Massy Finance GFC Ltd

Financial Statements

30 September 2021

(Expressed in Trinidad and Tobago Dollars)

Massy Finance GFC Ltd

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Massy Finance GFC Ltd

Statement of Management's Responsibility

The Financial Institutions Act, 2008 (The Act), requires that management prepare and acknowledge responsibility for the following:

- Preparing and fairly presenting the accompanying financial statements of Massy Finance GFC Ltd (the Company) which comprise the statement of financial position as at 30 September 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Company keeps proper accounting records;

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

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

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

- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and

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

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

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

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

Managing Director	Finance Manager
20 December 2021	20 December 2021

Independent auditor's report

To the shareholders of Massy Finance GFC Ltd

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Massy Finance GFC Ltd (the Company) as at 30 September 2021, 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 30 September 2021;
- the statement of profit or loss and comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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.

PricewaterhouseCoopers, PO Box 550, 11-13 Victoria Avenue, Port of Spain, 100902, Trinidad, West Indies
T: (868) 299 0700, F: (868) 623 6025, www.pwc.com/tt

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.

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.

Port of Spain,
Trinidad, West Indies
21 December 2021

Massy Finance GFC Ltd

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

	Notes	As at 30 September 2021 ($'000)	2020 ($'000)
Assets			
Cash on hand and due from banks	4	17,659	23,741
Statutory deposit with Central Bank	5	26,543	31,043
Instalment credit and other loans	6	389,692	366,171
Other financial assets		34	34
Property and equipment	7	1,576	1,441
Right of use asset	8	4,448	1,140
Deferred tax asset	9	2,445	2,920
Taxation recoverable		1,770	1,771
Other assets	10	604	386
Total assets		444,771	428,647
Shareholders' equity			
Share capital	11	15,000	15,000
Statutory reserve	12	15,000	15,000
General banking reserve	13	2,390	2,390
Retained earnings		106,706	99,754
Total shareholders' equity		139,096	132,144
Liabilities			
Customers' deposits	14	294,697	290,152
Taxation payable		82	600
Lease liabilities	8	4,628	1,192
Other liabilities	15	6,268	4,559
Total liabilities		305,675	296,503
Total shareholders' equity and liabilities		444,771	428,647

The notes on pages 8 to 50 are an integral part of these financial statements.

On 20 December 2021, the Board of Directors of Massy Finance GFC Ltd authorised these financial statements for issue.

________________________________ Director ________________________________ Director

Massy Finance GFC Ltd

Statement of Profit or loss and Other Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 30 September 2021 ($'000)	2020 ($'000)
Interest income	16	29,897	29,828
Interest expense	17	(7,131)	(7,337)
Net interest income		22,766	22,491
Other income	18	7,727	6,920
Total net income		30,493	29,411
Impairment losses on loans, net of recoveries	22 a. (ii) (c)	87	(3,165)
Operating expenses	19	(20,455)	(19,809)
Total non-interest expenses		(20,368)	(22,974)
Profit before taxation		10,125	6,437
Taxation	20	(3,173)	(1,992)
Profit after taxation		6,952	4,445
Other comprehensive income		--	--
Total comprehensive income for the year		6,952	4,445

The notes on pages 8 to 50 are an integral part of these financial statements.

Massy Finance GFC Ltd

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

	Share capital ($'000)	Statutory reserve ($'000)	General banking reserve ($'000)	Retained earnings ($'000)	Total shareholders' equity ($'000)
Year ended 30 September 2021					
Balance at beginning of year	15,000	15,000	2,390	99,754	132,144
Total comprehensive income for the year	--	--	--	6,952	6,952
Balance at end of year	15,000	15,000	2,390	106,706	139,096
Year ended 30 September 2020					
Balance at beginning of year	15,000	15,000	2,390	95,387	127,777
IFRS 16 initial application adjustments	--	--	--	(78)	(78)
Balance as at 1 October 2019 - restated	15,000	15,000	2,390	95,309	127,699
Total comprehensive income for the year	--	--	--	4,445	4,445
Balance at end of year	15,000	15,000	2,390	99,754	132,144

The notes on pages 8 to 50 are an integral part of these financial statements.

Massy Finance GFC Ltd

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 September 2021 ($'000)	2020 ($'000)
Cash flows from operating activities		
Profit before taxation	10,125	6,437
Adjustments for:		
Impairment losses on loans	(87)	3,165
Depreciation	388	382
Depreciation on right to use asset	1,856	902
Profit on disposal of property and equipment and assets	--	--
Cash flows before changes in operating assets and liabilities	12,282	10,886
Decrease/(increase) in operating assets:		
Statutory deposit with Central Bank	4,500	--
Instalment credit and other loans	(23,434)	4,106
Due from related parties	(35)	2,028
Other assets	(183)	1,885
(Increase)/decrease in operating liabilities		
Customers' deposits	4,475	(15,497)
Due to related parties	1,778	9
Other liabilities	1	78
Cash (used in)/generated from operating activities	(616)	3,495
Taxation payments	(3,215)	(1,097)
Net cash (used in)/generated from operating activities	(3,831)	2,398
Investing activities		
Purchase of equipment and assets	(604)	(684)
Proceeds from sale of equipment and assets	81	--
Net cash used in investing activities	(523)	(684)
Financing activities		
Principal repayments on lease liabilities	(1,728)	(961)
Net cash used in financing activities	(1,728)	(961)
(Decrease)/increase in cash and cash equivalents	(6,082)	753
Cash and cash equivalents at beginning of year	23,741	22,988
Cash and cash equivalents at end of year	17,659	23,741
Represented by:		
Cash on hand and due from banks	17,659	23,741

The notes on pages 8 to 50 are an integral part of these financial statements.

1 Incorporation and principal activities

The Company is incorporated in the Republic of Trinidad and Tobago and is licensed under the Financial Institutions Act, 2008. It is a wholly owned subsidiary of Massy Holdings Ltd., a company also incorporated in the Republic of Trinidad and Tobago.

