Caribbean Finance Company Limited

Financial Statements

31 December 2022

(Expressed in Trinidad and Tobago Dollars)

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Caribbean Finance Company Limited

Directors' Report

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2022.

Financial Results	**$**
Profit before taxation	24,620,698
Less: Taxation	(7,636,192)
Profit after taxation	16,984,506
Retained earnings at beginning of year	238,946,809
Dividends	(5,000,000)
Retained earnings at end of year	250,931,315

Auditors

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

By Order of the Board

AEGIS
BUSINESS SOLUTIONS LIMITED
Secretary

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
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
Wayne Kangaloo	17-19 Tragarete Road, Port of Spain

Corporate Information (continued)

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

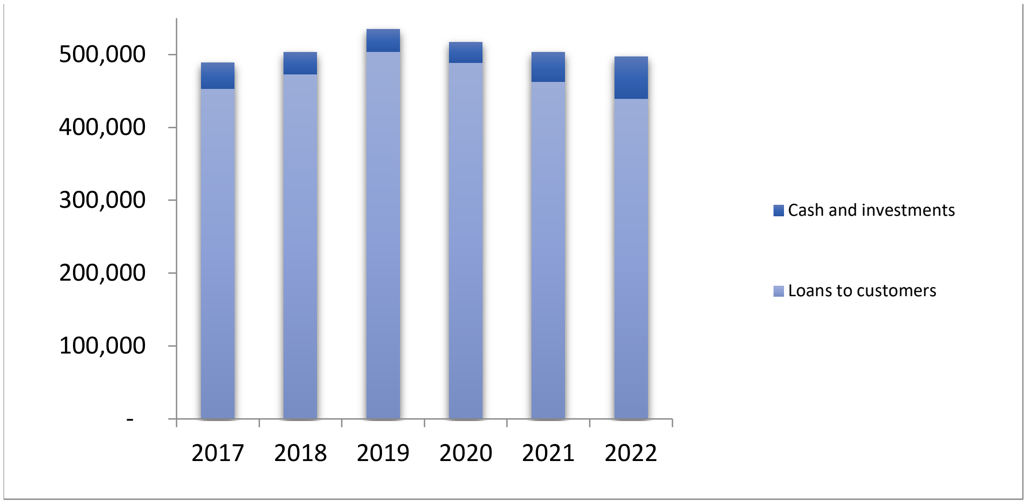
MG Daly & Partners
121 Henry Street
Port of Spain

Auditors

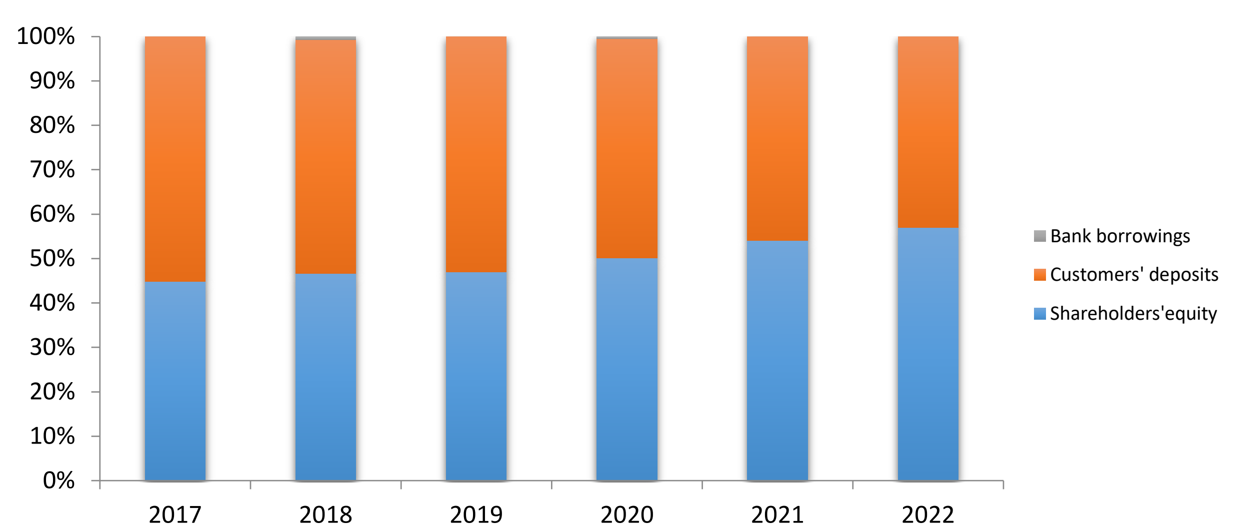
PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

