivalents	4	3,905,441	6,955,914
Statutory deposit with Central Bank	5	25,218,111	27,718,111
Investments	6	933,315	954,872
Loans to customers	7	473,097,903	453,083,563
Property and equipment	8	1,924,943	2,306,278
Other assets		526,603	259,731
Taxation recoverable		--	461,996
Total assets		505,606,316	491,740,465
Liabilities			
Customers' deposits	10	262,497,252	266,962,951
Bank overdraft	11	3,238,631	--
Other liabilities		1,186,141	1,227,812
Taxation payable		89,910	
Deferred tax liability	9	66,303	13,999
Dividends		6,500,000	6,000,000
Total liabilities		273,578,237	274,204,762
Shareholders' equity			
Share capital	12	15,000,000	15,000,000
Statutory reserve	13	15,000,000	15,000,000
General banking reserve	13	2,500,000	2,500,000
Retained earnings		199,528,079	184,940,521
Other reserve		--	95,182
Total shareholders' equity		232,028,079	217,535,703
Total liabilities and equity		505,606,316	491,740,465

The notes on pages 20 to 58 are an integral part of these financial statements.

On 14 March 2019, the Board of Directors of Caribbean Finance Company Limited authorised these financial statements for issue.

Director

Director

Caribbean Finance Company Limited

Statement of Profit or Loss and Other Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 31 December 2018 $	Year ended 31 December 2017 $
Interest income	14	54,659,190	55,785,715
Interest expense	15	(10,443,946)	(11,529,998)
Net interest income		44,215,244	44,255,717
Other income	16	1,616,384	1,485,092
Total net income		45,831,628	45,740,809
Impairment expense on loans and other financing, net of recoveries	7 b.	(2,365,046)	(4,073,733)
Operating expenses	17	(12,220,919)	(12,549,424)
Total non-interest expenses		(14,585,965)	(16,623,157)
Profit before taxation		31,245,663	29,117,652
Taxation	18	(9,484,210)	(8,816,006)
Profit after taxation		21,761,453	20,301,646
Other comprehensive loss:			
Fair value losses on investments available-for-sale	6 b.	--	(2,007)
Other comprehensive loss for the year		--	(2,007)
Total profit and comprehensive income for the year		21,761,453	20,299,639
Earnings per share	19	1.45	1.35

The notes on pages 20 to 58 are an integral part of these financial statements.

Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

	Note	Share capital $	Statutory reserve $	General banking reserve $	Retained earnings $	Other reserve $	Total shareholders' equity $
Year ended 31 December 2018							
Balance at 31 January 2017		15,000,000	15,000,000	2,500,000	184,940,521	95,182	217,535,703
IFRS 9 initial application adjustment	2 d(ii)	--	--	--	(673,895)	(95,182)	(769,077)
Balance at 1 January 2018 – restated		15,000,000	15,000,000	2,500,000	184,266,626	--	216,766,626
Profit after taxation		--	--	--	21,761,453	--	21,761,453
Dividends	20	--	--	--	(6,500,000)	--	(6,500,000)
Balance at 31 December 2018		15,000,000	15,000,000	2,500,000	199,528,079	--	232,028,079
Year ended 31 December 2017							
Balance at 1 January 2017		15,000,000	15,000,000	2,500,000	170,638,875	97,189	203,236,064
Profit after taxation		--	--	--	20,301,646	--	20,301,646
Other comprehensive loss for the year		--	--	--	--	(2,007)	(2,007)
Dividends	20	--	--	--	(6,000,000)	--	(6,000,000)
Balance at 31 December 2017		15,000,000	15,000,000	2,500,000	184,940,521	95,182	217,535,703

The notes on pages 20 to 58 are an integral part of these financial statements.

Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 31 December 2018 $	2017 $
Cash flows from operating activities			
Profit before taxation		31,245,663	29,117,652
Adjustments for			
Impairment losses on loans	7 b	2,365,046	4,073,733
Depreciation	8	437,293	493,056
(Gain)/loss on disposal of property and equipment		(12,759)	14,240
Net losses on investments	6	39,379	--
Decrease/(increase) in operating assets			
Loans and other receivables		(23,148,463)	20,531,099
Central Bank Reserve Account		2,500,000	--
Other assets		(266,872)	(94,305)
(Decrease)/increase in operating liabilities			
Customers' deposits		(4,465,699)	(29,855,926)
Other liabilities		(41,672)	58,271
Cash used in operating activities		8,651,916	24,337,820
Corporation tax paid		(8,880,000)	(9,100,000)
Net cash (used in)/generated from operating activities		(228,084)	15,237,820
Cash flows from investing activities			
Purchase of fixed assets	8	(179,865)	(690,989)
Proceeds from sale of fixed assets		136,667	83,863
Additions of investments	6	(17,822)	(17,155)
Net cash used in investing activities		(61,020)	(624,281)
Financing activities			
Dividends paid		(6,000,000)	(7,200,000)
Net (decrease)/increase in cash and cash equivalents		(6,289,104)	7,413,539
Cash and cash equivalents at beginning of year		6,955,914	(457,625)
Cash and cash equivalents at end of year		666,810	6,955,914
Represented by:			
Cash resources	4	3,905,441	6,955,914
Bank overdraft		(3,238,631)	--
		666,810	6,955,914

The notes on pages 20 to 58 are an integral part of these financial statements.

1 General information

Caribbean Finance Company Limited (the Company) is a limited liability company incorporated in the Republic of Trinidad and Tobago on 17 June 1971. It is licensed under the Financial Institutions Act, 2008.

The Company is a subsidiary of Universal Investments Limited a company incorporated in the Republic of Trinidad and Tobago. Its ultimate parent company is The Southern Company Limited a company incorporated in the Republic of Trinidad and Tobago.

The principal activities of the Company are lending through hire purchase agreements and mortgage bills of sale on motor vehicles and the acceptance of deposits for fixed terms. The Company also provides credit through trade financing, mortgage loans and leasing.

The address of its registered office is 22 Kew Place, Port of Spain.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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 Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis, except for the investments which are measured at fair value.

The preparation of 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) New standards, amendments and interpretations adopted by the Company

- IFRS 9 – Financial Instruments: The Company adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Company did not early adopt any of IFRS 9 in previous periods.