The address of its registered office is 61-63 Edward Street, Port of Spain.

The principal activities of the Company are the acceptance of deposits for fixed terms and the granting of instalment credit secured on specific equipment and goods, demand loans and mortgage loans. It also undertakes insurance premium financing and lease financing. The Company also conducts foreign currency trades which is mainly with the Massy Group. The Company operates through its Head Office in Port of Spain with 4 other offices throughout Trinidad and 1 office in Tobago.

On the 1 July 2014, the Registrar General of Trinidad and Tobago under Section 217 of the companies Act 1995 approved the Articles of Amendment for change of name from General Finance Corporation Limited to Massy Finance GFC Ltd.

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 financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations. The financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets 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*

The following standards, amendments and interpretations listed were also effective as of 1 October 2020, but did not have a significant impact on the amounts recognised in prior and current periods.

- Definition of a Business – amendments to IFRS 3
- Amendments to IAS 1 and IAS 8 on the definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform
- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities.

2 Significant accounting policies (continued)

a. *Basis of preparation (continued)*

(ii) *New standards, amendments and interpretations that are not yet effective and not early adopted*

The following standard has not yet been adopted and may have a material impact on the entity in future reporting periods and on foreseeable future transactions:

The following are new standards and interpretations which have not yet been adopted and are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- A number of narrow-scope amendments to IFRS 17, IFRS 16, IAS 1, IAS 16, IFRS 3, IAS 37, IAS 28, IFRS 10 and some annual improvements on IFRS 9 ,IFRS 16 and IFRS 1.

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 functional 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 the statement of profit or loss and other comprehensive income.

c. *Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, amounts due from other financial institutions, short term bank deposits, short term borrowings and bank overdrafts.

Bank overdrafts are reported in the statement of financial position as "due to banks".

2 **Significant accounting policies (continued)**

d. *Financial assets under IFRS 9*

(i) *Classification*

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

- those to be measured at Amortised Cost (AC), and
- those to be measured subsequently at Fair Value Through Profit or Loss (FVPL)

The classification of the Company's financial assets as "instalment credit and other loans" and "other financial assets" depends on the entity's Business Model for managing those assets. It also requires the entity to examine the contractual terms of the cash flows, 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.

Instalment credit and other loans are held to maturity to collect cash flows and accordingly meet the 'hold to collect' criteria, passing the Business Model and SPPI tests. Instalment credit and other loans are therefore classified at amortised cost.

All other financial assets are carried at FVPL, gains and losses are recorded in profit or loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

2 **Significant accounting policies (continued)**

d. *Financial assets under IFRS 9 (continued)*

(ii) *Initial recognition and measurement*

(a) *Other financial assets (IFRS 9)*

All purchases and sales of other financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Transaction costs of financial assets 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 'interest income' in the period in which it arises.

(b) *Instalment credit and other loans (IFRS 9)*

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

Instalment credit and other loans are held for collection of contractual cash flows where those cash flows represent SPPI, 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 of any difference between that 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 costs 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 liability 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 losses on loans, net of recoveries.

2 **Significant accounting policies (continued)**

d. *Financial assets under IFRS (continued)*

(iii) *Impairment of instalment credit and other loans 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 as summarised below:

- Stage 1 – This category comprises instruments which are performing in accordance with the contractual terms and conditions and display no deterioration in credit risk since initial recognition. This category also includes those financial instruments with low credit risk.
- Stage 2 – This category includes instruments which display a significant increase in credit risk (SICR) since initial recognition but have not yet defaulted, refer to note 22. a. (ii) (c).
- Stage 3 – This category includes instruments that are in default.

A financial asset is considered credit-impaired on purchase or origination if there is evidence of impairment at the point of initial recognition (for instance, if it is acquired at a deep discount).

Expected credit loss (ECL) is measured as follows:

- 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.
- 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 formula for ECL is generally the 'Probability of Default' (PD) multiplied by the 'Exposure at Default' (EAD) multiplied by the 'Loss Given Default' (LGD). An adjustment is made to reflect the time value of money by considering the original effective interest rate on the individual instruments. The overall models involved the use of various PD, EAD and LGD tables which were then applied to individual loans based on several pre-determined criteria, including loan type and time to maturity, whether they are in Stages 1, 2 or 3 and other indicators.

The process in arriving at the individual components of ECL and the forward-looking adjustments involved critical estimates and judgements. This is discussed further in Note 3.

2 **Significant accounting policies (continued)**

d. *Financial assets under IFRS (continued)*

(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, refer to note 22. a. (ii) (c).

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

(v) *Derecognition other than on a modification*

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

(vi) *Financial liabilities - Classification and subsequent measurement*

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

2 **Significant accounting policies (continued)**

d. *Financial assets under IFRS (continued)*

(vii) *Financial liabilities - Derecognition*

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

(viii) *Loan commitments*

Loan commitments provided by the Company are measured as the amount of the loss allowance (calculated as described in Note 21 b. 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.

e. *IFRS 15 – Revenue from Contracts with Customers*

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

f. *Assets leased to customers under finance leases*

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Assets leased to customers under finance leases are included within “loans to customers” in the statement of financial position. Finance lease income is included within “interest income” in the statement of financial position.

g. *Property and equipment*

Property and equipment is 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.

2 **Significant accounting policies (continued)**

g. *Property and equipment (continued)*

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	- 20%
Furniture, fittings and equipment	- 10% to 33 1/3%
Motor vehicles	- 25%

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

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

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

h. *Lease*

Policy applicable from 1 October 2019

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Lessee accounting

The Company leases two commercial spaces and certain property, plant and equipment used in its operations.

Rental contracts for the commercial spaces are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

2 **Significant accounting policies (continued)**

h. *Lease (continued)*

Lessee accounting (continued)

Leases of property, plant and equipment where, the Company has substantially all the risks and rewards of ownership, are classified as finance leases. The IT banking platform has been classified as a finance lease, capitalised at the lease's commencement at the present value of the minimum lease payments.

