FINANCE AND DEVELOPMENT COMPANY LIMITED

Financial Statements

October 31, 2020

(Expressed in Eastern Caribbean Dollars)

FINANCE AND DEVELOPMENT COMPANY LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
FINANCE AND DEVELOPMENT COMPANY LIMITED

Opinion

We have audited the financial statements of Finance and Development Company Limited ("the Company"), which comprise the statement of financial position as at October 31, 2020, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended October 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on August 14, 2020.

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 IFRSs, 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.

Auditors' 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 auditors' 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.

FINANCE AND DEVELOPMENT COMPANY LIMITED

Statement of Financial Position

October 31, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Assets				
Cash and cash equivalents	11	$	**32,013,714**	46,048,570
Investment securities	12		**95,077,971**	50,667,899
Statutory deposit	13		**718,474**	718,474
Loans and advances, net	14		**112,369,301**	125,744,940
Due from related parties, net	27		**3,200,000**	11,588,922
Repossessed stock, net	15		**465,376**	1,282,914
Right-of-use assets	29		**3,294,781**	-
Property and equipment	16		**637,236**	704,633
Intangible assets	17		**549,563**	686,954
Total Assets		$	**248,326,416**	237,443,306
Liabilities				
Customers' deposits	18	$	**225,238,862**	217,193,398
Accounts payable and accruals	19		**1,386,171**	845,681
Lease liabilities	29		**3,397,907**	-
Income tax payable	20		**92,910**	4,000
Total Liabilities			**230,115,850**	218,043,079
Shareholders' Equity				
Stated capital	21		**17,500,000**	17,500,000
Statutory reserve	22		**7,274,115**	7,274,115
General reserve			**6,647,190**	6,647,190
Accumulated deficit			**(13,210,739)**	(12,021,078)
Total Shareholders' Equity			**18,210,566**	19,400,227
Total Liabilities and Shareholders' Equity		$	**248,326,416**	237,443,306

Approved for issue by the Board of Directors on May 27, 2021 **and signed on its behalf by:**

Chairman .... Director

The notes on pages 7 to 56 are an integral part of these financial statements.

FINANCE AND DEVELOPMENT COMPANY LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended October 31, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Income				
Interest income from loans and advances	23	$	10,216,080	13,971,746
Income from deposits with other banks and investments, net	23		6,127,610	3,380,440
			16,343,690	17,352,186
Interest expense			(7,483,485)	(11,247,177)
Net interest income			8,860,205	6,105,009
Other operating income	24		593,018	1,045,444
Total income			9,453,223	7,150,453
Operating expenses				
Directors' fees and expenses	27		5,516,132	785,047
General and administrative expenses	26		4,134,141	4,840,406
Depreciation and amortisation	16,17,29		649,040	202,818
Finance costs-interest on lease liability	29		247,484	-
Provision for credit losses, net	12,14		7,177	3,673,418
			10,553,974	9,501,689
Loss before taxation			(1,100,751)	(2,351,236)
Taxation	20		(88,910)	-
Loss for the year, being total comprehensive loss for the year		$	(1,189,661)	(2,351,236)

The notes on pages 7 to 56 are an integral part of these financial statements.

FINANCE AND DEVELOPMENT COMPANY LIMITED

Statement of Changes in Shareholders' Equity

Year ended October 31, 2020

(Expressed in Eastern Caribbean Dollars)

		Stated Capital	Statutory Reserve	General Reserve	Accumulated Deficit	Total
Balance as at October 31, 2018	$	17,500,000	7,274,115	6,647,190	(11,712,537)	19,708,768
Change on initial application of IFRS 9		-	-	-	2,042,695	2,042,695
Restated Balance as at November 1, 2018		17,500,000	7,274,115	6,647,190	(9,669,842)	21,751,463
Loss for the year		-	-	-	(2,351,236)	(2,351,236)
Balance as at October 31, 2019	$	17,500,000	7,274,115	6,647,190	(12,021,078)	19,400,227
Loss for the year		-	-	-	(1,189,661)	(1,189,661)
Balance as at October 31, 2020	$	17,500,000	7,274,115	6,647,190	(13,210,739)	18,210,566

The notes on pages 7 to 56 are an integral part of these financial statements.

