CFC

CARIBBEAN FINANCE COMPANY LTD.

Providing Efficient Service Since 1971

2023

FINANCIAL STATEMENTS

Caribbean Finance Company Limited

Financial Statements

31 December 2023

(Expressed in Trinidad and Tobago Dollars)

Contents

Caribbean Finance Company Limited

Directors' Report

The Directors have pleasure in submitting their Report and the Financial Statements for the year ended 31 December 2023.

Financial Results	$
Profit before taxation	26,146,865
Less: Taxation	(8,049,153)
Profit after taxation	18,097,712
Retained earnings at beginning of year	250,931,315
Dividends	(5,500,000)
Retained earnings at end of year	263,529,027

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 (resigned 31/12/2023)	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
Nicole Ferreira-Aaron (appointed 1/10/2023)	Corner of Dere and Albion Streets, 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

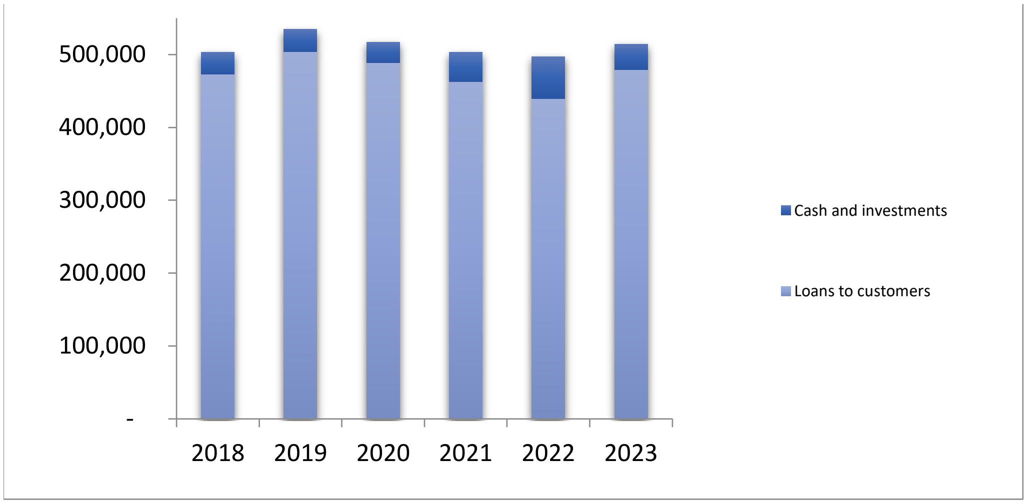
MG Daly & Partners
121 Henry Street
Port of Spain

Auditors

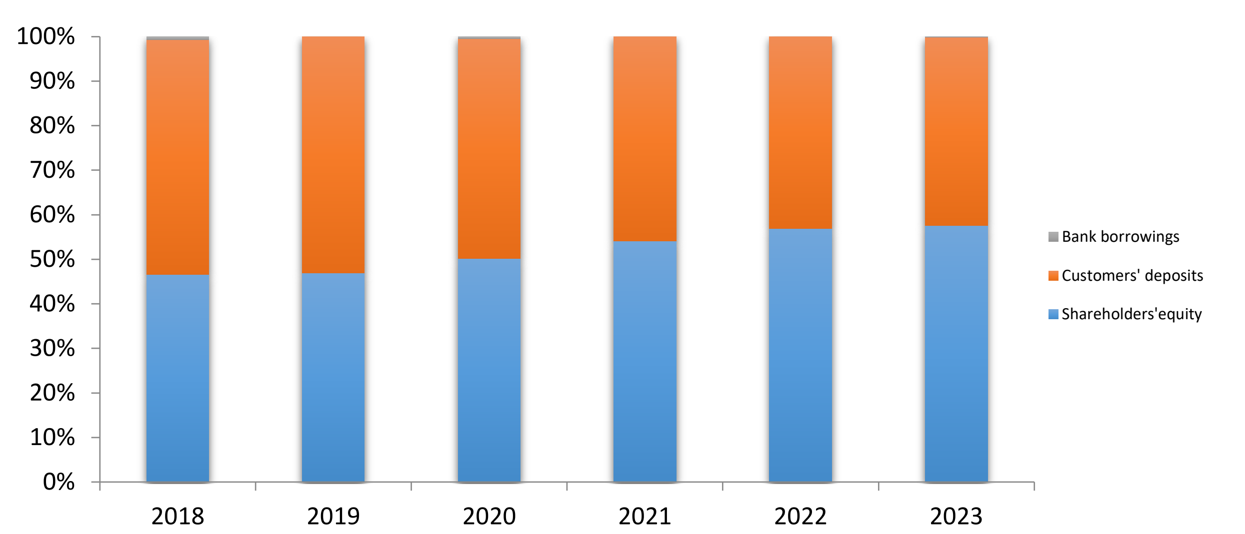
PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain

Caribbean Finance Company Limited
Financial Highlights

	December 2018 $'000	December 2019 $'000	December 2020 $'000	December 2021 $'000	December 2022 $'000	December 2023 $'000
Loans to customers	473,097	503,910	488,944	463,191	439,929	479,500
Cash and investments	30,057	30,944	28,126	39,670	57,229	34,947

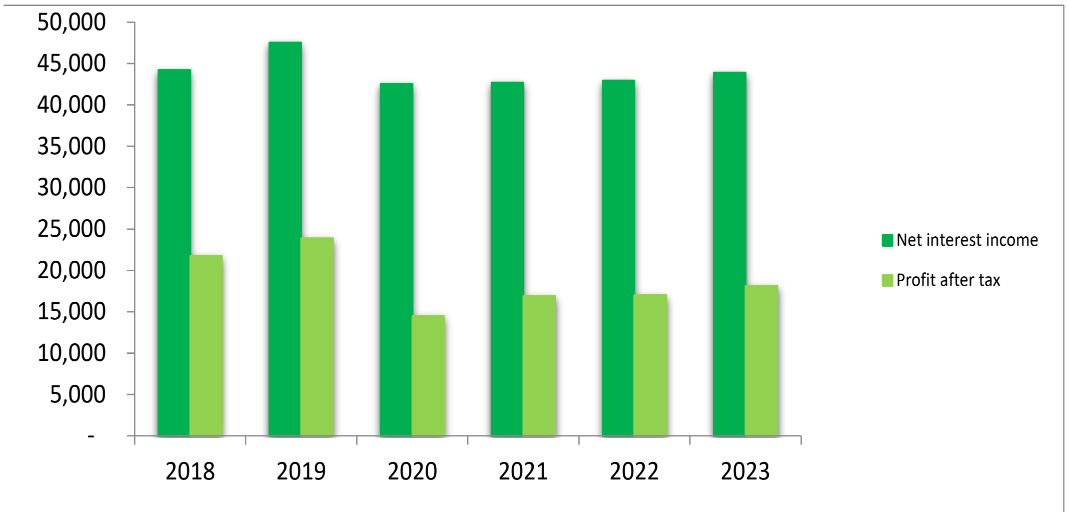


	December 2018 $'000	December 2019 $'000	December 2020 $'000	December 2021 $'000	December 2022 $'000	December 2023 $'000
Shareholders' equity	232,028	248,902	259,391	271,447	283,431	296,029
Customers' deposits	262,497	280,716	255,751	230,743	214,108	217,686
Bank borrowings	3,239	--	2,413	--	--	451



Caribbean Finance Company Limited
Financial Highlights (continued)

	December 2018 $'000	December 2019 $'000	December 2020 $'000	December 2021 $'000	December 2022 $'000	December 2023 $'000
Net interest income	44,215	47,502	42,530	42,685	42,936	43,900
Profit after tax	21,761	23,874	14,489	16,856	16,985	18,098



Ratios	2023 %	2022 %	
Profit Margin	87.44	86.79	Measures the Company's Total Expense Management
Efficiency Ratio	42.04	43.19	Indicates Non-Interest Expense Management
Return on Assets	3.52	3.35	Measures the Profitable use of Assets
Return on Equity	6.25	6.12	Is the Profitable use of Owner's Equity
Capital Adequacy	59.50	61.96	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 2023, 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 the Companies Act; and

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

In preparing these audited financial statements, management utilised IFRS Accounting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where IFRS Accounting 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
13 March 2024

Accountant
13 March 2024

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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 directors' 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.