A single recognition and measurement approach applies to all leases, except for short-term leases and leases of low-value assets. At lease commencement date, the Company recognises a right-of-use asset and a lease liability in the statement of financial position.

Measurement of right-of-use assets

The Company recognised right-of-use assets and lease liabilities in relation to leases of commercial office space, which had previously been classified as operating leases. The right-of-use assets were initially measured at the amount equal to the lease liability, adjusted by the amount of any accumulated depreciation from the inception date of the lease to the implementation date of the standard, plus any prepaid or accrued lease payments relating to that lease. Subsequent to initial measurement, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Measurement of lease liabilities

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average incremental borrowing rate applied to the lease liabilities was 6.5%.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments (including in-substance fixed payments);
- Lease payments in an optional renewal period if reasonably certain to exercise an extension option; and
- Penalty payments for early termination of a lease unless reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

The lease liability is remeasured when there is a change in future lease payments arising from a change in a rate, or if the assessment of whether an extension or termination option will be exercised. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2 Significant accounting policies (continued)

h. *Lease (continued)*

Lessor accounting

Lease assets under finance lease arrangements and was not required to make any adjustments, on adoption of IFRS 16, for leases in which it acts as a lessor.

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. Provisions are not recognised for future operating losses.

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

j. *Taxation*

(i) *Current tax*

Income tax payable (receivable) is calculated on the basis of the tax laws enacted in Trinidad and Tobago and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on available-for-sale investment). Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 **Significant accounting policies (continued)**

j. *Taxation (continued)*

(ii) *Deferred 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 substantially enacted at the statement of financial position date are used to determine deferred tax.

The principal temporary difference arises from the difference between the accounting and tax treatment of depreciation on property and equipment and assets under finance and operating leases.

k. *Interest income and expense*

Financial assets under IFRS 9

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income and expense for all interest-bearing financial instruments are recognised within ‘interest income’ and ‘interest expense’ in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest method.

This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

l. *Other income*

Other income is generally recognised on an accrual basis when the service has been provided or the transaction completed.

m. *Employee benefits*

(i) *Pension obligations*

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The majority of the Trinidad and Tobago resident employees are members either of the Neal & Massy Company Pension Fund Plan or Retirement Income Security Plan.

2 Significant accounting policies (continued)

m. *Employee benefits (continued)*

(i) *Pension obligations (continued)*

The Neal & Massy Company Pension Fund Plan, contributions to which were frozen on 31 January 1990, is a defined contribution plan whose assets are held separately from those of the Company in an independently administered fund. The most recent actuarial valuation revealed that the plan is adequately funded. There are certain benefits payable by the Neal and Massy Company Pension Fund Plan which fall within the scope of IAS 19 (revised) – Employee Benefits.

The Retirement Income Security Plan incorporates an employee stock ownership plan which is funded by contributions made by the employer, and a deferred annuity savings plan which is funded by the employees. Contributions to the Plan are accounted for on the accrual basis and the assets are held separately from those of the Company in independently administered funds.

(ii) *Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

(iii) *Bonus plans*

A liability for employee benefits in the form of bonus plans is recognised in other provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- There is a formal plan and the amounts to be paid are determined before the time of issuing the financial statements; or

- Past practice has created a valid expectation by employees that they will receive a bonus/profit sharing and the amount can be determined before the time of issuing the financial statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 **Significant accounting policies (continued)**

n. *Share capital*

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

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholder. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

o. *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

p. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

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

Detailed information about the judgements and estimates made by the Company in the above areas are set out in Note 22. a. (ii) (c).

b. *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 anticipated tax issues based on estimates of whether additional taxes will be due. Where the final 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. Current and deferred income tax balances are disclosed in the statement of financial position. Details of the expense for the year are shown in Note 20.

4 Cash on hand and due from banks

	2021 ($'000)	2020 ($'000)
Cash at bank and in hand	17,645	23,727
Short-term bank deposits	14	14
	17,659	23,741

Short-term bank deposits 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

The Financial Institutions Act, 2008 requires that every non-banking financial institution licensed under the Act in the Republic of Trinidad and Tobago hold and maintain 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.

6 Instalment credit and other loans

	2021 ($'000)	2020 ($'000)
a. Instalment credit and other accounts		
Gross instalment credit loans		
- Instalment credit loans	421,164	412,241
- Finance leases	13,466	15,983
- Insurance premium financing	978	762
	435,608	428,986
Unearned finance income	(46,771)	(52,774)
Net instalment credit loans	388,837	376,212
Demand loans	13,992	3,069
Mortgage loans	77	91
	402,906	379,372
Allowance for impairment losses	(13,214)	(13,201)
	389,692	366,171
Current portion	123,695	141,796
Non-current portion	279,211	237,576
	402,906	379,372

b. *Finance leases*

Included in instalment credit and other accounts are amounts relating to finance leases as follows:

	2021 ($'000)	2020 ($'000)
Not later than 1 year	4,662	5,683
Later than 1 year and not later than 5 years	8,804	10,300
	13,466	15,983
Unearned finance charges on finance leases	(1,531)	(858)
Net investment in finance leases	11,935	15,125
Not later than 1 year	4,051	5,170
Later than 1 year and not later than 5 years	7,884	9,955
	11,935	15,125