Caribbean Finance Company Limited
Financial Highlights

	December 2017 $'000	December 2018 $'000	December 2019 $'000	December 2020 $'000	December 2021 $'000	December 2022 $'000
Loans to customers	453,084	473,097	503,910	488,944	463,191	439,929
Cash and investments	35,629	30,057	30,944	28,126	39,670	57,229

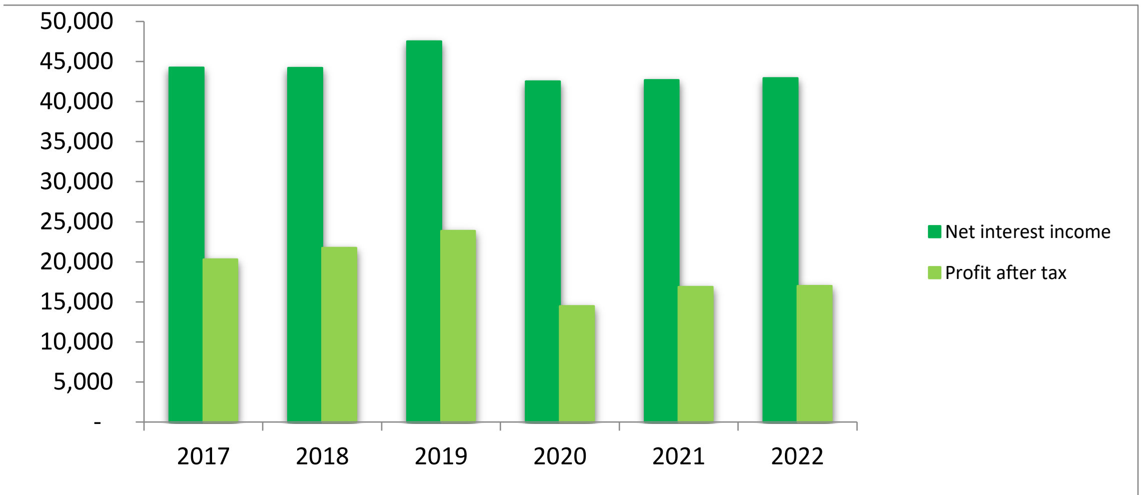


	December 2017 $'000	December 2018 $'000	December 2019 $'000	December 2020 $'000	December 2021 $'000	December 2022 $'000
Shareholders' equity	217,536	232,028	248,902	259,391	271,447	283,431
Customers' deposits	266,963	262,497	280,716	255,751	230,743	214,108
Bank borrowings	--	3,239	--	2,413	--	--



Caribbean Finance Company Limited
Financial Highlights (continued)

	December 2017 $'000	December 2018 $'000	December 2019 $'000	December 2020 $'000	December 2021 $'000	December 2022 $'000
Net interest income	44,256	44,215	47,502	42,530	42,685	42,936
Profit after tax	20,302	21,761	23,874	14,489	16,856	16,985



Ratios	2022 %	2021 %	
Profit Margin	86.79	85.12	Measures the Company's Total Expense Management
Efficiency Ratio	43.19	39.25	Indicates Non-Interest Expense Management
Return on Assets	3.35	3.26	Measures the Profitable use of Assets
Return on Equity	6.12	6.35	Is the Profitable use of Owner's Equity
Capital Adequacy	61.96	56.97	The Company's capital to its risk adjusted Assets

Caribbean Finance Company Limited

Statement of Management's Responsibilities

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 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and 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 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	Accountant
15 March 2023	15 March 2023

Independent auditor's report

To the shareholder of Caribbean Finance Company Limited

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 2022, 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 2022;
- the statement of profit or loss and other 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

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.
- 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.