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

  Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current year. The comparative period notes disclosures repeat those disclosures made in the prior period.

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(i) New standards, amendments and interpretations adopted by the Company (continued)

- IFRS 9 – Financial Instruments (continued):

  IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 has set new rules for the classification, measurement and recognition of financial instruments, including the introduction of a new impairment model based on expected credit losses (ECL).

  IFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The basis for classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are measured at fair value through profit or loss except for those equity investments for which the entity makes an irrevocable election at inception to present changes in fair value in other comprehensive income. See Note 2 d. for impact of adopting IFRS 9.

- IFRS 15 – Revenue from Contracts with Customers, effective 1 January 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. See Note 2 d. for impact of adopting IFRS 15.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2018 do not have a material impact on the Company.

(ii) New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2018 and not early adopted by the Company.

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2019 or later periods, but the Company has not early adopted them:

- IFRS 16 - Leases: The standard requires lessees to recognise most leases as a lease liability, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases but will have the option not to recognise short-term leases and leases of low-value assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to current finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

  For lessors, the accounting for leases is practically the same.

  IFRS 16 is effective for periods beginning on or after 1 January 2019. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Company is currently assessing the impact of IFRS 16.

- Annual Improvements 2015 - 2017 Cycle. These amendments include minor changes to:

  – IAS 12, 'Income Taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

2 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

(ii) New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2018 and not early adopted by the Company (continued)

- Annual Improvements 2015 – 2017 Cycle (continued)

  – IAS 23, 'Borrowing Cost' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- IFRIC 23 'Uncertainty over income tax treatment': This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Tax', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- Amendments to IFRS 9 - 'Prepayment Features with Negative Compensation'. The IASB has issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost or at fair value through other comprehensive income some prepayable financial assets with negative compensation when eligibility conditions are met. For example, a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as result of a prepayment feature with negative compensation.

b. *Foreign currency translation*

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the reporting currency at 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 of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

c. *Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased, net of bank overdraft.

2 Summary of significant accounting policies (continued)

d. *Changes in accounting policies*

IFRS 15 – Revenue from Contracts with Customers

The Company has adopted IFRS 15 – *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes to the accounting policies. The impact of adoption is immaterial as the point at which control of performance obligations is transferred to the customers under IFRS 15 matches the point at which risks and rewards were transferred under IAS 18. IFRS 15 explicitly excludes from its scope transactions governed by IFRS 9. The main streams of income to the Company are interest income and origination fees that are within the scope of IFRS 9. The Company earns service fees that are within the scope of IFRS 15, however, the income generated from this is immaterial both in the current and prior year and therefore does not have a material impact on the financial statements.

IFRS 9 – Financial instruments

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.
Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in Note 2 e and 2 h.

(i) Classification and measurement of financial instruments

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

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets		$		$
Cash and cash equivalents	Amortised cost (Loans and other receivables)	6,955,914	Amortised cost	6,955,914
Statutory deposit with Central Bank	Amortised cost (Loans and other receivables)	27,718,111	Amortised cost	27,718,111
Investments	FVOCI (Available for sale)	954,872	FVPL	954,872
Loans to customers	Amortised cost (Loans and other receivables)	453,083,563	Amortised cost	453,083,563

There were no changes to the classification and measurement of financial liabilities.

2 Summary of significant accounting policies (continued)

d. Changes in accounting policies (continued)

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the balances reported under IFRS 9 on 1 January 2018.

	IAS 39 carrying amount 31-Dec 2017	Reclassifications	Remeasurement	IFRS 9 carrying amount 01-Jan 2018
	$	$	$	$
Amortised cost				
Cash and cash equivalents				
Opening balance under IAS 39 and Closing balance under IFRS 9	6,955,914	--	--	6,955,914
Statutory deposit with Central Bank				
Opening balance under IAS 39 and Closing balance under IFRS 9	27,718,111	--	--	27,718,111
Loans to customers				
Opening balance under IAS 39	453,083,563	--	--	--
- Remeasurement: ECL allowance	--	--	(769,077)	--
Closing balance under IFRS 9	--	--	--	452,314,486
Total financial assets measured at amortised cost	487,757,588	--	(769,077)	486,988,511
Fair value through other comprehensive income (FVOCI) Investments - Available for sale				
Opening balance under IAS 39	954,872	--	--	--
- Subtraction: To FVPL (IFRS 9)	--	(954,872)	--	--
Closing balance under IFRS 9	--	--	--	--
Total financial assets measured at FVOCI	954,872	(954,872)	--	--
Fair value through profit or loss (FVPL) Investments - FVPL				
Opening balance under IAS 39	--	--	--	--
- Addition: From available for sale (IAS 39)	--	954,872	--	--
Closing balance under IFRS 9	--	--	--	954,872
Total financial assets measured at FVPL	--	954,872	--	954,872

2 Summary of significant accounting policies (continued)

d Changes in accounting policies (continued)

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

The total remeasurement loss of $769,077 was recognised in opening retained earnings at 1 January 2018. In addition, an amount of $95,182 was reclassified from other reserves to retained earnings at 1 January 2018 in respect of cumulative fair value gains on investments now measured at FVPL.

The following table shows the impact of transition to IFRS 9 on retained earnings and other reserves:

	IAS 39 carrying amount 31-Dec 2017	Reclassifications	Remeasurement	IFRS 9 carrying amount 01-Jan 2018
	$	$	$	$
Adjustments to equity:				
- adjustment to retained earnings	184,940,521	95,182	(769,077)	184,266,626
- accumulated other comprehensive income	95,182	(95,182)	--	--
	185,035,703	--	(769,077)	184,266,626

e. Financial assets under IFRS 9 – from 1 January 2018

(i) Classification

From 1 January 2018, the Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Those to be measured at amortised cost, and
- Those to be measured at Fair Valve through Profit or Loss (FVPL)

The classification of the Company's financial assets with respect to "loans to customers" and "Investments" depends on the Company's Business Model for managing those assets and the cash flow characteristics of the assets, i.e. whether these represent 'Solely Payments of Principal and Interest' (SPPI).

Business Model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to management and how risks are assessed and managed.