7 Property and equipment

	Leasehold improvements ($'000)	Furniture, Fittings and equipment ($'000)	Motor vehicles ($'000)	Capital work in progress ($'000)	Total ($'000)
Year ended 30 September 2021					
Opening net book value	81	505	312	543	1,441
Additions		1,147		557	1,704
Disposals		(4)	(77)	(1,100)	(1,181)
Depreciation charge	(45)	(283)	(60)	--	(388)
Closing net book value	36	1,365	175	--	1,576
At 30 September 2021					
Cost	343	4,977	563	--	5,883
Accumulated depreciation	(307)	(3,612)	(388)	--	(4,307)
Net book value	36	1,365	175	--	1,576
Year ended 30 September 2020					
Opening net book value	193	346	402	198	1,139
Additions	--	339	--	345	684
Disposals	--	--	--	--	--
Depreciation charge	(112)	(180)	(90)	--	(382)
Closing net book value	81	505	312	543	1,441
At 30 September 2020					
Cost	343	3,893	874	543	5,653
Accumulated depreciation	(262)	(3,388)	(562)	--	(4,212)
Net book value	81	505	312	543	1,441
At 30 September 2019					
Cost	543	3,562	874	198	5,177
Accumulated depreciation	(350)	(3,216)	(472)	--	(4,038)
Net book value	193	346	402	198	1,139

8 Leases

The following tables provide information for leases where the Company is a lessee:

8.1 Right-of-use assets

	2021 ($'000)	2020 ($'000)
At beginning of year	1,140	--
Adjustment on initial application of IFRS 16	--	2,042
Additions	4,738	--
Effect of modification to lease terms	426	--
Depreciation charge	(1,856)	(902)
At end of year	4,448	1,140
Cost	7,206	2,042
Accumulated depreciation	(2,758)	(902)
At end of year	4,448	1,140

8.2 Lease liabilities

	2021 ($'000)	2020 ($'000)
At beginning of year	1,192	--
Adjustment on initial application of IFRS 16	--	2,153
Additions	4,738	--
Other adjustments	426	--
Payments	(1,728)	(961)
Closing net book amount	4,628	1,192
Current	1,410	915
Non-current	3,218	277
	4,628	1,192

8.3 Amounts recognised in the statement of profit or loss

	2021 ($'000)	2020 ($'000)
Interest expense on lease liabilities (Note 17)	359	154
Depreciation charge on right-of-use assets	1,856	902
	2,215	1,056

9 Deferred tax

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 2021: 30% (2020: 30%). The movements in deferred tax assets/(liabilities) are as follows:

Deferred tax assets/(liabilities)	Opening Balance ($'000)	Charge to income statement ($'000)	Other movements ($'000)	Closing Balance ($'000)
Year ended 30 September 2021				
Accelerated depreciation	1,911	(493)	59	1,477
Stages 1 & 2 provision	1,009	(41)	--	968
	2,920	(534)	59	2,445

Deferred tax assets/(liabilities)	Opening Balance ($'000)	Charge to income statement ($'000)	Other movements ($'000)	Closing Balance ($'000)
Year ended 30 September 2020				
Accelerated depreciation	2,049	(171)	33	1,911
Stages 1 & 2 provision	710	299	--	1,009
	2,759	128	33	2,920

10 Other assets

	2021 ($'000)	2020 ($'000)
Due from affiliated companies (Note 23 c.)	72	37
Repossessed stock & other assets	532	349
	604	386

Other assets are due within one year.

11 Share capital

	2021	2020
Authorised		
An unlimited number of shares at no par value		
Issued and fully paid		
15,000,000 ordinary shares of no par value	15,000	15,000

12 Statutory reserve

The Financial Institutions Act, 2008 requires a financial institution 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.

13 General banking reserve

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

14 Customers' deposits

	2021 ($'000)	2020 ($'000)
Deposit balances	290,864	286,017
Accrued interest	3,833	4,135
	294,697	290,152
Current portion	178,093	187,178
Non-current portion	112,771	98,839
	290,864	286,017
Sectoral analysis		
Corporations	52,535	19,377
Individuals	238,329	266,640
	290,864	286,017

All deposits have fixed interest rates.

15 Other liabilities

	2021 ($'000)	2020 ($'000)
Due to affiliated companies (Note 23 c.)	1,723	15
Other payables and accruals	4,545	4,544
	6,268	4,559

Other liabilities are due within one year.

16 Interest income

	2021 ($'000)	2020 ($'000)
Loans to customers	27,736	27,782
Amortisation of loan origination fee	2,159	2,043
	29,895	29,825
Short term bank deposits	2	3
	29,897	29,828

17 Interest expense

	2021 ($'000)	2020 ($'000)
Customers' deposits	6,772	7,183
Interest expense on lease liabilities	359	154
	7,131	7,337

18 Other income

	2021 ($'000)	2020 ($'000)
Fee and commission income	112	123
Foreign exchange earnings	7,605	6,705
Sundry income	10	92
	7,727	6,920

19 Operating expenses

	2021 ($'000)	2020 ($'000)
Staff costs (Note 19 a.)	11,232	10,529
Administrative and other expenses	4,495	4,035
Legal and professional fees	590	1,155
Audit fees	514	568
Depreciation (property and equipment)	388	382
Depreciation (right to use asset)	1,856	902
Rental charges – affiliated company (Note 23 a.)	(968)	81
Legal and management charges – parent company (Note 23 a.)	1,667	1,430
Bank interest and charges	99	104
Deposit insurance premium (Note 19 b.)	582	623
	20,455	19,809

a. *Staff costs include*

	2021	2020
Salaries	9,765	9,317
Pension costs – defined contribution plans	513	296
Other benefits	710	670
Directors' fees	244	246
	11,232	10,529
Average number of employees employed during the year	52	50

b. 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.