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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 IFRS Accounting 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
14 March 2024

Caribbean Finance Company Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 31 December 2023 $	2022 $
Assets			
Cash and cash equivalents	4	1,941,487	21,270,709
Statutory deposit with Central Bank	5	22,218,111	25,218,111
Investments	6	10,787,547	10,739,824
Loans to customers	7	479,500,103	439,928,853
Property and equipment	8	2,718,752	2,638,986
Right-of-use asset	8 a.	1,812,118	799,651
Deferred tax asset	10	194,132	170,082
Other assets		481,964	368,722
Taxation recoverable		3,734,344	3,831,038
Total assets		523,388,558	504,965,976
Liabilities			
Customers' deposits	11	217,685,969	214,107,703
Bank overdraft	12	450,793	--
Lease liabilities	9	1,892,283	942,893
Other liabilities		1,208,493	1,038,582
Taxation payable		206,935	--
Deferred tax liability	10	415,058	445,483
Dividend payable		5,500,000	5,000,000
Total liabilities		227,359,531	221,534,661
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		263,529,027	250,931,315
Total shareholder's equity		296,029,027	283,431,315
Total liabilities and equity		523,388,558	504,965,976

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

On 13 March 2024, 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 2023 $	2022 $
Interest income	15	50,208,110	49,471,306
Interest expense	16	(6,307,920)	(6,535,597)
Net interest income		43,900,190	42,935,709
Other income	17	1,319,798	557,102
Total net income		45,219,988	43,492,811
Expected credit losses on financial assets, net of recoveries	7 b.	(4,738,335)	(5,568,961)
Loan modification losses	7 c.	(4,376)	(509)
Operating expenses	18	(14,267,559)	(13,216,876)
Total non-interest expenses		(19,010,270)	(18,786,346)
Operating profit		26,209,718	24,706,465
Finance cost	9	(62,853)	(85,767)
Profit before taxation		26,146,865	24,620,698
Taxation	19	(8,049,153)	(7,636,192)
Profit after taxation, being Total comprehensive income for the year		18,097,712	16,984,506
Earnings per share	20	1.21	1.13

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 2023						
Balance at 1 January 2023		15,000,000	15,000,000	2,500,000	250,931,315	283,431,315
Total comprehensive income for the year		--	--	--	18,097,712	18,097,712
Dividends	21	--	--	--	(5,500,000)	(5,500,000)
Balance at 31 December 2023		15,000,000	15,000,000	2,500,000	263,529,027	296,029,027
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

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 2023 $	2022 $
Cash flows from operating activities			
Profit before taxation		26,146,865	24,620,698
Adjustments for:			
Expected credit losses on financial assets	7 b.	4,738,335	5,568,961
Loan modification losses	7 c.	4,376	509
Depreciation		1,182,505	1,077,491
(Gains)/losses on disposal of property and equipment		(18,405)	3,122
Unrealised (gains)/losses on investments	6	(24,159)	414,454
Interest expense on lease liability	9	62,853	85,767
(Increase)/decrease in operating assets			
Loans to customers		(44,313,961)	17,693,044
Central Bank Reserve Account		3,000,000	--
Other assets		(113,242)	114,359
Increase/(decrease) in operating liabilities			
Customers' deposits		3,578,266	(16,635,221)
Other liabilities		169,911	112,999
Cash (used in)/generated from operating activities		(5,586,656)	33,056,183
Corporation tax paid		(7,800,000)	(8,397,083)
Net cash (used in)/generated from operating activities		(13,386,656)	24,659,100
Cash flows from investing activities			
Purchase of property and equipment	8	(623,773)	(1,141,563)
Proceeds from sale of property and equipment		49,164	50,556
Purchase of investments	6	(23,564)	(5,023,098)
Net cash used in investing activities		(598,173)	(6,114,105)
Financing activities			
Dividends paid		(5,000,000)	(4,800,000)
Repayment of lease liabilities		(732,333)	(709,419)
Interest payment on lease liabilities	9	(62,853)	(85,767)
Net cash used in financing activities		(5,795,186)	(5,595,186)
Net (decrease)/increase in cash and cash equivalents		(19,780,015)	12,949,809
Cash and cash equivalents at beginning of year		21,270,709	8,320,900
Cash and cash equivalents at end of year		1,490,694	21,270,709
Represented by:			
Cash and cash equivalents	4	1,941,487	21,270,709
Bank overdraft		(450,793)	--
		1,490,694	21,270,709

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 the Company's registered office is 22 Kew Place, Port of Spain.