2 Summary of significant accounting policies (continued)

e. Financial assets under IFRS 9 – from 1 January 2018 (continued)

(i) Classification (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows pass the SPPI test. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

"Loans to customers" are held to maturity to collect cash flows and accordingly meet the 'hold to collect' criteria, passing the business model and SPPI tests. Loans to customers are therefore classified at amortised cost.

"Investments" are classified in the 'other' business model and are measured at FVPL, with gains and losses recorded in profit or loss.

The Company reclassifies debt instruments when and only when its business model for managing assets changes.

(ii) Initial recognition and subsequent measurement

(a) Investments (IFRS 9)

All purchases and sales of investments are recognised on the trade date, which is the date on which the Company commits to purchase or sell the investment. Transaction cost of investments carried at FVPL are expensed in profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a financial asset that is subsequently measured at FVPL is recognised in profit or loss and presented net within 'other income' in the period in which it arises.

(b) Loans to customers (IFRS 9)

At initial recognition, the Company measures loans to customers at its fair value plus transaction costs that are directly attributable to its acquisition. Subsequent measurement of loans to customers depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Loans to customers are held for collection of contractual cash flows where those cash flows represent SPPI, as such these financial assets are measured at amortised cost.

Interest income from these financial assets is included within 'interest income' using the effective interest rate method.

The amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method for any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

2 Summary of significant accounting policies (continued)

e. Financial assets under IFRS 9 – from 1 January 2018 (continued)

(ii) Initial recognition and subsequent measurement (continued)

(b) Loans to customers (IFRS 9) (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses and includes transaction cost and origination fees that are integral to the effective interest rate.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Any gain or loss arising on derecognition is recognised directly as profit or loss and presented in 'interest income'. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income as 'impairment expense on loans and other financing net of recoveries'.

(iii) Impairment of loans to customers carried at amortised cost

From the 1 January 2018, the Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition which is detailed in note 22 a (i) (c).
The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its loans to customers which are carried at amortised cost with the exposure arising from loan commitments. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

Note 22.a.i.c provides more detail of how the expected credit loss allowance is measured.

(iv) Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

2 Summary of significant accounting policies (continued)

e. Financial assets under IFRS 9 – from 1 January 2018 (continued)

(iv) Modification of loans (continued)

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk (SICR) has occurred. The Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

(v) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

f. Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharges, cancelled or expires).

g. Loan Commitments

Loan commitments provided by the Company are measured as the amount of the loss allowance (calculated as described in note 22.a.i.c.). The Company has considered the risk of a default occurring under the loan to be advanced, and the loss allowance is recognised as a provision.

2 Summary of significant accounting policies (continued)

h. Financial assets under IAS 39 – up to 31 December 2017

The comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy, IAS 39.

(i) Classification

Until 31 December 2017, the Company classified its financial assets in the following categories:

- Loans and other receivables
- Investments available-for-sale

This classification depended on the purpose for which the investments were acquired. Management determined the classification of its financial assets at initial recognition.

(ii) Reclassification

The Company could choose to reclassify financial assets that would meet the definition of loan and other receivable out of held for trading or available-for-sale categories if the Company had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and other receivables and held-to-maturity categories were determined at the reclassification date. Further increase in estimates of cash flows adjusted effective interest rates prospectively.

(iii) Subsequent measurement

Subsequent to the initial recognition, loans and other receivables were carried at amortised cost using the effective interest method

Available-for-sale financial assets were subsequently carried at fair value. Gains or losses arising from changes in the fair value of available-for-sale investments were recognised directly in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in Note 23.

When securities classified as available-for-sale were derecognised, sold or impaired, the accumulated fair value gain or loss previously recognised in other comprehensive income was recycled to profit or loss.

2 Summary of significant accounting policies (continued)

h. Financial assets under IAS 39 – up to 31 December 2017 (continued)

(iv) Impairment

The Company assessed at the end of each reporting period whether there was objective evidence that a financial asset or a group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred if, and only if, there was objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the asset was impaired.

Objective evidence that a financial asset or a group of assets was impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the Company; or
  - national or local economic conditions that correlate with defaults on assets in the group.

The Company first assessed whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was or continued to be recognised were not included in a collective assessment of impairment.

(a) Financial assets carried at fair value

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

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2 Summary of significant accounting policies (continued)

h. Financial assets under IAS 39 – up to 31 December 2017 (continued)

(b) Financial assets carried at amortised cost

For loans and other receivables, if there was objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced using an allowance account and the amount of the loss was recognised in profit or loss.

If in the 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 (such as an improved credit rating), the previously recognised impairment loss was reversed by adjusting the allowance account. The amount of the reversal was recognised in profit or loss.

i. Leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable and included under loans and other financing. The difference between the gross receivable and the present value of the receivable is recognised as unearned interest.

j. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on assets is computed using the following methods to allocate their cost to their residual values over their estimated useful lives, as follows:

Reducing balance basis

Leasehold improvements	-	10%
Furniture and fittings	-	10%
Motor vehicles	-	25%
Office and computer equipment	-	12% - 20%
Computer software	-	12% - 20%

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

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

2 Summary of significant accounting policies (continued)

k. Short-term financing

Short-term financing is recognised initially at fair value net of transaction costs incurred. Short-term financing is subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

l. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

m. Income tax

(i) Current income tax

Income tax is calculated on the basis of the applicable tax law in Trinidad and Tobago and is recognised in profit or loss for the period.

(ii) Deferred income tax

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of the assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the statement of financial position date are used to determine deferred tax.

The principal temporary differences arise from accelerated tax depreciation.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is recognised in profit or loss for the period except to the extent that it relates to taxable items that are charged or credited in other comprehensive income. In these circumstances, the associated deferred tax is charged or credited to other comprehensive income.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

n. Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2 Summary of significant accounting policies (continued)

o. Revenue recognition

(i) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within ‘interest income’ and ‘interest expense’ in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs, and all other premiums and discounts.

For financial assets that are credit impaired (stage 3), interest income is calculated by applying the effective interest rate to the carrying value net of the expected credit loss provision.

(ii) Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

p. Defined contribution plan

The Company has a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are charged to profit or loss on the accrual basis.

q. Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the period in which the dividends are approved by the Company’s directors.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 22.a.i.f.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Company in the above areas are set out in note 22.a.i.c.