20 Taxation

	2021	2020
Current tax	2,583	2,010
Adjustment to prior year	2	--
Deferred tax (Note 9)	475	(128)
Green fund levy	113	110
	3,173	1,992

The Company's effective tax rate of 31% (2020 – 31%) differs from the statutory Trinidad and Tobago tax rate of 30% as follows:

	2021	2020
Profit before income tax	10,125	6,437
Tax calculated at a tax rate of 30%	3,038	1,931
Expenses not deductible for tax purposes	108	4
Income not deductible for to tax purposes	(44)	(11)
Green fund levy	113	110
Deferred tax (Note 9)	(44)	(128)
Adjustments to prior year tax estimates	2	86
Tax charge	3,173	1,992

21 Contingent liabilities and commitments

a. *Contingent liabilities*

There were no contingent liabilities at the statement of financial position date. (2020: Nil).

b. *Loan commitments*

At the statement of financial position date, there were loan commitments amounting to $15,006,110 (2020: $12,675,536) related to approved facilities not yet disbursed. The provision for expected credit losses on loan commitment was $124,412 as at 30 September 2021 (2020: $111,046), see Note 22 a. (ii) (c).

c. *Capital commitments*

There was no capital expenditure contracted for at the statement of financial position date of but not recognised in the financial statements (2020: $Nil).

22 Financial risk management

a. *Financial risk factors*

Financial risk is inherent in the Company's activities and includes credit risk, liquidity risk and market risk with the latter being subdivided into interest rate risk, currency risk and other price risk. The Company has varying levels of exposures to these risks.

(i) *Risk management policy*

The Company has an approved Enterprise Risk Management (ERM) Policy. ERM is a process designed to identify potential risks that may affect the Company and manage these risks to provide reasonable assurance regarding the achievement of the Company's objectives.

The ERM policy provides an overall framework for the appropriate, effective and prudent management of risks on a company-wide basis. Policies and practices are regularly reviewed to ensure that they remain appropriate in light of changing circumstances.

Ultimate responsibility for implementing and providing oversight on the effectiveness of the overall ERM framework and policy resides with the Board of Directors (BOD). Some of this responsibility is delegated to sub-committees of the BOD, senior management and the internal audit department of the parent company, Massy Holdings Ltd.

A description of the individual financial risks as well as the key policies for managing them are included in notes 22 a. (ii), 22 a (iii), and 22 a (iv) of the financial statements.

(ii) *Credit risk*

(a) *Overview*

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company and management therefore carefully manages this exposure. Credit exposures arise principally in lending activities.

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(b) *Management of risk*

The Company's credit risk management process includes the following:

- Performance of detailed evaluations and risk analyses on potential customers before granting new credit facilities. Each customer is subject to a credit scoring process which ranges from a high score of excellent to a low score of unacceptable and involves the use of certain assumptions to measure the level of stability and credit-worthiness;
- Ongoing review and monitoring of existing customers based on performance;
- Adherence to strict requirements regarding collateral and guarantees in assets financed;
- Adherence to strict procedures over collections, repossessions and foreclosures;
- Diversification of customer base;
- Monitoring of large credit exposures;
- Ongoing review of the allowance for impairment losses. The accounting policy for impairment of financial assets is outlined in Note 2. (d) (ii) of the financial statements.
- Credit committee responsible for assessing the credit standing and ability to repay debt of prospective borrowers. Other duties include review of the Company's credit policy and spotting potential risks of various transactions assumed by the Company.

(c) *Expected credit loss measurement*

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

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

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

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to Note 22 a. (ii) (c) 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.

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

Please refer to Note 22 a. (ii) (c) 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. The country's unemployment rate was identified as an alternative factor.

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

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

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

Significant increase in credit risk (SICR) (continued)

Qualitative criteria:

- 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. Borrowers with an active loan payment deferral will be assessed separately for SICR, refer to Note 22. a. (ii) (c).

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
- The borrower indicated reduced income. In response to COVID-19, the Government and other institutions implemented programs such as; “loan payment deferral program” to offer relief to borrowers during the global pandemic. Borrowers were asked to provide a reason for their application, which was used together with specific industry factors, as indicators of SICR for the duration of the deferral period where the borrowers’ arrears status would be frozen
- 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

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

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 six (6) months.

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.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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.

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.

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

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

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

Sensitivity analysis

ECL calculations are shown in Note 22 a. (ii) (c). 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 $1,321,457 (2020: 1,320,142).

The ECL calculation contains management estimate and judgment in determining the appropriate stage 3 provision for a large customer exposure. A sensitivity of the estimated period from default to recovery of 18 months to 24 months resulted in the ECL allowance being higher/lower by $260,576 (2020: $378,156).

Maximum exposure to credit risk before collateral held or other credit enhancements

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.

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.

In response to COVID-19, the Government and other institutions implemented programs such as; "loan payment deferral program" to offer relief to borrowers during the global pandemic. Whilst the program offered relief, the Company earned interest on the principal balance outstanding at the effective date of application. The additional interest was based on the original effective rate of the loan and compensates for the time value of money lost over the extended the period of the remaining cashflows.

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

Modification of financial assets (continued)

Borrowers were asked to provide a reason for their application, which was used as an indicator in assessing SICR, for the duration of the deferral period where the borrowers' arrears status would be frozen. Those customers who indicated reduced income or impacted by specific industry factors were assessed as having experienced SICR. This reduced the subjectivity of significant judgements used.

	2021 ($'000)	**2020 ($'000)**
Cash and cash equivalents	17,659	23,741
Statutory deposit with Central Bank	26,543	31,043
Due from related parties	72	37
	44,274	54,821
Instalment credit and other loans at amortised cost:		
- Instalment credit loans	375,967	360,342
- Finance leases	11,935	15,125
- Insurance premium financing	935	745
- Demand loans	13,992	3,069
- Mortgage loans	77	91
	402,906	379,372
- Less: allowance for impairment losses	(13,214)	(13,201)
	389,692	366,171
Other financial assets at FVTPL	34	34
Other financial assets available-for-sale	--	--
Total	434,000	421,026
Loan commitments	15,006	12,676

The Company recognises provision for losses on instalment credit and other loans subject to credit risk using the expected credit loss model. While cash and cash equivalents, statutory deposit, due from related parties and other financial assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company uses the general approach in arriving at expected losses for instalment credit and other loans.

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

The general approach

Under the general approach, the Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

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

- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Company.

  Regardless of the analysis above, a significant increase in credit risk is presumed

- if a debtor is more than 30 days past due in making a contractual payment.