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

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

Port of Spain
Trinidad, West Indies
15 March 2023

Caribbean Finance Company Limited

Statement of Financial Position
(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 31 December 2022 $	As at 31 December 2021 $
Assets			
Cash and cash equivalents	4	21,270,709	8,320,900
Statutory deposit with Central Bank	5	25,218,111	25,218,111
Investments	6	10,739,824	6,131,180
Loans to customers	7	439,928,853	463,191,367
Property and equipment	8	2,638,986	1,968,197
Right of use asset	8 a.	799,651	1,460,046
Deferred tax asset	10	170,082	127,109
Other assets		368,722	483,081
Taxation recoverable		3,831,038	3,083,165
Total assets		504,965,976	509,983,156
Liabilities			
Customers' deposits	11	214,107,703	230,742,924
Lease liabilities	9	942,893	1,652,312
Other liabilities		1,038,582	925,583
Deferred tax liability	10	445,483	415,528
Dividend payable		5,000,000	4,800,000
Total liabilities		221,534,661	238,536,347
Shareholder's equity			
Share capital	13	15,000,000	15,000,000
Statutory reserve	14	15,000,000	15,000,000
General banking reserve	14	2,500,000	2,500,000
Retained earnings		250,931,315	238,946,809
Total shareholder's equity		283,431,315	271,446,809
Total liabilities and equity		504,965,976	509,983,156

The notes on pages 14 to 47 are an integral part of these financial statements.

On 15 March 2023, 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 2022 $	2021 $
Interest income	15	49,471,306	50,143,922
Interest expense	16	(6,535,597)	(7,459,002)
Net interest income		42,935,709	42,684,920
Other income	17	557,102	964,571
Total net income		43,492,811	43,649,491
Impairment expense on loans and other financing, net of recoveries	7 b.	(5,568,961)	(4,191,152)
Loan modification losses	7 c.	(509)	(1,908,209)
Operating expenses	18	(13,216,876)	(12,939,983)
Total non-interest expenses		(18,786,346)	(19,039,344)
Operating profit		24,706,465	24,610,147
Finance cost	9	(85,767)	(132,051)
Profit before taxation		24,620,698	24,478,096
Taxation	19	(7,636,192)	(7,621,854)
Profit after taxation		16,984,506	16,856,242
Other comprehensive income		--	--
Total comprehensive income for the year		16,984,506	16,856,242
Earnings per share	20	1.13	1.12

The notes on pages 14 to 47 are an integral part of these financial statements.

Caribbean Finance Company Limited

Statement of Changes in Equity
(Expressed in Trinidad and Tobago Dollars)

	Note	Share capital $	Statutory reserve $	General banking reserve $	Retained earnings $	Total shareholder's equity $
Year ended 31 December 2022						
Balance at 1 January 2022		15,000,000	15,000,000	2,500,000	238,946,809	271,446,809
Total comprehensive income for the year		--	--	--	16,984,506	16,984,506
Dividends	21	--	--	--	(5,000,000)	(5,000,000)
Balance at 31 December 2022		15,000,000	15,000,000	2,500,000	250,931,315	283,431,315
Year ended 31 December 2021						
Balance at 1 January 2021		15,000,000	15,000,000	2,500,000	226,890,567	259,390,567
Total comprehensive income for the year		--	--	--	16,856,242	16,856,242
Dividends	21	--	--	--	(4,800,000)	(4,800,000)
Balance at 31 December 2021		15,000,000	15,000,000	2,500,000	238,946,809	271,446,809

The notes on pages 14 to 47 are an integral part of these financial statements.

Caribbean Finance Company Limited

Statement of Cash Flows
(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 31 December 2022 $	2021 $
Cash flows from operating activities			
Profit before taxation		24,620,698	24,478,096
Adjustments for			
Impairment losses on loans	7 b.	5,568,961	4,191,152
Loan modification losses	7 c.	509	1,908,209
Depreciation		1,077,491	1,067,114
Loss on disposal of property and equipment		3,122	--
Losses/(gains) on investments	6	414,454	(38,711)
Interest expense on lease liability	9	85,767	132,051
Decrease/(increase) in operating assets			
Loans to customers		17,693,044	19,653,461
Other assets		114,359	(196,470)
(Decrease)/increase in operating liabilities			
Customers' deposits		(16,635,221)	(25,007,946)
Other liabilities		112,999	(543,276)
Cash generated from operating activities		33,056,183	25,643,680
Corporation tax paid		(8,397,083)	(6,652,478)
Net cash generated from operating activities		24,659,100	18,991,202
Cash flows from investing activities			
Purchase of property and equipment	8	(1,141,563)	(307,475)
Proceeds from sale of property and equipment		50,556	323
Additions of investments	6	(5,023,098)	(5,022,536)
Net cash used in investing activities		(6,114,105)	(5,329,688)
Financing activities			
Dividends paid		(4,800,000)	(4,000,000)
Repayment of lease liabilities		(709,419)	(633,135)
Interest payment on lease liabilities	9	(85,767)	(132,051)
Net cash used in financing activities		(5,595,186)	(4,765,186)
Net increase in cash and cash equivalents		12,949,809	8,896,328
Cash and cash equivalents at beginning of year		8,320,900	(575,428)
Cash and cash equivalents at end of year		21,270,709	8,320,900
Represented by:			
Cash and cash equivalents	4	21,270,709	8,320,900