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4 Cash and cash equivalents

	2018 $	2017 $
Cash on hand and in bank	694,129	2,296,068
Money market mutual funds	3,211,312	4,659,846
	3,905,441	6,955,914

Cash at bank and money market mutual funds were neither past due nor impaired as of the statement of financial position dates. These are held with local financial institutions which have not defaulted in the past and are considered to be credit worthy.

5 Statutory deposit with Central Bank

	2018	2017
	25,218,111	27,718,111

The Financial Institutions Act, 2008 (the Act) requires that every non-banking financial institution licensed under the Act in the Republic of Trinidad and Tobago hold a non-interest bearing deposit account with the Central Bank of Trinidad and Tobago equivalent to 9% of the total deposit liabilities of that institution. As at 31 December 2018, the Company was in compliance with this requirement.

6 Investments

	2018	2017
Trinidad and Tobago Unit Trust Corporation		
– First Unit Scheme (Note 6 a.)	33,823	33,823
Roytrin Mutual Funds	899,492	921,049
	933,315	954,872
Balance at beginning of year	954,872	940,584
Net additions of investments	17,822	17,155
Net fair value losses on investments	(39,379)	(2,867)
Balance at end of year	933,315	954,872

a. This represents an investment in the initial capital of the Trinidad and Tobago Unit Trust Corporation.

b. Net fair value loss recognised in other comprehensive income as follows:

Net fair value loss on investments available-for-sale through other comprehensive income	(2,867)
Deferred tax on investments available-for-sale (Note 9)	860
Amount recognised in other comprehensive income	(2,007)

7 Loans to customers

	2018 $	2017 $
Instalment loans	467,134,788	449,118,496
Finance leases (Note 7 a.)	96,230	286,013
Trade financing	8,540,671	5,780,704
Mortgage loans	2,124,491	2,927,227
	477,896,180	458,112,440
Provision for impaired loans and other receivables	(4,798,277)	(5,028,877)
	473,097,903	453,083,563
Non-current portion	436,107,013	427,383,357
Current portion	41,789,167	30,729,083
	477,896,180	458,112,440

a. *Finance leases*

	2018 $	2017 $
Gross investment in finance leases	98,576	306,728
Unearned finance charges	(2,346)	(20,715)
Net investment in finance leases	96,230	286,013
Gross investment in finance leases		
Not Later than 1 year	98,576	22,512
Later than 1 year and not later than 5 years	--	284,216
	98,576	306,728

b. *Impairment expense on loans and other financing, net of recoveries*

	2018 $	2017 $
Charge for the year	2,729,208	4,092,902
Income received on claims previously written off net of expenses	(364,162)	(19,169)
	2,365,046	4,073,733

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8 Property and equipment

	Leasehold Improvements $	Furniture and fittings $	Motor Vehicles $	Office and computer equipment $	Computer software $	Total $
Year ended 31 December 2018						
Opening net book value	233,578	158,373	730,593	567,367	616,368	2,306,279
Additions	--	9,163	--	94,872	75,830	179,865
Disposals	--	--	(123,908)	--	--	(123,908)
Depreciation charge	(27,091)	(17,910)	(158,808)	(102,420)	(131,064)	(437,293)
Closing net book value	206,487	149,626	447,877	559,819	561,134	1,924,943
At 31 December 2018						
Cost	500,409	406,580	908,094	1,691,465	1,572,795	5,079,343
Accumulated depreciation	(293,922)	(256,954)	(460,217)	(1,131,646)	(1,011,661)	(3,154,400)
Net book value	206,487	149,626	447,877	559,819	561,134	1,924,943
Year ended 31 December 2017						
Opening net book value	251,776	144,004	775,398	635,744	399,527	2,206,449
Additions	11,340	31,712	265,046	39,187	343,704	690,989
Disposals	--	--	(98,103)	--	--	(98,103)
Depreciation charge	(29,538)	(17,343)	(211,748)	(107,564)	(126,863)	(493,056)
Closing net book value	233,578	158,373	730,593	567,367	616,368	2,306,279
At 31 December 2017						
Cost	500,409	397,417	1,418,904	1,596,593	1,496,965	5,410,288
Accumulated depreciation	(266,831)	(239,044)	(688,311)	(1,029,226)	(880,597)	(3,104,009)
Net book value	233,578	158,373	730,593	567,367	616,368	2,306,279
At 31 December 2016						
Cost	489,069	365,705	1,405,380	1,557,406	1,153,261	4,970,821
Accumulated depreciation	(237,293)	(221,701)	(629,982)	(921,662)	(753,734)	(2,764,372)
Net book value	251,776	144,004	775,398	635,744	399,527	2,206,449

9 Deferred tax asset and liability

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2017: 30%).

The movement in the net deferred income tax liability is as follows:

	2018 $	2017 $
At beginning of year	13,999	(12,559)
Amount recognised in profit or loss (Note 18):		
– Current year	48,798	27,540
Adjustment to prior year's estimates	3,505	(122)
Amount recognised in other comprehensive income (OCI) – Current year	--	(860)
At end of year	66,303	13,999
The net deferred tax asset is attributable to:		
Accelerated depreciation on leased assets, property and equipment	66,303	14,859
Fair value gains on investments through OCI (Note 6b)	--	(860)
Net deferred tax liability	66,303	13,999

10 Customers' deposits

Deposit balances	258,829,471	263,434,118
Accrued interest	3,667,781	3,528,833
	262,497,252	266,962,951
Current portion	234,125,782	235,769,213
Non-current portion	28,371,470	31,193,738
	262,497,252	266,962,951

a. *Sectoral analysis*

	2018 $	%	2017 $	%
Consumers	226,039,897	86	228,530,536	86
Commercial	36,457,355	14	38,432,414	14
	262,497,252	100	266,962,951	100

All deposits have fixed interest rates.

11 Bank overdraft

The Company maintains an overdraft facility which bears interest at 8.5% per annum (2017 – 8.5%). This overdraft facility together with the short-term financing through bankers' acceptances, totals $20 million committed and a further $10 million un-committed, all of which is secured by a debenture over the assets of the Company.