  A default on a loan occurs in the following circumstances:

- When the borrower fails to make contractual payments within 90 days of when they fall due.
- Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the country’s GDP as the most relevant macroeconomic factor and accordingly adjusted the historical loss rates based on expected changes in this factor. In response to the COVID-19 pandemic, the forward-looking scenarios were adjusted to consider additional adverse scenarios taking into consideration recent pronouncements by the IMF and other macroeconomic indicators. Overlay adjustments to models were applied to account for the effects of model overfitting and outlier data. This combined with additional precautionary measures taken, contributed to an uplift in expected loss rates of 10 bps.

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

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 agreements over motor vehicles, heavy equipment and real estate, the values of which are reviewed periodically if there is a significant increase in credit risk.

Summary ECL calculations

A summary of the assumptions underpinning the Company's expected credit loss model under the general approach is as follows:

Category	**Definition**	**Basis for recognition of expected credit loss provision**
Performing (Stage 1)	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming (Stage 2)	Financial assets for which there is a significant increase in credit risk since origination	Lifetime expected losses
Non-performing (Stage 3)	The financial asset is in default.	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery.	Asset is written off

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

Over the term of the financial asset, the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of financial assets and adjusts for forward looking macroeconomic data.

Instalment credit, other loans and loan commitments

Category	Average ECL rate ($'000)	Estimated EAD ($'000)	Expected credit loss ($'000)
As at 30 September 2021			
Performing (Stage 1)	0.82%	352,180	2,878
Underperforming (Stage 2)	1.29%	21,100	273
Non-performing (Stage 3)	33.55%	29,626	9,939
Loan Commitments	0.83%	15,006	124
TOTAL	3.16%	417,903	13,214
As at 30 September 2020			
Performing (Stage 1)	0.82%	294,836	2,404
Underperforming (Stage 2)	1.38%	56,855	783
Non-performing (Stage 3)	35.77%	27,681	9,903
Loan Commitments	0.87%	12,676	111
TOTAL	3.36%	392,048	13,201

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

	Performing ($'000)	Under-performing ($'000)	Non-performing ($'000)	Total ($'000)
As at 30 September 2021				
Balance at beginning of the year as reported under IFRS 9	2,515	783	9,903	13,201
Net changes to provisions:				
- *Transfers between categories*	490	(614)	(1,255)	(1,379)
- *Modification to contractual cashflow*		104	1,288	1,392
	3,005	273	9,936	13,214
Amounts previously provided for now written off	--	--	--	--
Balance at end of the year	3,005	273	9,936	13,214

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

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

	Performing ($'000)	Under-performing ($'000)	Non-performing ($'000)	Total ($'000)
As at 30 September 2020				
Balance at beginning of the year as reported under IFRS 9	2,295	73	8,321	10,689
Net changes to provisions:				
- Transfers between categories	303	451	1,681	2,435
- Changes in LGDs	--	--	678	678
- Modification to contractual cashflow	--	287	--	287
	2,598	811	10,680	14,089
Amounts previously provided for now written off	(83)	(28)	(777)	(888)
Balance at end of the year	2,515	783	9,903	13,201

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

	Performin g ($'000)	Under-performing ($'000)	Non-performing ($'000)	Total ($'000)
As at 30 September 2021				
Net changes to provisions for the year	490	(510)	33	13
Amounts directly written off to profit or loss	--	--	--	--
Recoveries	--	--	(100)	(100)
Net expense for the year	490	(510)	(67)	(87)
As at 30 September 2020				
Net changes to provisions for the year	300	738	2,362	3,400
Amounts directly written off to profit or loss	(245)	--	--	(245)
Recoveries	--	--	10	10
Net expense for the year	55	738	2,372	3,165

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(c) *Expected credit loss measurement (continued)*

Reconciliation of gross carrying balances is as follows:

	Stage 1	Stage 2	Stage 3	Total
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount				
At 1 October 2020	294,836	56,855	27,681	379,372
Repayments	(89,581)	(14,607)	(7,990)	(112,178)
New loans	130,203	4,150	1,358	135,711
Transfers between categories	16,721	(25,298)	8,577	--
Gross carrying amount				
At 30 September 2021	352,180	21,100	29,626	402,906
Gross carrying amount				
At 1 October 2019	341,486	12,098	32,254	385,838
Repayments	(111,221)	(5,312)	(8,601)	(125,134)
New loans	106,110	11,699	859	118,668
Transfers between categories	(41,539)	38,369	3,170	--
Gross carrying amount				
At 30 September 2020	294,836	56,854	27,682	379,372

(d) *Analysis of loans to customers*

	Stage 1	Stage 2	Stage 3	Total
	$'000	**$'000**	**$'000**	**$'000**
At 30 September 2021				
Instalment credit loans	327,083	20,506	28,509	376,097
Finance leases	11,025	594	186	11,805
Insurance premium financing	719	--	215	935
Demand loans	13,353	--	639	13,992
Mortgage loans	--	--	77	77
	352,180	21,100	29,626	402,906
At 30 September 2020				
Instalment credit loans	277,311	55,172	26,662	359,145
Finance leases	14,630	1,577	115	16,322
Insurance premium financing	541	106	98	745
Demand loans	2,213	--	856	3,069
Mortgage loans	--	--	91	91
	294,695	56,855	27,822	379,372

22 Financial risk management (continued)

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(e) *Repossessed collateral*

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed properties are included in other assets.