FINANCE AND DEVELOPMENT COMPANY LIMITED

Statement of Cash Flows

Year ended October 31, 2020

(Expressed in Eastern Caribbean Dollars)

	Notes		2020	2019
Cash flows from operating activities				
Loss before taxation		$	(1,100,751)	(2,351,236)
Adjustments for:				
Depreciation and amortization	16,17,29		649,040	202,818
Impairment credit back on financial assets	12,14		7,177	3,673,418
Finance lease-interest on lease liability	29		247,484	-
Impairment of related party receivables	27		4,133,456	-
Fair value gains on investments			(3,017,007)	(830,513)
Loss on disposal of property and equipment			-	1,271
Interest income			(16,343,690)	(17,352,186)
Interest expense			7,483,485	11,247,177
Operating loss before changes in working capital			(7,940,806)	(5,409,251)
Change in customers' deposits			8,045,464	18,891,341
Change in accounts payable and accruals			540,490	75,766
Change in loans and advances and repossessed stock			13,375,638	16,392,389
Change in due from related parties, (net)			8,388,923	(552,314)
Cash generated from operating activities			22,409,709	29,397,931
Interest paid			(7,483,485)	(11,281,469)
Interest received			16,420,624	13,518,152
Net cash provided by operating activities			31,346,848	31,634,614
Cash flows from investing activities				
Purchase of property and equipment			(72,609)	(380,632)
Proceeds from disposal of property and equipment			-	28,729
Purchase of intangible assets			-	(763,282)
Net purchase of investment securities			(45,309,095)	(6,714,753)
Net cash used in investing activities			(45,381,704)	(7,829,938)
(Decrease)/Increase in cash and cash equivalents			(14,034,856)	23,804,676
Cash and cash equivalents, beginning of year			46,048,570	22,243,894
Cash and cash equivalents, end of year	11	$	32,013,714	46,048,570

The notes on pages 7 to 56 are an integral part of these financial statements.

(Expressed in Eastern Caribbean Dollars)

1. **Reporting entity:**

Finance and Development Company Ltd. ("the Company") is a company incorporated as a private limited company under the laws of Antigua and Barbuda on December 19, 1984 under the provisions of the Companies Act, Caption 358.

The Company is licensed to do business as a financial institution in Antigua and Barbuda and is regulated by the Eastern Caribbean Central Bank (ECCB) in accordance with the Antigua and Barbuda Banking Act, No.10 of 2015 and the ECCB Prudential Guidelines No. 10 of 1983.

The Company provides primarily term financing secured by bills of sale on specific vehicles, loans to both the public and private sector and accepts deposits from a limited number of depositors.

The Company's registered office is located at Old Parham Road, St. John's, Antigua.

2. **Basis of accounting preparation:**

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS). They were approved and authorized for issue by the Board of Directors on May 27, 2021.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption were not appropriate, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

The Company incurred a net loss of $1,189,661 for the year ended October 31, 2020 (2019: $2,351,236) and as at October 31, 2020 accumulated deficit is $13,210,739 (2019: $12,021,078). The Company is revising its credit risk policies aimed at reducing the expected credit losses on loans. The Company will also be reviewing the nature and details of all expenses with the aim of reducing indirect costs. In addition, the shareholders have committed to continue their support of the Company.

Management therefore believes that the going concern basis is appropriate in the preparation of these financial statements.

3. **Functional and presentation currency:**

These financial statements are presented in Eastern Caribbean dollars, which is the Company's functional currency. All amounts have been rounded to the nearest dollar.

4. **Use of judgements and estimates:**

In preparing the financial statements in accordance with IFRS, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A synopsis of significant judgements, assumptions and estimation uncertainties are as follows:

a) *Judgements*
Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are as follows.

(i) classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the principal amount outstanding.

(ii) establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

b) *Assumptions and estimation uncertainties*
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended October 31, 2021 are as follows.

(i) impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

(ii) determination of the fair value of financial instruments with significant unobservable inputs.

(iii) recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

(iv) impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

(Expressed in Eastern Caribbean Dollars)

4. **Use of judgements and estimates:** *(cont'd)*

4.1 **Significant management judgement in applying accounting policies and estimation uncertainty**

When preparing financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

More detailed information on judgements made by management in the application of IFRS and information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses, and estimation uncertainties that have a significant risk of resulting in a material adjustment in these financial statements is provided below. Actual results may be substantially different.