12 Share capital

	2018 $	2017 $
Authorised		
An unlimited number of shares of no par value		
Issued and fully paid		
15,000,000 ordinary shares of no par value	15,000,000	15,000,000

13 Reserves

Statutory reserve

The Financial Institutions Act, 2008 requires financial institutions to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is equal to the paid up capital of the institution.

General banking reserve

In keeping with the Financial Institutions (Prudential Criteria) Regulations, 1994, the Company has set aside a reserve out of retained earnings to provide against unforeseen losses on the loan portfolio.

14 Interest income

Loans and other receivables	54,585,965	55,762,431
Cash resources and investments	73,225	23,284
	54,659,190	55,785,715

15 Interest expense

Customers' deposits	10,420,359	10,907,684
Bank overdraft and short-term financing	23,586	622,314
	10,443,946	11,529,998

16 Other income

Fees and commissions	1,466,004	1,485,092
Profit on disposal of assets under finance lease	177,000	--
Net fair value losses on investments	(39,379)	--
Gain on disposal of property and equipment	12,759	--
	1,616,384	1,485,092

17 Operating expenses

	2018 $	2017 $
Employee benefit expense (Note 17 a.)	5,916,156	6,151,955
Administrative and other expenses	3,862,295	3,818,834
Depreciation (Note 8)	437,293	493,056
Directors' fees	180,000	180,000
Deposit insurance premium*	537,817	592,562
Office rent	655,986	655,986
Professional fees	459,204	470,774
Green fund levy	172,168	172,017
Loss on disposal of property and equipment	--	14,240
	12,220,919	12,549,424

*Statutory regulations governing the operations of banks and other financial institutions in the Republic of Trinidad and Tobago stipulate that an annual premium be paid to the Deposit Insurance Corporation amounting to 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

a. *Employee benefit expense*

	2018 $	2017 $
Salaries	5,112,550	5,321,587
National Insurance	327,909	317,901
Pension contributions	206,100	210,480
Other long term benefits	269,597	301,987
	5,916,156	6,151,955

18 Taxation

	2018 $	2017 $
Corporation tax		
– Current year	9,453,493	8,823,501
– Adjustments to prior year's estimates	(21,587)	(34,913)
Deferred tax charge/(credit) (see Note 9)		
– Current year	48,798	27,540
– Adjustment to prior year's estimate	3,505	(122)
	9,484,210	8,816,006

The tax on the operating profit differs from the theoretical amount that would arise using the statutory rate of 30% as follows:

	2018 $	2017 $
Profit before taxation	31,245,663	29,117,652
Corporation tax calculated at a tax rate of 30%	9,373,699	8,735,296
Expenses not deductible for tax purposes	149,898	121,798
Income not assessable for tax	(21,306)	(6,053)
Adjustments to prior year's estimates	(18,081)	(35,035)
	9,484,210	8,816,006

Caribbean Finance Company Limited
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19 Earnings per share

	2018 $	2017 $
Profit after taxation	21,761,453	20,301,646
Number of ordinary shares in issue	15,000,000	15,000,000
Earnings per share	1.45	1.35

20 Dividends

	2018 $	2017 $
Declared – $ 0.433 per share (2017: $ 0.40)	6,500,000	6,000,000

21 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. These transactions were carried out on commercial terms and conditions. The outstanding balances at the year-end are as follows:

a. *Outstanding balances at year-end arising from related party transactions and related income and expense for the year are as follows:*

	2018 $	2017 $
Loans to customers	942,175	340,350
Customers' deposits		
Directors and key management personnel	42,858,116	44,535,728
Interest income	57,643	60,634
Interest expense		
Directors and key management personnel	1,170,827	977,005

b. *Key management compensation*

	2018 $	2017 $
Salaries and other short-term benefits	1,729,735	1,619,782

22 Financial risk management

a. *Financial risk factors*

The Company's activities expose it to a number of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the financial business and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects in the Company's financial performance.

The Company's risk management system serves to identify the various risks specific to the activities and operations of the Company and to document policies and procedures to address these risks. These risk management policies set appropriate risk limits and controls and monitor the risks and adherence to limits by means of reliable and up to date management systems.

The Board of Directors is responsible for the overall risk management approach and for approving risk strategies and principles. The Board of Directors discharges its responsibilities through the Asset/Liability/Credit Committee (ALCCO) which has overall responsibility to oversee the implementation of policies for identifying, evaluating and monitoring significant risks to which the Company is exposed. The main types of risks the Company is exposed to are credit risk, liquidity risk, interest rate risk and operational risk.

The Audit Committee oversees how management monitors compliance with the Company's policies and procedures. The Audit Committee is assisted in its oversight role by the Internal Auditors. The Internal Auditors undertake regular reviews of management's controls and procedures, the results of which are reported to the Audit Committee.

(i) Credit risk

(a) Definition

The Company takes on credit risk which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation.

(b) Management of risk

Credit risk is the most important risk for the Company and management therefore carefully manages this exposure. Credit exposures arise principally in lending activities. In order to effectively manage credit risk, the following is considered:

(i) Proper judgement of the creditworthiness of the borrower when analysing the loan application;
(ii) Adequate collateral held as security for funds advanced;
(iii) Maintenance of a strict and aggressive collection policy;
(iv) Monthly review of the risk ratios for the measurement of credit risk;
(v) Maintenance of a prudent loan provisioning policy;
(vi) Monitor exposures against limits to any one borrower or borrower group;
(vii) The Asset/Liability/Credit Committee to be informed of any large exposures to any one borrower or borrower group in default;
(viii) The information technology system for reporting, monitoring and controlling risks is properly maintained and updated;
(ix) Regular reporting to the Board of Directors on the performance of the loan portfolio.

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(i) Credit risk (continued)

(c) Expected credit loss measurement

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

– A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'and has its credit risk continuously monitored by the Company.

– If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to Note 22.a.i.d. for a description of how the Company determines when a significant increase in credit risk has occurred.

– If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to Note 22.a.i.e. for a description of how the Company defines credit-impaired and default.

– Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 22.a.i.f. for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

– A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The Company utilised a probability-weighted assessment of the factors which it believes will have an impact on forward-looking rates. The Company has identified the country's unemployment rate as the most relevant macro-economic factor and accordingly adjusted the historical loss rates based on expected changes in this factor. The country's GDP was identified as an alternative factor.