The notes on pages 14 to 47 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 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*

- *Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (Effective 1 January 2022)*

  The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

2 **Significant accounting policies (continued)**

a. *Basis of preparation (continued)*

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

- *Onerous Contracts – Cost of fulfilling a contract - Amendments to IAS 37 (Effective 1 January 2022)*

  The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- *Annual improvements to IFRS Standards 2018–2020 (Effective 1 January 2022)*

  - IFRS 9 Financial Instruments – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

  - IFRS 16 Leases – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  The amendments had no material impact on the financial statements of the Company.

  Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2022 do not have a material impact on the Company.

(ii) *New standards and interpretations not yet adopted by the Company.*

The following standards and interpretations had been issued but were not mandatory for the annual reporting period ended on 31 December 2022

- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1*

  The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability.

2 **Significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) *New standards and interpretations not yet adopted by the Company (continued)*

- *Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (continued)*

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

  They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2*

  The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- *Definition of Accounting Estimates – Amendments to IAS 8*

  The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

  The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

2 **Significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) *New standards and interpretations not yet adopted by the Company (continued)*

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (continued)*

  The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

  - right-of-use assets and lease liabilities, and
  - decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

  The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

  IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

  The Company is currently evaluating the impact of these amendments; however, they are not expected to have a material impact on the Company's financial statements.

  Other standards, amendments and interpretations issued but were not mandatory for the annual reporting period ended on 31 December 2022 do not have a material impact on the Company.

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.

2 **Significant accounting policies (continued)**

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.

d. *Financial assets*

(i) *Classification*

The Company classifies its financial assets in the following measurement categories:

- Amortised cost, and
- Fair value 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.

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.

2 **Significant accounting policies (continued)**

d. *Financial assets (continued)*

(ii) *Initial recognition and subsequent measurement*

(a) *Investments*

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*

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.

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’.

2 **Significant accounting policies (continued)**

d. *Financial assets (continued)*

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

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 23 a. (i) (I).

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 23.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:

- 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.

2 **Significant accounting policies (continued)**

d. *Financial assets (continued)*

(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.

e. *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 discharged cancelled or expires).

f. *Loan commitments*

Loan commitments provided by the Company are measured as the amount of the loss allowance (calculated as described in Note 23.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.

g. *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.

2 **Significant accounting policies (continued)**

g. *Property and equipment (continued)*

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.

h. *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.

i. *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.

j. *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 and lease liabilities.

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 statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 **Significant accounting policies (continued)**

k. *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.

l. *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.

m. *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.

n. *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.

o. *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 23.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 23.a.(i)(c).

4 Cash and cash equivalents

	2022 $	2021 $
Cash on hand and in bank	19,987,117	7,052,512
Money market mutual funds	1,283,592	1,268,388
	21,270,709	8,320,900

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

	25,218,111	25,218,111

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 2022 and 31 December 2021, the Company was in compliance with this requirement.

6 Investments

	2022 $	2021 $
Trinidad and Tobago Unit Trust Corporation		
- First Unit Scheme (Note 6 a.)	33,823	33,823
Roytrin Mutual Funds	891,166	1,070,020
Scotiabank Growth & Income Fund	1,814,835	2,027,337
Development Finance Limited – Term Deposit	8,000,000	3,000,000
	10,739,824	6,131,180
Balance at beginning of year	6,131,180	1,069,933
Net additions of investments	5,023,098	5,022,536
Net fair value (losses)/gains on investments	(414,454)	38,711
Balance at end of year	10,739,824	6,131,180

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

7 Loans to customers

	2022 $	2021 $
Instalment loans	434,102,421	459,409,514
Finance leases (Note 7 a.)	827,936	1,089,852
Trade financing	6,356,871	6,387,358
Mortgage loans	4,875,491	2,939,022
	446,162,719	469,825,746
Provision for impaired loans and other receivables	(6,233,866)	(6,634,379)
	439,928,853	463,191,367
Non-current portion	417,948,543	443,433,009
Current portion	28,214,176	26,392,737
	446,162,719	469,825,746

a) *Finance leases*

	2022 $	2021 $
Gross investment in finance leases	945,303	1,302,378
Unearned finance charges	(117,367)	(212,526)
Net investment in finance leases	827,936	1,089,852
Gross investment in finance leases		
Later than 1 year and not later than 5 years	945,303	1,302,378

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

	2022 $	2021 $
Charge for the year	5,907,530	4,220,453
Income received on claims previously written off net of expenses	(338,569)	(29,301)
	5,568,961	4,191,152

c) *Loan modification losses*

The Company offered loan repayment deferrals to its customers impacted by COVID-19. The repayment deferral arrangements were deemed as an extension to customers' existing loans and were therefore accounted for as non-substantial loan modifications. A total modification loss of $509 (2021: $1,908,209) was recognised in relation to repayment deferrals and charged to profit or loss. Refer to Note 2 d. (iv) and Note 23 a. (i) (d).