(a) Impairment losses on loans and advances

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:

- The Company's criteria for determining if there has been a significant increase in credit risk and hence whether impairment allowances for financial assets should be measured on a lifetime expected credit loss (ECL) basis;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(b) Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(c) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the future cash inflows.

4. **Use of judgements and estimates:** *(cont'd)*

4.1 **Significant management judgement in applying accounting policies and estimation uncertainty** *(cont'd)*

(d) Fair value of financial instruments

Financial instruments where recorded current market transactions or observable market data are not available, are recorded at fair value using valuation techniques. Fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's best estimates of the most appropriate model assumptions.

(e) Current and deferred taxes

Significant judgment is required in determining the provision for income taxes including any liabilities for tax audit issues. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. In calculating the deferred tax asset, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

5. **Changes in accounting policies:**

5.1 **Adoption of new or revised standards, amendments to standards and interpretations**

(a) *New standards, amendments, and interpretations mandatory for the first time for the financial year*

A few new standards, amendments to standards and interpretations are effective for annual reporting periods beginning on or after January 1, 2019 and have been applied in preparing these financial statements.

Except for the changes below, the Company has consistently applied the accounting policies as set out in notes 2 - 4 to all periods presented in these financial statements.

IFRS 16 *Leases*
The Company has applied IFRS 16 *Leases* from November 1, 2019.

The Company applied IFRS 16 using the modified retrospective approach, under which the right-of-use assets are equivalent to the lease liabilities, thereby no adjustment was recognised in retained earnings at November 1, 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(i) Definition of a lease
Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease,* issued by IFRS Interpretations Committee (IFRIC). The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 6.8.

5. **Changes in accounting policies:** *(cont'd)*

5.2 **Adoption of new or revised standards, amendments to standards and interpretations**

(a) New standards, amendments, and interpretations mandatory for the first time for the financial year (cont'd)

(i) Definition of a lease

On transition to IFRS 16, the Company elected to apply the practical expedient to abrogate the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered or changed on or after November 1, 2019.

(ii) As a lessee

As a lessee, the Company leases office space. The Company previously classified leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.
However, for leases of property, the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. The Company opted for the measurement of the right- of-use assets equivalent to the lease liabilities at transition date as permitted by IFRS 16 transition options.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

1. did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
2. did not recognise right-of-use assets and liabilities for leases of low value assets;
3. excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
4. used hindsight when determining the lease term

5. Changes in accounting policies *(cont'd)*

5.3 Adoption of new or revised standards, amendments to standards and interpretations *(cont'd)*

(a) *New standards, amendments and interpretations mandatory for the first time for the financial year (cont'd)*

IFRS 16 *Leases*

(cont'd) (iii) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Company does not act as a lessor in any lease arrangements and therefore does not sub-lease any of its properties.

(iv) Impact on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, at the same amount, thereby, no adjustment was made to the retained earnings at transition. The impact on transition is summarised below.

		January 1, 2019
Right-of-use assets	$	3,716,423
Lease liabilities		(3,716,423)
Retained earnings		-

For the impact of IFRS 16 on profit or loss for the year, see note 11. For the details of accounting policies under IFRS 16 and IAS 17, see note 4 (e).

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at November 1, 2019. The weighted average rate applied is 6.75%.

	January 1, 2019
Operating lease commitments as at October 31, 2019	480,000
Weighted average incremental borrowing rate as at November 1, 2019	6.75%
Discounted operating lease commitments on January 1, 2019	3,716,423
Add: Lease payments relating to renewal periods not included in operating lease commitments as at October 31, 2020	-
Less: Commitments relating to short-term leases or low value assets	-
Lease liabilities as of November 1, 2019	3,716,423

5. **Changes in accounting policies** *(cont'd)*

5.2 **Adoption of new or revised standards, amendments to standards and interpretations** *(cont'd)*

(a) *New standards, amendments and interpretations mandatory for the first time for the financial year (cont'd)*

Amendments to IFRS 9 *Financial Instruments*
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

There was no impact on the Company's financial statements from the adoption of this amendment.

(b) *Standards issued but not yet effective*

A number of new standards and amendments to standards are effective for annual periods beginning after November 1, 2019 and earlier application is permitted; however, the Company has not early adopted these new or amended standards in preparing these financial statements.