– Purchase or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(i) *Credit risk (continued)*

(d) *Significant increase in credit risk (SICR)*

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The remaining Lifetime Probability of Default (PD) at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised. For example, if the remaining lifetime PD at reporting date is 10%, but the lifetime PD for this point in time that was expected at initial recognition is less than 10%, this may constitute a significant increase in credit risk

Qualitative criteria:

It considers available reasonable and supportive forward-looking information, including the following:

- Significant changes in the expected performance and behaviour of the borrower
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Previous arrears within the last twelve months
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of loans
- Direct debit/ Automatic Clearing House (ACH) cancellation
- Extension to the loan terms granted
- Actual or expected restructuring

Backstop

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has not used the low credit risk exemption for any financial instrument in the year ended 31 December 2018.

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(i) *Credit risk (continued)*

(e) *Definition of default and credit-impaired assets*

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The borrower is more than 90 days past due on its contractual payment.

Qualitative criteria:

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is deceased
- The borrower is insolvent
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of default (PD), Exposure at Default (EAD), and Loss given Default (LGD) throughout the Company's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three (3) months.

(f) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques*

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligations (as per "Definition of default and credit-impaired assets" above), either over the next 12 month, or over the remaining lifetime of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 month, or over the remaining lifetime.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12 month or lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is a percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(i) *Credit risk (continued)*

(f) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)*

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each exposure. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

Sensitivity analysis

Had there been a 10% shift in the average ECL rate for all financial instruments at amortised cost, the Company's ECL allowance would have been higher / lower by $479,828.

(g) *Maximum exposure to credit risk before collateral held or other credit enhancements*

	2018 $	2017 $
Cash and cash equivalents	3,905,441	6,955,914
Statutory deposit with Central Bank	25,218,111	27,718,111
	29,123,552	34,674,025
Instalment loans	467,134,788	449,118,496
Finance leases	96,230	286,013
Trade financing	8,540,671	5,780,704
Mortgage loans	2,124,491	2,927,227
	477,896,180	458,112,440
Less provision for impaired loans to customers	(4,798,277)	(5,028,877)
	473,097,903	453,083,563
Investments	933,315	--
Investments available-for-sale	--	954,872
Total	503,154,770	487,757,588
Loan commitments	1,321,266	2,700,532

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(i) *Credit risk (continued)*

(g) *Maximum exposure to credit risk before collateral held or other credit enhancements (continued)*

The Company recognises provision for losses on loans to customers subject to credit risk using the expected credit loss model. While cash and cash equivalents, statutory deposit and investments are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Assets written off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a loan or receivable for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Collateral and other credit enhancements

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period.
The principal collateral types for these instruments are security arrangements over motor vehicles, heavy equipment and real estate, the values of which are reviewed periodically if there is a significant increase in credit risk.

Modification of financial assets

The Company sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue.

22 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

(g) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Loans to customers and loan commitments

Category	Average ECL rate (%)	Estimated EAD ($)	Expected credit loss ($)
Performing (Stage 1)	0.06%	448,432,897	285,661
Under-performing (Stage 2)	0.20%	16,456,692	32,904
Non-performing (Stage 3)	34.33%	13,006,591	4,465,806
Loan commitments	1.05%	1,321,266	13,906
TOTAL	1.00%	479,217,446	4,798,277

The movement in the provision for expected credit losses is as follows:

	Performing ($)	Under-performing ($)	Non-performing ($)	Total ($)
Balance at beginning of the year as reported under IAS 39	975,573	240,624	3,812,680	5,028,877
Amounts restated through opening retained earnings	(678,387)	(227,687)	1,675,152	769,077
Opening ECL under IFRS 9	297,186	12,936	5,487,832	5,797,954
Net changes to provisions:				
- Transfers between categories	2,381	19,968	(1,022,026)	(999,677)
Balance at end of the year	299,567	32,904	4,465,806	4,798,277

22 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

(g) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The following is an analysis of the net impairment expense on financial assets recognised in profit or loss

	Stage 1 Performing ($)	Stage 2 Under-performing ($)	Stage 3 Non-performing ($)	Total ($)
Net changes to provisions for the year	2,381	19,968	(1,022,026)	(999,677)
Amounts directly written off to profit or loss net recoveries	29,919	155,997	3,178,807	3,364,723
Net expense for the year	32,300	175,965	2,156,781	2,365,046

(h) Analysis of financial assets

	Stage 1		Stage 2		Stage 3	
	Current $	1 - 30 days $	31- 60 days $	61 - 90 days $	> 90days $	Total $
At 31 December 2018						
Cash and cash equivalents	3,905,441	--	--	--	--	3,905,441
Statutory deposit with Central Bank	25,218,111	--	--	--	--	25,218,111
Loans to customers:						
- Instalment loans	361,910,580	75,760,926	9,893,271	6,563,420	13,006,591	467,134,788
- Finance leases		96,230				96,230
- Trade financing	8,540,671	--	--	--	--	8,540,671
- Mortgages	2,124,491	--	--	--	--	2,124,491
	372,575,742	75,857,156	9,893,271	6,563,420	13,006,591	477,896,180
	401,699,294	75,857,156	9,893,271	6,563,420	13,006,591	507,019,732
At 31 December 2017						
Cash and cash equivalents	6,955,914	--	--	--	--	6,955,914
Statutory deposit with Central Bank	27,718,111	--	--	--	--	27,718,111
Loans to customers:						
- Instalment loans	368,116,909	62,880,886	1,887,127	417,936	15,815,638	449,118,496
- Finance leases	--	286,013	--	--	--	286,013
- Trade financing	5,780,704	--	--	--	--	5,780,704
- Mortgages	2,927,227	--	--	--	--	2,927,227
	376,824,840	63,166,899	1,887,127	417,936	15,815,638	458,112,440
	411,498,865	63,166,899	1,887,127	417,936	15,815,638	492,786,465

22 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

(i) Stage 1 loans to customers

These relate to loans which have exceeded the contractual payment period. Loans within this category are continuously monitored by the Company's management to ensure all collection options are exercised to bring these accounts up to date.

(j) Stage 2 loans to customers – description of collateral held

Collateral on these loans comprise mortgages over real estate, hire purchase agreements and chattel mortgages over equipment and vehicles.