8 **Property and equipment**

	Leasehold Improvements $	Furniture and fittings $	Motor vehicles $	Office and computer equipment $	Computer software $	Total $
Year ended 31 December 2022						
Opening net book value	291,503	125,617	316,630	616,683	617,764	1,968,197
Additions	260,270	29,409	429,228	175,961	246,695	1,141,563
Disposals	--	--	(47,626)	(6,052)	--	(53,678)
Depreciation charge	(42,010)	(15,904)	(97,033)	(118,039)	(144,110)	(417,096)
Closing net book value	509,763	139,122	601,199	668,553	720,349	2,638,986
At 31 December 2022						
Cost	922,191	455,460	1,188,274	1,817,877	2,269,952	6,653,754
Accumulated depreciation	(412,428)	(316,338)	(587,075)	(1,149,324)	(1,549,603)	(4,014,768)
Net book value	509,763	139,122	601,199	668,553	720,349	2,638,986
Year ended 31 December 2021						
Opening net book value	176,982	131,782	422,173	604,251	732,575	2,067,763
Additions	143,511	8,450	--	118,903	36,611	307,475
Disposals	--	--	--	(323)	--	(323)
Depreciation charge	(28,990)	(14,615)	(105,543)	(106,148)	(151,422)	(406,718)
Closing net book value	291,503	125,617	316,630	616,683	617,764	1,968,197
At 31 December 2021						
Cost	661,921	426,051	1,085,784	1,747,808	2,023,257	5,944,821
Accumulated depreciation	(370,418)	(300,434)	(769,154)	(1,131,125)	(1,405,493)	(3,976,624)
Net book value	291,503	125,617	316,630	616,683	617,764	1,968,197
At 31 December 2020						
Cost	518,409	417,601	1,085,784	1,629,229	1,986,646	5,637,669
Accumulated depreciation	(341,427)	(285,819)	(663,611)	(1,024,978)	(1,254,071)	(3,569,906)
Net book value	176,982	131,782	422,173	604,251	732,575	2,067,763

8 a. **Right of use asset**	**2022 $**	**2021 $**
Opening balance	1,460,046	2,120,442
Depreciation charge	(660,395)	(660,396)
Carrying value	799,651	1,460,046

9 **Lease liabilities**

	2022 $	2021 $
Current portion	604,341	709,419
Non-current portion	338,552	942,893
Total	942,893	1,652,312
Interest payment on lease (Finance Cost)	(85,767)	(132,051)

The total cash outflow for leases in 2022 was $765,186 (2021 - $735,186).

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities are as follows:

	Minimum lease payments due				
	Within 1-year $	**1-2 years $**	**2-3 years $**	**3-4 years $**	**Total $**
As at 31 December 2022					
Lease payments	641,390	180,000	180,000	--	1,001,390
Finance charges	(37,049)	(16,208)	(5,240)	--	(58,497)
Net present values	604,341	163,792	174,760	--	942,893

	Minimum lease payments due				
	Within 1-year $	**1-2 years $**	**2-3 years $**	**3-4 years $**	**Total $**
As at 31 December 2021					
Lease payments	795,186	641,390	180,000	180,000	1,796,576
Finance charges	(85,767)	(37,049)	(16,208)	(5,240)	(144,264)
Net present values	709,419	604,341	163,792	174,760	1,652,312

10 Deferred tax (asset)/liability

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%).