None of these is expected to have a significant impact on the Company's financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profits (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

There was no impact on the Company's financial statements from the adoption of this interpretation.

6. **Summary of significant accounting policies:**

(a) *Overall considerations:*

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

(b) *Cash and cash equivalents:*

Cash and cash equivalents comprise cash on hand, demand deposits at banks and other short-term highly liquid instruments with a maturity within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) Financial instruments:

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred, or when the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control, over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

Classification and subsequent measurement of financial assets

Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at initial recognition at fair value and is classified and subsequently measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets *(cont'd)*

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

Business model assessment

IFRS 9 requires that financial assets are classified on the basis of the Company's business model for managing such assets unless it makes an irrevocable election to designate the asset at fair value through profit or loss. The business model refers to how financial assets are managed in order to generate cash flows. The Company determines its business model at the level that best reflects how it manages its portfolios of financial assets to achieve its business objectives. Judgment is used in determining the Company's business models that is supported by relevant, objective evidence including:

The stated policies and objectives for the portfolio and the operation of those policies in practice;

How performance of the business model and the financial assets held within the model are evaluated and reported to key management personnel;

How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);

The frequency and significance of past sales activity, the reason for those sales as well as expectations about future sales; and

The significant risks affecting the performance of the business model for example, market risk and credit risk and the activities undertaken to manage those risks.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is forward looking in that if cash flows are realized in a manner that is different from expectations the classification of the remaining assets in the business model is not changed but instead that information is used to assess new instruments acquired.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) Financial instruments (cont'd)

Classification and subsequent measurement of financial assets

(cont'd) Business models - Applicability to the Company

The Company's business models fall into two main categories, which are indicative of the key strategies used to generate returns as follows:

Hold to collect contractual cash flows (HTC) - the objective of this business model is to hold assets in order to collect contractual cash flows. Under this model, the Company holds loans and investment securities to collect contractual principal and interest cash flows. Sales are expected to be insignificant or infrequent; and

Other business model - the objective of this business model is neither to hold assets in order to collect contractual cash flows, nor both collect contractual cash flows and to sell. Under this model collecting contractual cash flows is incidental to the objective of the model and sales may be significant in value and frequent. The Company holds certain debt and equity investments under this model.

Assessment of whether contractual cash flows are solely payments of principal and interest - SPPI assessment

For classification purposes the Company first reviews the terms of the instruments to determine whether they give rise on specified dates to cash flows that meet the SPPI test.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) Financial instruments (cont'd)

<u>Classification and subsequent measurement of financial assets</u> *(cont'd)*

Classification and Measurement under IFRS 9 – Applicability to the Company

Debt instruments measured at amortised cost

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. The Company has loans and certain debt securities in this category, which are measured at amortised cost. These are presented net of the allowance for expected credit losses in the statement of financial position.

Debt instruments measured at Fair Value through Other Comprehensive Income

Investments in debt instruments are measured at fair value through other comprehensive income where they meet the following two conditions and they have not been designated at FVTPL:

Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and

Are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss (ECL) approach. The ECL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the statement of financial position, which remains at its fair value.

The Company does not have any financial assets in this category.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) Financial instruments (cont'd)

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

i) Are held for trading purposes;
ii) Are held as part of a portfolio managed on a fair value basis; or
iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in profit or loss. Realized and unrealized gains and losses are recognized in profit or loss.

The Company has certain investments in this category.

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognized in profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

The Company has certain investments in this category.

Equity instruments measured at FVOCI (designated)

At initial recognition, there is an irrevocable option for the Company to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer-term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

The Company does not have any investments in this category.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) Financial instruments (cont'd)

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Twelve (12) month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1' financial instruments. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2' financial instruments.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) Financial instruments (cont'd)

<u>**Impairment of financial assets**</u> *(cont'd)*

Credit impaired financial assets *(cont'd)*

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer, including an inability to satisfy the debt because of decreased or no cash flow (negative debt service ratio), inability to work or where the customer is unemployed in excess of 6 months;
- A breach of contract such as a default or past due event, including a history of chronic arrears;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, or if a loan has been restructured more than three times in five years;
- Measurable decrease in the estimated future cash flows from the underlying assets that secure the loan;
- Default or delinquency in interest or principal payments;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, the Company considers that default has occurred and classifies a retail loan as credit impaired when it is more than 90 days past due.