(k) Stage 3 loans to customers - individually impaired carrying value and fair value

	Carrying value (before provisions) 2018 $	Fair value of collateral 2018 $	Carrying value (before provisions) 2017 $	Fair value of collateral 2017 $
Instalment loans	13,006,591	8,820,290	15,815,638	10,662,845

(l) Repossessed collateral

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. As at the statement of financial position date, there were no repossessed properties.

22 Financial risk management (continued)

a. Financial risk factors (continued)

(i) Credit risk (continued)

(m) Concentration risks of loans to customers

	Instalment loans $	Finance leases $	Trade financing $	Mortgage loans $	Total $
At 31 December 2018					
Consumer	111,748,623	--	--	--	111,748,623
Manufacturing	24,369,090	--	--	--	24,369,090
Communications	52,066,188	--	--	--	52,066,188
Real estate	1,523,792	--	--	1,706,277	3,230,069
Hotel and restaurant	20,545,672	--	--	--	20,545,672
Energy	5,268,188	--	--	--	5,268,188
Distribution	28,473,957	--	8,540,671	--	37,014,628
Construction	51,963,862	--	--	--	51,963,862
Private sector	6,773,658	--	--	--	6,773,658
Agriculture	21,058,626	--	--	--	21,058,626
Utilities	868,706	--	--	--	868,706
Other	90,156,321	96,230	--	--	90,252,551
Car rentals	16,259,135	--	--	--	16,259,135
Security services	12,379,314	--	--	--	12,379,314
Hardware	5,855,333	--	--	--	5,855,333
Air/con, maint, environ	5,799,486	--	--	--	5,799,486
Equipment rentals	9,853,127	--	--	418,214	10,271,341
Safety equipment	2,171,710	--	--	--	2,171,710
	467,134,788	96,230	8,540,671	2,124,491	477,896,180
Loan commitments	1,321,266	--	--	--	1,321,266
At 31 December 2017					
Consumer	116,456,894	--	--	628,088	117,084,982
Manufacturing	23,321,085	--	--	--	23,321,085
Communications	44,398,137	--	--	--	44,398,137
Real estate	942,591	--	--	1,747,002	2,689,593
Hotel and restaurant	9,825,580	--	--	--	9,825,580
Energy	3,864,259	--	--	--	3,864,259
Distribution	28,025,265	--	5,780,704	--	33,805,969
Construction	53,632,441	--	--	--	53,632,441
Private sector	7,240,066	--	--	--	7,240,066
Agriculture	22,147,665	--	--	--	22,147,665
Utilities	2,010,023	--	--	-	2,010,023
Other	74,797,937	286,013	--	--	75,083,950
Car rentals	21,276,662	---	--	--	21,276,662
Security services	10,245,693	--	--	--	10,245,693
Hardware	6,981,793	--	--	--	6,981,793
Air/con, maint, environ	6,295,729	--	--	--	6,295,729
Equipment rentals	8,429,319	--	--	552,137	8,981,456
Safety equipment	9,227,357	--	--	--	9,227,357
	449,118,496	286,013	5,780,704	2,927,227	458,112,440
Loan commitments	2,700,532	--	--	--	2,700,532

22 Financial risk management (continued)

a. Financial risk factors (continued)

(ii) Liquidity risk

(a) *Definition*
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

(b) *Management of risk*
Liquidity risk arises when the Company is unable to meet its payment obligations associated with its financial liabilities, repay its depositors and its ability to lend is affected. In order to effectively manage this risk, the following is considered:

- (i) Daily monitoring of the cash flows;
- (ii) Review projections to ensure that the daily requirements can be met;
- (iii) Customers' deposit maturities are monitored to ensure the availability of funding to repay depositors;
- (iv) Scheduling of loans and other financing and customers' deposits maturities to ensure an even spread in the disbursement of funds;
- (v) Standby lines of credit established;
- (vi) The Company maintains an overdraft facility which bears interest at 8.5% per annum (2017 – 8.5%). This overdraft facility totals $20 million, all of which is secured by a debenture over the assets of the Company.

(c) *Maturity analysis of financial instruments*
The table below presents the cash flows payable by the Company under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Undiscounted cash flows			
	Carrying amount $	Within one year $	One to five years $	Over five years $	Total $
As at 31 December 2018					
Financial assets					
Cash and cash equivalents	3,905,441	3,905,441	--	--	3,905,441
Statutory deposit	25,218,111	--	25,218,111	--	25,218,111
Loans to customers	473,128,274	41,297,174	389,839,695	157,957,198	589,094,067
	502,251,826	45,202,615	415,057,806	157,957,198	618,217,619
Financial liabilities					
Customers' deposits	262,497,252	239,811,406	28,818,663	--	268,630,069
Bank overdraft	3,238,631	3,238,631	--	--	3,238,631
Other liabilities	1,186,141	1,186,141	--	--	1,186,141
	266,922,024	244,236,178	28,818,663	--	273,054,841
Net liquidity gap	235,329,802	(199,033,563)	386,239,143	157,957,198	345,162,778
Loan commitments	1,321,266	1,321,266	--	--	1,321,266

22 Financial risk management (continued)

a. Financial risk factors (continued)

(ii) Liquidity risk (continued)

(c) *Maturity analysis of financial instruments (continued)*

		Undiscounted cash flows			
	Carrying amount $	Within one year $	One to five years $	Over five years $	Total $
As at 31 December 2017					
Financial assets					
Cash and cash equivalents	6,955,914	6,955,914	--	--	6,955,914
Statutory deposit	27,718,111	--	27,718,111	--	27,718,111
Loans to customers	453,083,563	29,336,101	352,643,069	183,113,093	565,092,263
	487,757,588	36,292,015	380,361,180	183,113,093	599,766,288
Financial liabilities					
Customers' deposits	266,962,951	241,453,404	31,810,171	-	273,263,575
Other liabilities	1,227,812	1,227,812	--	--	1,227,812
	268,190,763	242,681,216	31,810,171	-	274,491,387
Net liquidity gap	219,566,825	(206,389,201)	348,551,009	183,113,093	325,274,901
Loan commitments	2,700,532	2,700,532	--	--	2,700,532

(iii) Market risk

The Company is inherently exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk can be subdivided into three categories namely interest rate risk, currency risk and other price risk.