(f) *Concentration of risks of loans to customers*

	Instalment credit loans ($'000)	Finance leases ($'000)	Insurance premium financing ($'000)	Demand loans ($'000)	Mortgage loans ($'000)	Total ($'000)
At 30 September 2021						
Agriculture	1,187	--	--	--	--	1,187
Communications	21		--	--	--	21
Construction	25,646	63	--	42	--	25,751
Consumer	274,213	3,322	13	1,578	--	279,126
Distribution	4,585	3,213	--	--	--	7,798
Electricity and water	1,749	316	--	--	--	2,065
Hotel and restaurant	2,736	192	--	--	--	2,928
Manufacturing	6,294	--	272	--	--	6,566
Petroleum	2,177	40	--	--	--	2,217
Real estate	2,783	512	--	--	--	3,295
Residential mortgages	3,712	--	--	1,412	77	5,201
Transport	19,011	2,086	--	--	--	21,097
Other	31,983	2,059	650	10,961	--	45,653
	376,097	11,805	935	13,992	77	402,906

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(ii) *Credit risk (continued)*

(f) *Concentration of risks of loans to customers (continued)*

	Instalment credit loans ($'000)	Finance leases ($'000)	Insurance premium financing ($'000)	Demand loans ($'000)	Mortgage loans ($'000)	Total ($'000)
At 30 September 2020						
Agriculture	1,757	--	--	--	--	1,757
Communications	59	--	--	--	--	59
Construction	24,642	92	--	42	--	24,776
Consumer	257,543	3,160	16	1,081	--	261,800
Distribution	5,871	4,847	--	--	--	10,718
Electricity and water	1,791	329	--	--	--	2,120
Hotel and restaurant	3,148	259	--	993	--	4,400
Manufacturing	6,333	--	--	--	--	6,333
Petroleum	2,379	40	--	--	--	2,419
Real estate	3,173	487	--	--	--	3,660
Residential mortgages	2,174		--	952	91	3,217
Transport	24,447	2,361	--	--	--	26,808
Other	27,026	3,550	729	--	--	31,305
	360,343	15,125	745	3,068	91	379,372

(iii) *Liquidity risk*

(a) *Overview*

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and the inability to fulfil commitments to lend.

(b) *Management of risk*

The Company's liquidity risk management process includes the following:

- Monitoring and forecasting of deposit maturities for potential non-renewals to ensure adequate funding is available to meet commitments. The Company has been able to maintain a deposit retention rate over 92.9% over the financial year, which will reduce the liquidity gap within one year;
- Ensuring alternative sources of funding are in place to meet any unforeseen shortfall in funding. As at September 2021, these comprised an overdraft facility of $5,000,000;
- Planning of lending operations to ensure smooth disbursement of funds without significantly impairing potential for business growth.

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(iii) *Liquidity risk (continued)*

(c) *Maturity analysis of financial instruments*

The table below presents the cash flows payable 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			
As at 30 September 2021	**Carrying Amount ($'000)**	**Within one year ($'000)**	**One to five years ($'000)**	**Over five years ($'000)**	**Total ($'000)**
Financial assets					
Cash on hand and due from banks	17,659	17,659	--	--	17,659
Statutory deposit with Central Bank	26,543	26,543	--	--	26,543
Loans to customers	389,692	146,991	285,500	20,468	452,959
Other assets	72	72	--	--	72
	433,966	191,265	285,500	20,468	497,233
Financial liabilities					
Customers' deposits	290,152	183,077	118,917	--	301,944
Lease liabilities	4,428	1,410	3,218	--	4,428
Other liabilities	6,268	6,268	--	--	6,268
	300,848	190,755	122,135	--	312,890
Net liquidity gap	133,118	510	163,365	20,468	184,343
Loan commitments	15,006	15,006	--	--	15,006

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(iii) *Liquidity risk (continued)*

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

		Undiscounted cash flows			
As at 30 September 2020	**Carrying Amount ($'000)**	**Within one year ($'000)**	**One to five years ($'000)**	**Over five years ($'000)**	**Total ($'000)**
Financial assets					
Cash on hand and due from banks	23,741	23,741	--	--	23,741
Statutory deposit with Central Bank	31,043	31,043	--	--	31,043
Loans to customers	366,171	162,806	248,321	20,352	431,479
Other assets	37	37	--	--	37
	420,992	217,627	248,321	20,352	486,300
Financial liabilities					
Customers' deposits	290,152	192,117	104,947	--	297,064
Lease liabilities	1,192	915	277	--	1,192
Other liabilities	4,559	4,559	--	--	4,559
	295,903	197,591	105,224	--	302,815
Net liquidity gap	125,089	20,036	143,097	20,352	183,485
Loan commitments	12,626	12,626	--	--	12,626

(iv) *Market risk*

The Company is inherently exposed to market risk, which is the risk that the fair value of 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 monetary 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 reprice at a faster rate than the longer term financial assets thereby creating a short term interest rate mismatch.

22 **Financial risk management (continued)**

a. *Financial risk factors (continued)*

(iv) *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;
- 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.
- Asset Liability Committee responsible for ensuring that Management is appropriately identifying, measuring, controlling, and monitoring the Company's liquidity risk, interest rate risk, and capital adequacy positions.

- *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 its new lending, variable rate short term investments and renewals of deposits and borrowings in the respective financial year. Similar assumptions were used for both reporting periods.

As at 30 September 2021, had interest rates been 50 basis points higher/lower, profit before taxation would have been lower/higher by $141,062 (2020: $258,212). This has no impact on other components of equity.

(b) *Currency risk*

The Company is a licensed foreign exchange trader and conducts foreign exchange transactions. All foreign currency balances arising are normally settled within 7 days. As at 30 September 2021, if the Trinidad and Tobago dollar had weakened/strengthened by 1% against the United States dollar and Canadian dollar with all other variables held constant, profit before taxation would have been $10,467 (2020: $7,876) higher/lower, mainly as a result of foreign exchange gains/losses on translation of United States dollar and Canadian dollar denominated cash on hand and due from banks.

(c) *Other price risk*

The Company has no material exposure to other price risk as it does not hold any significant investments in equities or commodities.