2 Material 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 IFRS Accounting 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 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*

- *Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (Effective 1 January 2023)*

  The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) 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.

2 **Material accounting policies (continued)**

a. *Basis of preparation (continued)*

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

- *Definition of Accounting Estimates – Amendments to IAS 8 (Effective 1 January 2023)*

  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 Amendment to IAS 12* (*(Effective 1 January 2023)*

  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.

  This amendment is expected to reduce diversity in the reporting and align the accounting for deferred tax on such transactions with the general principle in IAS 12 of recognizing deferred tax for temporary differences.

  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 2023 do not have a material impact on the Company.

(ii) *New standards, amendments and interpretations not yet effective and has not been early 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 2023

- *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024)*

  The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that, for an entity to classify a liability as non-current, the entity must have the right at the reporting date to defer settlement of the liability for at least twelve months after that date. The amendments clarify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or noncurrent, even if the covenant is only assessed after the entity's reporting date.

2 **Material accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) *New standards, amendments and interpretations not yet effective and has not been early adopted by the Company (continued)*

- *Leases on sale and leaseback – Amendment to IFRS 16 (effective for annual periods beginning on or after 1 January 2024)*

  The narrow-scope amendments to IFRS 16 Leases include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. The Company is currently assessing the impact of this amendment.

- *IFRS S1 - General requirements for disclosure of sustainability-related financial information*

  This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

- *IFRS S2 - Climate-related disclosures information*

  This is the first thematic standard issued that sets out requirements for entities to disclose information about climate related risks and opportunities.

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 2023 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 **Material accounting policies (continued)**

c. *Cash and cash equivalents*

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition. Financial instruments can only be included if they are in substance cash equivalents, e.g. debt investments with fixed redemption dates that are acquired within three months of their maturity.

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 **Material 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 fair value 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 **Material 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 **Material 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 expired).

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 **Material 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 Material 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 judgements and key sources of estimation uncertainty

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Judgements and estimates are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

a. *Critical judgements in applying the Company's accounting policies*

In the process of applying the Company's accounting policies, management has made no judgements which it believes present a significant risk of material misstatement to the amounts recognised in the financial statements.

b. *Key sources of estimation uncertainty*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Expected credit loss allowance on customer loans and investments

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).

(ii) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Cash and cash equivalents

	2023 $	2022 $
Cash on hand and in bank	640,945	19,987,117
Money market mutual funds	1,300,542	1,283,592
	1,941,487	21,270,709

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

	2023 $	2022 $
Statutory deposit with Central Bank	22,218,111	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 2023 and 31 December 2022, the Company was in compliance with this requirement.

6 Investments

	2023 $	2022 $
Trinidad and Tobago Unit Trust Corporation		
- First Unit Scheme (Note 6 a.)	33,823	33,823
Roytrin Mutual Funds	903,916	891,166
Scotiabank Trinidad and Tobago - Growth & Income Fund	1,849,808	1,814,835
Development Finance Limited – Term Deposit	8,000,000	8,000,000
	10,787,547	10,739,824
Balance at beginning of year	10,739,824	6,131,180
Net additions of investments	23,564	5,023,098
Net fair value gains/(losses) on investments	24,159	(414,454)
Balance at end of year	10,787,547	10,739,824

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

7 Loans to customers

	2023 $	2022 $
Instalment loans	468,554,787	434,102,421
Finance leases (Note 7 a.)	536,788	827,936
Trade financing	9,962,471	6,356,871
Mortgage loans	6,624,099	4,875,491
	485,678,145	446,162,719
Expected credit loss allowance on customer loans	(6,178,042)	(6,233,866)
	479,500,103	439,928,853
Non-current portion	456,815,516	417,948,543
Current portion	28,862,629	28,214,176
	485,678,145	446,162,719

a) *Finance leases*

	2023 $	2022 $
Gross investment in finance leases	588,016	945,303
Unearned finance charges	(51,228)	(117,367)
Net investment in finance leases	536,788	827,936