(a) *Interest rate risk*

- *Overview*

Interest rate risk can be further subdivided into two types: cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company carries all of its assets at amortised cost and as such is only exposed to cash flow interest rate risk. Financial liabilities, because of their short-term nature, tend to re-price at a faster rate than the longer term financial assets thereby creating a short-term interest rate mismatch.

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(iii) Market risk (continued)

(a) *Interest rate risk (continued)*

- *Management of risk*

The Company's interest rate risk management process includes the following:
- Monitoring of current and anticipated movements in lending and deposit rates in the market utilising market intelligence, Central Bank data, emerging trends and other relevant data sources;
- Monitoring of competitors' rates;
- Ensuring an appropriate balance between risk and return is achieved during the pricing process;
- Ensuring adherence to policies over approval of interest rates;
- Ensuring that stand by facilities at the lowest short-term interest rates are available to meet short-term demands for funds;
- Monitoring volatility in the market to achieve optimal balance between bank borrowings and fixed deposits.

- *Sensitivity analysis*

For the purposes of illustrating its exposure to interest rate risk, the Company has prepared a sensitivity analysis showing what the profit before tax would have been had interest rates been 50 basis points higher or lower. In preparing this calculation, the Company assumed that the change in interest rate would have affected interest income on loans and other receivables, interest income on cash and cash equivalents and interest expense on new/renewed deposits in the respective financial year. Similar assumptions were used for both reporting periods.

As at 31 December 2018, had interest rates been 50 basis points higher/lower, profit before taxation would have been lower/higher by $990,416 (2017: $880,869.). This has no impact on other components of equity.

(b) *Currency risk*

The Company has no significant exposure to currency risk.

(c) *Other price risk*

The Company has very limited exposure to other price risk as it does not hold any significant investments in equities and commodities.

b. *Capital risk*

The Company's objectives when managing capital are as follows:

(i) To comply with the capital requirements set out by the Central Bank of Trinidad and Tobago (CBTT);

(ii) To safeguard the Company's ability to continue as a going concern so it can continue to provide returns to shareholders and benefits for other stakeholders;

(iii) To maintain a strong capital base to support the development of its business.

22 Financial risk management (continued)

b. *Capital risk (continued)*

The Company meets its objectives for managing capital and ensures adherence to the requirements of regulatory authorities by continuous monitoring of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

The Company holds a license under the Financial Institutions Act 2008 to carry on business of a financial nature and as such has to comply with the following capital requirements.

(i) The Company is required to have a minimum paid up share capital of TT$15,000,000.

(ii) The Company must transfer a minimum of 10% of its profit after taxation to the statutory reserve until the balance on the Reserve is not less than the paid up capital of the Company.

(iii) The Company is required to have qualifying capital of not less than 8% of its risk adjusted assets.

The table below summarises the composition of regulatory capital and the capital adequacy ratios of the Company.

	2018 $'000	2017 $'000
Qualifying capital	232,028	217,536
Risk adjusted assets	476,483	456,753
Capital adequacy ratio	48.70%	47.63%

During the two years ended 2018 and 2017, the Company complied with the externally imposed capital requirements to which they are subject.

c. *Fair value estimation*

The carrying amount of financial assets and liabilities comprising cash and cash equivalents, statutory deposit with Central Bank, current loans and other receivables, short-term financing, current customer deposits and other liabilities are a reasonable estimate of their fair values because of the short maturity of these instruments.

For the majority of the non-current loans and receivables the fair values are not significantly different from the carrying values. The fair values are calculated using the discounted cash flows at the current borrowing rate.

23 Fair values of financial assets and liabilities

The Company adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

23 Fair values of financial assets and liabilities (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, 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. Instruments included in level 1 relates to Roytrin Mutual Funds where the value the fund is made publicly available on a daily basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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. Instruments included in level 2 relates to non-current loans and receivables and non-current deposits fair valued based on the cash flows discounted by the relevant interest rates for each customer loan and deposit.

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 financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2018.

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at FVPL				
- Investments	933,315	--	--	933,315

December 2017

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at FVPL				
- Investments	954,872	--	--	954,872

23 Fair values of financial assets and liabilities (continued)

The following table summarises the carrying amounts and fair values of those financial instruments presented on the statement of financial position at an amount other than their fair value

The carrying amount and fair value of the financial assets and liabilities are as follows:

	Carrying value 2018 $	Fair value 2018 $	Carrying value 2017 $	Fair value 2017 $
Financial assets				
Cash and cash equivalents	3,905,441	3,905,441	6,955,914	6,955,914
Statutory deposit	25,218,111	25,218,111	27,718,111	27,718,111
Loans to customers	473,097,903	469,567,993	453,083,563	448,658,622
Financial liabilities				
Customers' deposit	262,497,252	267,521,659	266,962,951	272,040,107
Bank overdraft	3,238,631	3,238,631	--	--
Other liabilities	1,186,141	1,186,141	1,227,812	1,227,812

The fair values of the Company's financial instruments are determined in accordance with International Financial Reporting Standard (IFRS 13) "Fair Value Measurement".

Financial instruments where the carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair value. Financial instruments where carrying value is approximately equal to fair value include cash and cash equivalents, statutory deposits, bank overdraft and other liabilities.

Loans to customers less allowance for loan losses

Loans to customers are net of specific and other provisions for impairment, which reflects the additional credit risk. The estimated fair value of these loans represents the discounted amount of future cash flow based on prevailing market rates.

Customer deposits

Due to their liquidity and short-term maturity, the carrying values of some customers' deposits approximate their fair value. The fair value of the other customers' deposits are computed using discounted cash flow analyses at current market interest rate.

24 Contingent liabilities and commitments

a. *Loan commitments*

At the statement of financial position date, there were loan commitments amounting to $1,321,266 (2017: $2,700,532) related to approved facilities not yet disbursed.

b. *Capital commitments*

There was no capital expenditure contracted for at the statement of financial position date but not recognised in the financial statements (2017: Nil).

25 Subsequent events

There were no events after the reporting period which were material to the financial statements and should have resulted in adjustments to the financial statements or disclosures when the financial statements were authorised for issue.

CFC

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Providing Efficient Service Since 1971

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