Loans classified as 'doubtful' or 'loss' based on the regulatory definition and those placed on a watch list are also considered to be in default and hence are classified as credit impaired.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers both quantitative and qualitative information and analysis based on the Company's historical experience and credit risk assessment.

The determination of whether there has been a significant increase in credit risk is critical to the staging process. Factors to consider include:

Changes in market or general economic conditions;

Expectation of potential breaches;

Expected delays in payment;

Deterioration in credit ratings; or

Significant changes in operating results or financial position of the borrower.

6. **Summary of significant accounting policies:** *(cont'd)*

(c) *Financial instruments (cont'd)* **Impairment**

of financial assets *(cont'd)* **Significant**

increase in credit risk *(cont'd)*

The Company considers as a backstop that significant increase in credit risk occurs when an asset is more than 30 days past due and also maintains a loan watch list to assist in the assessment.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *Undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- *Financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Company expects to recover.

The inputs used to estimate the expected credit losses are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.
- Forward looking information – The standard requires the incorporation of forward-looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.
- Discount rate – The standard requires the ECL to be discounted using the effective interest rate (EIR).

6. **Summary of significant accounting policies:** *(cont'd)*

(c) *Financial instruments (cont'd)*

Impairment of financial assets

(cont'd)* Measurement of ECL *(cont'd)

The above five parameters are modelled and estimated independently and combined to obtain the ECL of loans.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

In assessing whether the modified terms are "substantially" different from the original terms, the following factors are considered:

- Introduction of significant new terms
- Significant change in loan's interest rate
- Significant extension in loan's term
- Significant change in credit risk from inclusion of collateral or other credit enhancements.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. For certain revolving facilities such as credit cards and overdrafts, the expected credit life is estimated based on the period over which the Company's exposure to credit losses is not mitigated by normal credit risk management actions.

6. **Summary of significant accounting policies**: *(cont'd)*

(c) *Financial instruments (cont'd)*

<u>**Impairment of financial assets**</u> ***(cont'd)***

Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

- *Financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *Loan commitments and financial guarantee contracts*: generally, as a provision;
- *Where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *Debt instruments measured at FVOCI:* no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

(d) **Classification and subsequent measurement of financial liabilities**

The Company's financial liabilities include customers' deposits and other liabilities and accrued expenses. Financial liabilities are measured subsequently at amortised cost using the effective interest method. All interest-related charges are included within "interest expense" in the statement of comprehensive income.

(e) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is a current 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.

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

6. **Summary of significant accounting policies:** *(cont'd)*

(f) **Provisions, contingent assets and contingent liabilities**

Provisions for legal disputes or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised. Such situations are disclosed as contingent liabilities unless the outflow of resource is remote.

(g) **Property and equipment and depreciation**

Property and equipment are stated at historical cost or revalued amount, less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on the straight-line method at rates estimated to write down the cost or valuation of such assets to their residual values over their estimated useful lives, as follows:

Motor vehicles	20%
Office equipment	15%
Computers	20%
Security system	10%-20%
Storage facility	5%
Computer software	20%

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. Repairs and maintenance are charged to profit or loss when the expenditure is incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

6. **Summary of significant accounting policies: *(cont'd)***

(g) **Property and equipment and depreciation *(cont'd)***

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 or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised within "other operating income" in profit or loss.

(h) **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment losses are recognised in profit or loss.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) **Dividends on ordinary shares and dividend income**

Dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. Dividends for the year which are approved after the reporting date are disclosed as a subsequent event.

Dividend income is recognised in "other operating income" in profit or loss when the entity's right to receive payment is established.

6. **Summary of significant accounting policies:** ***(cont'd)***

(j) Interest income and expense and revenue recognition

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(k) Fee and commission income and revenue recognition

Fees and commissions are generally recognised on the accrual basis when the service has been provided. Loan origination fees are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition of shares or other securities, are recognised on completion of the underlying transaction.

(l) Foreign currency translation

Functional and presentation currency
The financial statements are presented in Eastern Caribbean Dollars, which is also the functional currency of the Company.

Foreign currency transactions and balances
Foreign currency transactions are translated into Eastern Caribbean Dollars using the closing rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of income.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

6. Summary of significant accounting policies: *(cont'd)*

(m) Leased assets

Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All the Company's leases are treated as operating leases and the Company is a lessee. All payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(n) Current and deferred income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current tax
Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period in Antigua and Barbuda.