Gross investment in finance leases

	2023 $	2022 $
Not later than 1 year	49,300	--
Later than 1 year and not later than 5 years	538,716	945,303
	588,016	945,303

b) *Expected credit losses on financial assets, net of recoveries*

	2023 $	2022 $
Charge for the year	4,738,335	5,907,530
Income received on claims previously written off net of expenses	--	(338,569)
	4,738,335	5,568,961

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 $4,376 (2022: $509) 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 2023						
Opening net book value	509,763	139,122	601,199	668,553	720,349	2,638,986
Additions	18,097	5,140	411,314	166,222	23,000	623,773
Disposals	--	--	(28,558)	(2,201)	--	(30,759)
Depreciation charge	(54,385)	(14,842)	(166,789)	(130,095)	(147,137)	(513,248)
Closing net book value	473,475	129,420	817,166	702,479	596,212	2,718,752
At 31 December 2023						
Cost	940,288	460,600	1,424,542	1,941,823	2,292,952	7,060,205
Accumulated depreciation	(466,813)	(331,180)	(607,376)	(1,239,344)	(1,696,740)	(4,341,453)
Net book value	473,475	129,420	817,166	702,479	596,212	2,718,752
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
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

8 a. **Right-of-use asset**	**2023** $	**2022** $
Opening balance	799,651	1,460,046
Additions	1,681,724	--
Depreciation charge	(669,257)	(660,395)
Carrying value	1,812,118	799,651

9 Lease liabilities

Current portion	697,017	604,341
Non-current portion	1,195,266	338,552
	1,892,283	942,893
Interest payment on lease (Finance cost)	(62,853)	(85,767)

The total cash outflow for leases in 2023 was $795,186 (2022 - $795,186).

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 2023					
Lease payments	795,186	1,256,573	--	--	2,051,759
Finance charges	(98,169)	(61,307)	--	--	(159,476)
Net present values	697,017	1,195,266	--	--	1,892,283

	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

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% (2022: 30%).

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

	2022 $	2021 $
At beginning of year	275,401	288,419
Amount recognised in profit or loss (Note 19):		
- Current year	(54,405)	(29,737)
- Adjustment to prior year's estimates	(70)	16,719
At end of year	220,926	275,401
The net deferred tax (asset)/liability is attributable to:		
Lease liabilities	(194,132)	(170,082)
Accelerated depreciation on leased assets, property and equipment	415,058	445,483
Net deferred tax liability	220,926	275,401

11 Customers' deposits

Deposit balances	215,294,955	211,735,383
Accrued interest	2,391,014	2,372,320
	217,685,969	214,107,703
Current portion	205,137,996	205,203,207
Non-current portion	12,547,973	8,904,496
	217,685,969	214,107,703

a. *Sectorial analysis*

	2023 $	%	2022 $	%
Consumers	198,382,094	91	198,352,561	93
Commercial	19,303,875	9	15,755,142	7
	217,685,969	100	214,107,703	100

All deposits have fixed interest rates.

12 Bank overdraft

The Company maintains an overdraft facility which bears interest at 6.5% per annum (2022 – 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

	2023 $	2022 $
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. The Company has met and is in compliance with this requirement.

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. The Company has met and is in compliance with this requirement.

15 Interest income

	2023 $	2022 $
Loans and other receivables	49,894,149	49,329,002
Cash resources and investments	313,961	142,304
	50,208,110	49,471,306

16 Interest expense

	2023 $	2022 $
Customers' deposits	6,307,276	6,535,597
Bank overdraft and short-term financing	644	--
	6,307,920	6,535,597

17 Other income

	2023 $	2022 $
Fees and commissions	1,277,234	971,556
Net fair value gains/(losses) on investments	24,159	(414,454)
Gain on disposal of property and equipment	18,405	--
	1,319,798	557,102

18 Operating expenses

	2023 $	2022 $
Employee benefit expense (Note 18 a.)	7,412,265	7,087,754
Administrative and other expenses	4,099,543	3,714,580
Depreciation (Note 8)	513,248	417,096
Depreciation of right of use asset (Note 8 a.)	669,257	660,395
Directors' fees	349,500	180,000
Deposit insurance premium*	435,991	477,356
Office rent	30,000	30,000
Professional fees	598,082	491,775
Green fund levy	159,673	154,798
Loss on disposal of property and equipment	--	3,122
	14,267,559	13,216,876

Audit fees for the year ended 31December 2023 totalled $362,200 (2022: $344,957). Other fees incurred to the auditor (and related network firms) for non-assurance services totalled $92,185 (2022: $45,250).