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

	2022 $	2021 $
At beginning of year	288,419	192,387
Amount recognised in profit or loss (Note 19):		
- Current year	(29,737)	98,581
- Adjustment to prior year's estimates	16,719	(2,549)
At end of year	275,401	288,419
The net deferred tax (asset)/liability is attributable to:		
Lease liabilities	(170,082)	(127,109)
Accelerated depreciation on leased assets, property and equipment	445,483	415,528
Net deferred tax liability	275,401	288,419

11 Customers' deposits

Deposit balances	211,735,383	228,067,560
Accrued interest	2,372,320	2,675,364
	214,107,703	230,742,924
Current portion	205,203,207	216,628,395
Non-current portion	8,904,496	14,114,529
	214,107,703	230,742,924

a. *Sectorial analysis*

	2022 $	%	2021 $	%
Consumers	198,352,561	93	204,723,363	89
Commercial	15,755,142	7	26,019,561	11
	214,107,703	100	230,742,924	100

All deposits have fixed interest rates.

12 Bank overdraft

The Company maintains an overdraft facility which bears interest at 6.5% per annum (2021 – 6.5%). 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.

13 Share capital

	2022 $	2021 $
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

14 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.

15 Interest income

	2022 $	2021 $
Loans and other receivables	49,329,002	50,101,034
Cash resources and investments	142,304	42,888
	49,471,306	50,143,922

16 Interest expense

	2022 $	2021 $
Customers' deposits	6,535,597	7,456,090
Bank overdraft and short-term financing	--	2,912
	6,535,597	7,459,002

17 Other income

	2022 $	2021 $
Fees and commissions	971,556	925,860
Net fair value (losses)/gains on investments	(414,454)	38,711
	557,102	964,571

18 Operating expenses

	2022 $	2021 $
Employee benefit expense (Note 18 a.)	7,087,754	7,019,543
Administrative and other expenses	3,714,580	3,458,659
Depreciation (Note 8)	417,096	406,718
Depreciation of right of use asset (Note 8 a.)	660,395	660,396
Directors' fees	180,000	172,500
Deposit insurance premium*	477,356	529,915
Office rent	30,000	30,000
Professional fees	491,775	511,667
Green fund levy	154,798	150,585
Loss on disposal of property and equipment	3,122	--
	13,216,876	12,939,983

* 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*

	2022 $	2021 $
Salaries	6,047,000	5,989,459
National insurance	357,647	350,173
Pension contributions	244,380	247,130
Other long-term benefits	438,727	432,781
	7,087,754	7,019,543

19 Taxation

	2022 $	2021 $
Corporation tax		
- Current year	7,571,598	7,419,471
- Adjustment to prior year's estimate	77,612	106,351
Deferred tax (credit)/charge (see Note 10)		
- Current year	(29,737)	98,581
- Adjustment to prior year's estimate	16,719	(2,549)
	7,636,192	7,621,854

The tax on the profit before taxation differs from the theoretical amount that would arise using the statutory rate of 30% (2021: 30%) as follows:

	2022 $	2021 $
Profit before taxation	24,620,698	24,478,096
Corporation tax calculated at a tax rate of 30%	7,386,210	7,343,429
Expenses not deductible for tax purposes	195,457	186,061
Income not assessable for tax	(39,806)	(11,437)
Adjustments to prior year's estimates	94,331	103,801
	7,636,192	7,621,854

20 Earnings per share

	2022 $	2021 $
Profit after taxation	16,984,506	16,856,242
Number of ordinary shares in issue	15,000,000	15,000,000
Earnings per share	1.13	1.12

21 Dividends

Declared - $0.33 per share (2021: $0.32)	5,000,000	4,800,000

22 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:*

	2022 $	2021 $
Loans to customers	1,209,906	--
Customers' deposits		
Directors and key management personnel	48,326,331	47,147,850
Interest income	60,561	--
Interest expense		
Directors and key management personnel	897,003	889,406

b. *Key management compensation*

Salaries and other short-term benefits	3,089,260	2,008,238

23 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.

23 **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 23 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 23 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 23 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 and GDP as the most relevant macro-economic factors and accordingly adjusted the historical loss rates based on expected changes in these factors.

- 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).

23 **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 2022.

The offer or uptake of a COVID-19 related repayment deferral does not itself constitute a SICR event unless the exposure is considered to have experienced a SICR based on other available information. For all exposures on repayment deferrals, SICR has been assessed with reference to arrears ageing and credit quality, to determine if changes in customers' circumstances were sufficient to constitute SICR.

23 **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.

23 **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 $623,387.

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

	2022 **$**	**2021** **$**
Cash and cash equivalents	21,270,709	8,320,900
Statutory deposit with Central Bank	25,218,111	25,218,111
	46,488,820	33,539,011
Instalment loans	434,102,421	459,409,514
Finance leases	827,936	1,089,852
Trade financing	6,356,871	6,387,358
Mortgage loans	4,875,491	2,939,022
	446,162,719	469,825,746
Less provision for impaired loans to customers	(6,233,866)	(6,634,379)
	439,928,853	463,191,367
Investments	10,739,824	6,131,180
Total	497,157,497	502,861,558
Loan commitments	1,100,341	188,858

23 **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.