22 Financial risk management (continued)

b. *Capital management*

The Company's capital management objectives are as follows:

(i) to comply with the capital requirements set by the Central Bank of Trinidad and Tobago (CBTT);
(ii) to safeguard the Company's ability to continue as a going concern;
(iii) to provide returns for its shareholder and benefits for other stakeholders; and
(iv) to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored weekly by management based on the guidelines developed by the Basel Committee, as implemented by the CBTT, the country's authority for supervisory purposes. The required information is filed with the CBTT on a quarterly basis.

The CBTT requires each financial institution to:

- hold the minimum level of share capital of $15,000,000 and;
- maintain a ratio of qualifying capital to risk-weighted assets at or above 8%.

In addition to the above, there are specific requirements governing lending, customers' deposits and other activities in relation to the Company's capital.

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

	2021 ($'000)	2020 ($'000)
Total risk adjusted assets	405,668	389,338
Core capital	136,706	129,754
Allowable supplementary capital	2,390	2,390
Qualifying capital	139,096	132,144
Capital ratios		
- Core capital to total risk adjusted assets	33.70%	33.33%
- Qualifying capital to total risk adjusted assets	34.29%	33.94%

The increase of the regulatory capital in the current year was due to the contribution of the current year's profit.

As at the years ended 2021 and 2020, the Company complied with the externally imposed capital requirements to which they are subjected.

22 **Financial risk management (continued)**

c. *Fair value estimation*

The Company has an investment valued at $34,000 classified as other financial asset carried at FVTPL. This is the initial capital contribution on inception of The Trinidad and Tobago Unit Trust Corporation (UTC) in accordance with Section 17 of the Unit Trust Corporation of Trinidad and Tobago Act, 1981.

The contribution certificates can only be transferred to a fellow financial institution under the Act. Management has elected to carry this investment at cost as it is considered immaterial to the financial statements.

23 **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.

The following are details of related party transactions:

	2021 ($'000)	**2020 ($'000)**
a. *Income/(expenses)*		
Loans to customers:		
- interest income (affiliated companies)	280	513
- interest income (directors and key management)	--	--
	280	513
Customers' deposits:		
- interest expense (affiliated company)	(178)	(297)
- interest expense (directors and key management)	--	--
Legal and management charges (parent company)	(1,667)	(1,430)
Rental charges (affiliated company)	(1,036)	(1,197)
	(2,881)	(2,924)
Lease asset/liability:		
- Depreciation on right to use asset	1,774	--
- Interest expense on lease liability	1,652	--
	122	
b. *Key management compensation*		
Salaries and other short term benefits	1,171	1,140

23 Related party transactions (continued)

c. *Year-end balances – assets/(liabilities)*

	2021 ($'000)	2020 ($'000)
Due from related parties:		
- loans to customers (affiliated companies)	12,735	4,130
- loans to customers (directors and key management)	--	--
- other assets (affiliated companies)	72	37
	12,807	4,167
Due to related parties:		
- customers' deposits (affiliated company)	(8,712)	(8,642)
- lease liability (affiliated company)	(4,351)	--
- other liabilities (affiliated companies)	(1,678)	(15)
	10,390	(8,657)

There were no loans to directors and key management that were impaired.

24 Fair values of financial assets and liabilities

a. *Fair value hierarchy*

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect management's assumptions.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data 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.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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 Company, 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 investment held with The Trinidad and Tobago Unit Trust Corporation where the fund is made publicly available on a daily basis.

24 **Fair values of financial assets and liabilities (continued)**

a. *Fair value hierarchy (continued)*

The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy:

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at 30 September 2021				
Financial assets at FVPL				
- Investment funds	34	--	--	34
	34	--	--	34
As at 30 September 2020				
Financial assets at FVPL				
- Investment funds	34	--	--	34
	34	--	--	34

b. *Valuation techniques used to determine fair values*

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

c. *Assets and liabilities not carried at fair value but for which fair value is disclosed*

The following summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Fair value is calculated as the net present value of cash flows discounted at the Yield.

Cash flows

Unimpaired loans

It is assumed that the cash flows for an unimpaired loan will be the regular remaining loan instalments payments.

Impaired loans – secured

The cash flows for impaired loans may not necessarily be the regular remaining loan instalments. In most cases, the fair value of the collateral will be substituted for the cash flows. The expected time to dispose of the collateral will direct which period the cash flows will come in for discounting purposes. This is similar to the existing impairment model, with the exception that the market discount rate is used instead of the original loan effective interest rate.

Yield

The yield is calculated as follows: Market Base Rate (CBTT rate) +/- Credit Spread at inception +/- credit spread adjustments.

24 Fair values of financial assets and liabilities (continued)

c. *Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)*

Market base rate

The CBTT publishes the average loan rates granted for non-banking financial institutions on a monthly basis. We assume that the published rates is representative of the average base market rates for loans.

Credit spread

The actual rates granted to individual customers may be higher or lower than the CBTT published rates. This is expected as some customers may carry a higher or lower credit risk in comparison to the entire market. The credit spread at inception is a residual calculation representing the difference between the CBTT Base Rate and the Actual Loan Rate at the inception date of the loan.

Credit spread adjustments

It is expected that circumstances may change during the course of a loan which may result in changes to the credit spread.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities 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		**Fair value**	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash on hand and due from banks	17,659	23,741	17,659	23,741
Statutory deposits with Central Bank	26,543	31,043	26,543	31,043
Financial assets:				
- Loans to customers	389,692	366,171	390,363	361,554
Financial liabilities				
Customers' deposits	294,697	290,152	297,046	292,142

The fair values of the Company's financial instruments are determined in accordance with International Financial Reporting Standard (IFRS) 9 “Financial instruments: Recognition and Measurement”.

24 Fair values of financial assets and liabilities (continued)

c. *Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)*

Financial instruments where 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 values. Financial instruments where carrying value is approximately equal to fair value include cash on hand and due from banks and statutory deposits with Central Banks.

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 flows based on prevailing market rates.

Customer deposits

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

Borrowings

Borrowings carry fixed interest rates and have been discounted using the prevailing market value of similar instruments issued by the Company.

25 Subsequent events

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