* 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*

	2023 $	2022 $
Salaries	6,336,600	6,047,000
National insurance	353,685	357,647
Pension contributions	245,643	244,380
Other long-term benefits	476,337	438,727
	7,412,265	7,087,754

19 Taxation

	2023 $	2022 $
Corporation tax		
- Current year	8,006,935	7,571,598
- Adjustment to prior year's estimate	96,693	77,612
Deferred tax (credit)/charge (see Note 10)		
- Current year	(54,405)	(29,737)
- Adjustment to prior year's estimate	(70)	16,719
	8,049,153	7,636,192

The tax on the profit before taxation differs from the theoretical amount that would arise using the statutory rate of 30% (2022: 30%) as follows:

	2023 $	2022 $
Profit before taxation	26,146,865	24,620,698
Corporation tax calculated at a tax rate of 30%	7,844,060	7,386,210
Expenses not deductible for tax purposes	121,111	195,457
Income not assessable for tax	(12,641)	(39,806)
Adjustments to prior year's estimates	96,623	94,331
	8,049,153	7,636,192

20 Earnings per share

	2023 $	2022 $
Profit after taxation	18,097,712	16,984,506
Number of ordinary shares in issue	15,000,000	15,000,000
Earnings per share	1.21	1.13

21 Dividends

Declared - $0.37 per share (2022: $0.33)	5,500,000	5,000,000

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:*

	2023 $	2022 $
Loans to customers	1,002,344	1,209,906
Customers' deposits		
Directors and key management personnel	49,895,938	48,326,331
Interest income	86,315	60,561
Interest expense		
Directors and key management personnel	908,504	897,003

b. *Key management compensation*

Salaries and other short-term benefits	3,525,886	3,089,260

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 GDP as the most relevant macro-economic factor and accordingly adjusted the historical loss rates based on expected changes in this factor.

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 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 2023.

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 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 increase/decrease by $617,804.

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

	2023 **$**	**2022** **$**
Cash and cash equivalents	1,941,487	21,270,709
Statutory deposit with Central Bank	22,218,111	25,218,111
	24,159,598	46,488,820
Instalment loans	468,554,787	434,102,421
Finance leases	536,788	827,936
Trade financing	9,962,471	6,356,871
Mortgage loans	6,624,099	4,875,491
	485,678,145	446,162,719
Less: expected credit loss allowance on customer loans	(6,178,042)	(6,233,866)
	479,500,103	439,928,853
Investments	10,787,547	10,739,824
Total credit risk exposure	514,447,248	497,157,497
Loan commitments	1,086,560	1,100,341

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	Average ECL (%)	Estimated EAD ($)	Expected credit loss ($)
Stage 1	0.203%	444,804,605	900,953
Stage 2	0.278%	983,409	2,736
Stage 3	13.219%	39,890,131	5,273,012
Loan commitments	0.123%	1,086,560	1,341
Total	1.269%	486,764,705	6,178,042

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	798,221	3,471	5,432,174	6,233,866
Net changes to expected credit losses:				
- Transfers between categories	104,073	(735)	(159,162)	(55,824)
Balance at end of the year	902,294	2,736	5,273,012	6,178,042

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	104,073	(735)	(159,162)	(55,824)
Amounts directly written off to profit or loss net recoveries	18,831	17,207	4,758,121	4,794,159
Net expense for the year	122,904	16,472	4,598,959	4,738,335

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**	**> 90 days**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
At 31 December 2023						
Cash and cash equivalents	1,941,487	--	--	--	--	1,941,487
Statutory deposit with Central Bank	22,218,111	--	--	--	--	22,218,111
Loans to customers:						
- Instalment loans	364,051,984	63,629,264	894,189	89,219	39,890,131	468,554,787
- Finance leases	536,788	--	--	--	--	536,788
- Trade financing	9,962,471	--	--	--	--	9,962,471
- Mortgages	5,109,204	1,514,895	--	--	--	6,624,099
	379,660,447	65,144,159	894,189	89,219	39,890,131	485,678,145
	403,820,045	65,144,159	894,189	89,219	39,890,131	509,837,743
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