23 **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	**Expected credit loss (%)**	**Average ECL ($)**	**Estimated EAD ($)**
Stage 1	0.199%	400,372,624	796,878
Stage 2	0.292%	1,189,747	3,471
Stage 3	12.180%	44,600,348	5,432,174
Loan commitments	0.122%	1,100,341	1,343
Total	1.394%	447,263,060	6,233,866

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

	Stage 1 ($)	**Stage 2 ($)**	**Stage 3 ($)**	**Total ($)**
Balance at beginning of the year	625,221	38,258	5,970,900	6,634,379
Net changes to provisions:				
- Transfers between categories	173,000	(34,787)	(538,726)	(400,513)
Balance at end of the year	798,221	3,471	5,432,174	6,233,866

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

	Stage 1 ($)	**Stage 2 ($)**	**Stage 3 ($)**	**Total ($)**
Net changes to provisions for the year	173,000	(34,787)	(538,726)	(400,513)
Amounts directly written off to profit or loss net recoveries	81,317	25,478	5,862,679	5,969,474
Net expense for the year	254,317	(9,309)	5,323,953	5,568,961

23 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(i) *Credit risk (continued)*

(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 2022						
Cash and cash equivalents	21,270,709	--	--	--	--	21,270,709
Statutory deposit with Central Bank	25,218,111	--	--	--	--	25,218,111
Loans to customers:						
- Instalment loans	330,350,343	57,961,983	595,339	594,408	44,600,348	434,102,421
- Finance leases	827,936	--	--	--	--	827,936
- Trade financing	6,356,871	--	--	--	--	6,356,871
- Mortgages	4,875,491	--	--	--	--	4,875,491
	342,410,641	57,961,983	595,339	594,408	44,600,348	446,162,719
	388,899,461	57,961,983	595,339	594,408	44,600,348	492,651,539
At 31 December 2021						
Cash and cash equivalents	8,320,900	--	--	--	--	8,320,900
Statutory deposit with Central Bank	25,218,111	--	--	--	--	25,218,111
Loans to customers:						
- Instalment loans	328,508,175	81,018,429	17,350,215	1,040,065	31,492,630	459,409,514
- Finance leases	1,089,852	--	--	--	--	1,089,852
- Trade financing	6,387,358	--	--	--	--	6,387,358
- Mortgages	2,939,022	--	--	--	--	2,939,022
	338,924,407	81,018,429	17,350,215	1,040,065	31,492,630	469,825,746
	372,463,418	81,018,429	17,350,215	1,040,065	31,492,630	503,364,757

23 **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) 2022 $	**Fair value of collateral 2022 $**	**Carrying value (before provisions) 2021 $**	**Fair value of collateral 2021 $**
Instalment loans	44,600,348	40,171,115	31,492,630	26,293,718

(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.

23 **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 2022					
Consumer	89,892,150	--	--	--	89,892,150
Manufacturing	22,024,864	--	--	--	22,024,864
Communications	49,867,806	--	--	--	49,867,806
Real estate	580,048	--	--	4,875,491	5,455,539
Hotel and restaurant	6,889,928	--	--	--	6,889,928
Energy	1,129,315	--	--	--	1,129,315
Distribution	29,573,762	--	6,356,871	--	35,930,633
Construction	50,399,833	--	--	--	50,399,833
Private sector	5,165,336	--	--	--	5,165,336
Agriculture	18,235,835	--	--	--	18,235,835
Utilities	945,812	--	--	--	945,812
Other	101,246,382	827,936	--	--	102,074,318
Car rentals	15,011,028	--	--	--	15,011,028
Security services	13,863,580	--	--	--	13,863,580
Hardware	12,503,269	--	--	--	12,503,269
Air/con, maint, environ	8,669,128	--	--	--	8,669,128
Equipment rentals	6,236,174	--	--	--	6,236,174
Safety equipment	1,868,171	--	--	--	1,868,171
	434,102,421	827,936	6,356,871	4,875,491	446,162,719
Loan commitments	1,100,341	--	--	--	1,100,341
At 31 December 2021					
Consumer	98,939,448	--	--	--	98,939,448
Manufacturing	25,372,588	--	--	--	25,372,588
Communications	50,766,777	--	--	--	50,766,777
Real estate	1,325,098	--	--	2,939,022	4,264,120
Hotel and restaurant	6,563,108	--	--	--	6,563,108
Energy	1,487,440	--	--	--	1,487,440
Distribution	34,026,059	--	6,387,358	--	40,413,417
Construction	54,265,283	--	--	--	54,265,283
Private sector	5,992,820	--	--	--	5,992,820
Agriculture	21,128,783	--	--	--	21,128,783
Utilities	708,756	--	--	--	708,756
Other	103,569,420	1,089,852	--	--	104,659,272
Car rentals	8,424,564	--	--	--	8,424,564
Security services	13,232,658	--	--	--	13,232,658
Hardware	17,320,212	--	--	--	17,320,212
Air/con, maint, environ	7,630,825	--	--	--	7,630,825
Equipment rentals	6,602,788	--	--	--	6,602,788
Safety equipment	2,052,887	--	--	--	2,052,887
	459,409,514	1,089,852	6,387,358	2,939,022	469,825,746
Loan commitments	188,858	--	--	--	188,858