Deferred tax
Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

(o) Other liabilities

Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

6. Summary of significant accounting policies: *(cont'd)*

(p) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

7. Financial instrument risk:

The Board provides guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, Internal Audit is responsible for the independent review of risk management and the control environment. The risks arising from financial instruments to which the Company is exposed are:

Credit risk
Liquidity risk
Market risk
Operational risk

Risk management framework
The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The Board provides guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, Internal Audit is responsible for the independent review of risk management and the control environment. The risks arising from financial instruments to which the Company is exposed are credit risk, liquidity risk, market risk (which are discussed below) and other operational risk.

Risk management policies
The Company's risk management processes are essentially those mandated by the Board of Directors and are structured to facilitate identification of risks in its various business activities and to formulate risk management strategies, policies and procedures. Risks are maintained within established limits. The Company's risk management policies entail diversification of risk in its portfolios, the establishment of risk rating indicators for individual customers and lines of credit and continuous review of risk profiles for its customers and portfolios. Risk limits are also set in relation to groups of borrowers and industry and geographical segments. The policies also include review, analysis and evaluation of all risk-taking activities.

7.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from commercial and consumer loans and advances, and loan commitments arising from such lending activities. The Company is also exposed to other credit risks arising from investments in debt securities.

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk.

(Expressed in Eastern Caribbean Dollars)

7. Financial instrument risk: *(cont'd)*

7.1 Credit risk *(cont'd)*

7.1.1 Credit risk management

a) *Loans and advances and other assets*
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the country in which customers operate, has less of an influence on credit risk. Geographically there is concentration of credit risk as most customers are in Antigua and Barbuda. Credit risk on loans and advances is limited as these are shown net of an allowance for credit losses and most of the loans and advances are generally secured by bills of sale or legal charges over property and other assets.

b) *Debt securities and other bills*
The Company's portfolio of debt securities and other bills consists of holdings with the Government of Antigua and Barbuda and other local financial institutions. The risk of default is assessed by continuous monitoring of the performance of these instruments through published financial information, and other data gleaned from various sources.

c) *Cash and cash equivalents*
Cash and cash equivalents are held with established and reputable financial institutions, which in management's view represents minimum risk of default.

7.1.2 Risk limit control and mitigation policies

The Company takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Company manages, limits and controls concentrations of credit risk wherever they are identified, in particular to individual counterparties and groups, and to industries.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The following specific control and mitigation measures are also utilised:

(a) *Collateral*

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

(Expressed in Eastern Caribbean Dollars)

7. Financial instrument risk *(cont'd)*

7.1 Credit risk *(cont'd)*

7.1.2 Risk limit control and mitigation policies *(cont'd)*

(b) Repossessed Collateral

In certain circumstances property is repossessed following the foreclosure on loans that are in default. Repossessed properties are sold as soon as practicable and the proceeds used to reduce the outstanding indebtedness. When collateral is repossessed its value is not recorded in the statement of financial position to replace the existing loan receivable balance.

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

		Maximum Exposure	
Credit risk exposures relating to on-balance sheet assets		2020	2019
Cash and cash equivalents	$	32,013,714	46,048,570
Loans and advances			
Consumer loans		19,556,819	28,413,773
Loans and advances to government entities		35,116,215	39,164,225
Loans and advances - other		76,262,139	77,954,463
Due from related parties		3,200,000	11,588,923
Investment securities			
Held-to-maturity		-	-
Amortised cost		66,548,734	39,377,947
FVTPL		-	272,493
Credit risk exposures relating to off-balance sheet assets			
Loan commitments and other credit related obligations		-	106,240
At October 31	$	232,697,621	242,926,634

The above table represents a worse-case scenario of credit risk exposure to the Company at October 31, 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

7.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations associated with its financial liabilities when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Company will be unable to do so is inherent in all financing operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

(Expressed in Eastern Caribbean Dollars)

7. Financial instrument risk *(cont'd)*

7.2 Liquidity risk *(cont'd)*

The Company is exposed to calls on its available cash resources from maturing deposits.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Company and its exposure to changes in interest rates.