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) 2023 $	**Fair value of collateral 2023 $**	**Carrying value (before provisions) 2022 $**	**Fair value of collateral 2022 $**
Instalment loans	39,890,131	35,496,753	44,600,348	40,171,115

(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 2023					
Consumer	95,604,012	--	--	--	95,604,012
Manufacturing	30,056,687	--	--	--	30,056,687
Communications	51,795,478	--	--	--	51,795,478
Real estate	411,078	--	--	6,624,099	7,035,177
Hotel and restaurant	8,851,912	--	--	--	8,851,912
Energy	3,201,774	--	--	--	3,201,774
Distribution	41,367,702	--	9,962,471	--	51,330,173
Construction	48,911,804	--	--	--	48,911,804
Private sector	4,426,598	--	--	--	4,426,598
Agriculture	20,514,453	--	--	--	20,514,453
Utilities	460,887	--	--	--	460,887
Other	106,036,739	536,788	--	--	106,573,527
Car rentals	16,923,625	--	--	--	16,923,625
Security services	13,550,442	--	--	--	13,550,442
Hardware	4,566,139	--	--	--	4,566,139
Air/con, maint, environ	10,014,244	--	--	--	10,014,244
Equipment rentals	9,980,944	--	--	--	9,980,944
Safety equipment	1,880,269	--	--	--	1,880,269
	468,554,787	536,788	9,962,471	6,624,099	485,678,145
Loan commitments	1,086,560	--	--	--	1,086,560
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

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 (2022 – 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 2023					
Financial assets					
Cash and cash equivalents	1,941,487	1,941,487	--	--	1,941,487
Statutory deposit	22,218,111	--	22,218,111	--	22,218,111
Loans to customers	479,500,103	27,552,258	325,910,457	251,777,307	605,240,022
	503,659,701	29,493,745	348,128,568	251,777,307	629,399,620
Financial liabilities					
Customers' deposits	217,685,969	208,552,972	12,669,045	--	221,222,017
Bank overdraft	450,793	450,793	--	--	450,793
Other liabilities	1,208,493	1,208,493	--	--	1,208,493
	219,345,255	210,212,258	12,669,045	--	222,881,303
Net liquidity gap	284,314,446	(180,718,513)	335,459,523	251,777,307	406,518,317
Loan commitments	1,086,560	1,086,560	--	--	1,086,560

23 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Liquidity risk (continued)*

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

	Carrying amount $	Undiscounted cash flows: 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

(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 increase or decrease. 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 2023, had interest rates been 50 basis points increase/decrease, profit before taxation would have decrease/increase by $1,219,039 (2022: $1,145,674). 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.

	2023 $'000	2022 $'000
Qualifying capital	296,029	283,431
Risk adjusted assets	497,543	457,466
Capital adequacy ratio	59.50%	61.96%

During the two years ended 2023 and 2022, 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 Company is the current bid price. Instruments included in Level 1 relates to Roytrin Mutual Funds, Scotiabank 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. The Company has no Level 3 investments.

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 financial assets that are measured at fair value.

At December 2023

	Level 1 $	Level 2 $	Total $
Assets			
Financial assets at FVPL:			
- Investments	2,787,547	8,000,000	10,787,547

At December 2022

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

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 2023 $	Fair value 2023 $	Carrying value 2022 $	Fair value 2022 $
Financial assets				
Cash and cash equivalents	1,941,487	1,941,487	21,270,709	21,270,709
Statutory deposit	22,218,111	22,218,111	25,218,111	25,218,111
Loans to customers	479,500,103	469,546,748	439,928,853	434,975,057
Financial liabilities				
Customers' deposit	217,685,969	220,734,746	214,107,703	217,078,527
Bank overdraft	450,793	450,793	--	--
Other liabilities	1,208,493	1,208,493	1,038,582	1,038,582

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 is 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 $1,086,560 (2022: $1,100,341) 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 (2022: Nil).

26 **Subsequent events**

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