23 **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 6.5% per annum (2021 – 6.5%). 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 2022					
Financial assets					
Cash and cash equivalents	21,270,709	21,270,709	--	--	21,270,709
Statutory deposit	25,218,111	--	25,218,111	--	25,218,111
Loans to customers	439,928,853	25,418,095	310,853,168	221,949,074	558,220,337
	486,417,673	46,688,804	336,071,279	221,949,074	604,709,157
Financial liabilities					
Customers' deposits	214,107,703	208,484,127	8,938,176	--	217,422,303
Other liabilities	1,038,582	1,038,582	--	--	1,038,582
	215,146,285	209,522,709	8,938,176	--	218,460,885
Net liquidity gap	271,271,388	(162,833,905)	327,133,103	221,949,074	386,248,272
Loan commitments	1,100,341	1,100,341	--	--	1,100,341

23 **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 2021					
Financial assets					
Cash and cash equivalents	8,320,900	8,320,900	--	--	8,320,900
Statutory deposit	25,218,111	--	25,218,111	--	25,218,111
Loans to customers	463,191,367	23,261,729	339,778,556	227,042,090	590,082,375
	496,730,378	31,582,629	364,996,667	227,042,090	623,621,386
Financial liabilities					
Customers' deposits	230,742,924	220,209,603	14,159,444	--	234,369,047
Other liabilities	925,583	925,583	--	--	925,583
	231,668,507	221,135,186	14,159,444	--	235,294,630
Net liquidity gap	265,061,871	(189,552,557)	350,837,223	227,042,090	388,326,756
Loan commitments	188,858	188,858	--	--	188,858

(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.

23 **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 2022, had interest rates been 50 basis points higher/lower, profit before taxation would have been lower/higher by $1,145,674 (2021: $1,163,880). 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.

23 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.

	2022 $'000	**2021 $'000**
Qualifying capital	283,431	271,447
Risk adjusted assets	457,466	476,444
Capital adequacy ratio	61.96%	56.97%

During the two years ended 2022 and 2021, 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.

24 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).

24 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, Scotia Trinidad & Tobago Growth and Income Fund and Unit Trust Corporation Growth & Income Fund where the values of the funds are 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 term deposit held with Development Finance Limited.

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 2022.

	Level 1 $	Level 2 $	Total $
Assets			
Financial assets at FVPL			
- Investments	2,739,824	8,000,000	10,739,824

December 2021

	Level 1 $	Level 2 $	Total $
Assets			
Financial assets at FVPL			
- Investments	3,131,180	3,000,000	6,131,180

24 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 2022 $	Fair value 2022 $	Carrying value 2021 $	Fair value 2021 $
Financial assets				
Cash and cash equivalents	21,270,709	21,270,709	8,320,900	8,320,900
Statutory deposit	25,218,111	25,218,111	25,218,111	25,218,111
Loans to customers	439,928,853	434,975,057	463,191,367	459,903,857
Financial liabilities				
Customers' deposit	214,107,703	217,078,527	230,742,924	233,824,453
Bank overdraft	--	--	--	--
Other liabilities	1,038,582	1,038,582	925,583	925,583

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.

25 Contingent liabilities and commitments

a. *Loan commitments*

At the statement of financial position date, there were loan commitments amounting to $1,100,341 (2021: $188,858) 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 (2021: Nil).

26 Subsequent events

There were no events arising after the reporting date that require disclosure or adjustments in the financial statements.