Liquidity risk management process

The Company's liquidity risk management processes are carried out by the Company's senior management and include the following:

- Monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting takes the form of cash flow measurement and projections on an on-going basis, as this is key for liquidity management. The starting point for this projection is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Funding approach
Sources of liquidity are regularly reviewed by management and the Board of Directors in order to maintain a wide diversification of by-product and term.

Assets held for managing liquidity risk
The Company holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise:

- Un-restricted cash in bank
- Certificates of deposit
- Unimpaired loans

(Expressed in Eastern Caribbean Dollars)

7. Financial instrument risk *(cont'd)*

7.2 Liquidity risk *(cont'd)*

(a) Residual contractual maturities of financial liabilities including interest contractually payable are as follows:

		Carrying amount	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
As at October 31, 2020							
Liabilities							
Customer deposits	$	225,238,862	23,432,470	10,205,103	191,379,893	221,396	225,238,862
Other liabilities		4,784,078	1,386,171	-	-	3,397,907	4,784,078
	$	230,022,940	24,818,641	10,205,103	191,379,893	3,619,303	230,022,940
As at October 31, 2019							
Liabilities							
Customer deposits	$	217,193,398	23,870,667	15,290,017	164,707,013	13,325,701	217,193,398
Other liabilities		845,681	845,681	-	-	-	845,681
	$	218,039,079	24,716,348	15,290,017	164,707,013	13,325,701	218,039,079

(Expressed in Eastern Caribbean Dollars)

7 Financial instrument risk *(cont'd)*

7.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the value of the Company's assets, the amount of its liabilities and/or income. Market risk arises from fluctuations in the value of liabilities and the value of investments held. The Company is exposed to market risk on certain of its financial assets.

(i) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not face any such risk since its transactions are substantially in Eastern Caribbean Dollars, which is its functional currency. The United States Dollar, in which the Company also transacts business, is fixed in relation to the Eastern Caribbean Dollar.

(ii) Price risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market. The Company has no exposure to such risk since its existing available-for-sale investments are not listed in the market. The Company however has price risk on its listed assets that are carried at fair value through profit or loss.

(iii) Interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is affected where there is a mismatch between interest earning assets and interest-bearing liabilities, which are subject to interest rate adjustments within a specified period.

The Company actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Company's funding and investment activities is managed in accordance with Board-approved policies.

The Company advances loans and receives deposits as a part of its normal course of business from both related and third parties. The interest rates on loans generally reflect interest based on market rates. Investment securities and customer deposits generally attract fixed interest rates. The table below analyses the effective interest rates of each class of financial asset and financial liability:

	2020	**2019**
Loans and advances:		
Government loans	8.50-10.00%	8.50-10.00%
Other loans	9.00-12.00%	9.00-12.00%
Investment securities:		
Government bonds	6.50%-7.50%	6.50%-7.50%
Other securities	2.25%-3.80%	2.25%-3.80%

Deposits due to customers	2020	2019
Personal deposits	2.00%-4%	2.00%-6.50%
Corporate deposits	2.75%-4%	2.75%-6.50%

(Expressed in Eastern Caribbean Dollars)

7. Financial instrument risk *(cont'd)*

7.3 Market risk *(cont'd)*

(iii) Interest rate risk (cont'd)

	Interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at October 31, 2020								
Assets								
Cash and cash equivalents	0.01%-0.80%	$ -	-	32,013,714	-	-	343,628	32,357,342
Investments	2.25%-7.50%	-	-	5,082,953	-	89,995,018	-	95,077,971
Loans and advances	0.00%-5.45%	12,227,971	1,279,460	4,858,226	52,900,321	60,207,813	-	131,473,791
Total financial assets		12,227,971	1,279,460	41,954,893	52,900,321	150,202,831	343,628	258,909,104
Liabilities								
Customer deposits	2.00%-4.00%	23,432,470	10,205,103	191,379,893	221,396	-	-	225,238,862
Lease Liability	6.75%	-	-	-	-	3,397,907	-	3,397,907
Other liabilities		-	-	-	-		845,681	845,681
Total financial liabilities		23,432,470	10,205,103	191,379,893	221,396	3,397,907	845,681	229,482,450
Total interest repricing gap		$ (11,204,499)	(8,925,643)	149,425,000	52,678,952	146,804,924	(502,053)	29,426,654

(Expressed in Eastern Caribbean Dollars)

7. Financial instrument risk *(cont'd)*

7.3 Market risk *(cont'd)*

(iii) Interest rate risk (cont'd)

	Interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
As at October 31, 2019								
Assets								
Cash and cash equivalents	0.01%-0.80%	$ -	-	45,744,730	-	-	303,840	46,048,570
Investments	2.25%-7.50%	-	-	14,531,281	2,000,000	34,136,619	-	50,667,900
Loans and advances	0.00%- 5.45%	10,287,325	575,177	4,551,343	55,431,879	74,686,739	-	145,532,463
Total financial assets		10,287,325	575,177	64,827,354	57,431,879	108,823,358	303,840	242,248,933
Liabilities								
Customer deposits	2.00%-6.50%	23,870,667	15,290,017	164,707,013	13,325,701	-	-	217,193,398
Other liabilities		-	-	-	-	-	845,681	845,681
Total financial liabilities		23,870,667	15,290,017	164,707,013	13,325,701	-	845,681	218,039,079
Total interest repricing gap		$ (13,583,342)	(14,714,840)	(99,879,659)	44,106,178	108,823,358	(541,841)	24,209,854

7. Financial instrument risk*(cont'd)*

7.3 Market risk *(cont'd)*

7.3.1 Price risk

The Company's investment portfolio includes securities that are quoted on the Eastern Caribbean Securities Exchange and the US Stock Exchange. The Company is exposed to equities price risk because of investments held and classified on the statement of financial position as at fair value through profit or loss. To manage this price risk arising from investments in equity securities, the Company diversifies its portfolio.

7.3.2 Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Substantially all of the Company's transactions and assets and liabilities are denominated in Eastern Caribbean dollars or United States dollars. Therefore, the Company's exposure to currency risk is considered minimal.

The exchange rate of the Eastern Caribbean dollar (EC$) to the United States dollar (US$) has been formally pegged at EC$2.7 = US$1.00 since 1974.

Because all significant assets and liabilities are denominated either in United States dollars or in Eastern Caribbean dollars, which is pegged to the US dollar, there would have been no impact on equity, if at October 31, 2020, the Eastern Caribbean Dollar had weakened against other currencies.

7.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for development and implementation of controls to address operational risk is assigned to management within the Company. This responsibility is supported by the development of overall standards for the management of operational risk that establish requirements for:

- appropriate segregation of duties, including the independent authorization of transactions;
- the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;

7. Financial instrument risk *(cont'd)*

7.4 Operational risk *(cont'd)*

- documentation of controls and procedures;
- the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the Company's standards is supported by a programme of periodic reviews undertaken by the Supervisory Committee. The results of the Supervisory Committee reviews are discussed with management, with summaries provided to the Board of Directors.

8. Financial instruments measured at fair value:

Fair value hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Inputs that are quoted market prices (unadjusted) in active markets for identical instruments
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

(Expressed in Eastern Caribbean Dollars)

8. **Financial instruments measured at fair value:** *(cont'd)*

Assets measured at fair value

October 31, 2020

		Level 1	Level 2	Level 3	Total
Fair value through profit or loss					
Debt securities	$	-	-	-	-
Equity securities		27,413,667	-	1,115,570	28,529,237
	$	27,413,667	-	1,115,570	28,529,237

October 31, 2019

Fair value through profit or loss		Level 1	Level 2	Level 3	Total
Debt securities	$	272,492	-	-	272,492
Equity securities		9,924,627	-	1,092,833	11,017,460
	$	10,197,119	-	1,092,833	11,289,952

9. **Capital management:**

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by its regulator - the Eastern Caribbean Central Bank;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored quarterly by the Company's management, employing techniques based on the guidelines developed by the Basel Committee and as implemented by the Company's management for supervisory purposes. The required information is filed with the Eastern Caribbean Central Bank (ECCB) quarterly.

The regulatory capital requirements are strictly observed when managing economic capital. The Company's regulatory capital is managed by senior management and comprises two tiers:

- Tier 1 capital: share capital (net of any book values of treasury shares), general reserves, statutory reserve, non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill (if applicable) is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

Investments in associates (of which there are none) are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

During the period, the Company was in compliance with all externally imposed capital requirements.

(Expressed in Eastern Caribbean Dollars)

10. **Comparatives:**

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

11. **Cash and Cash Equivalents:**

		2020	2019
Cash on hand	$	343,628	303,840
Cash held with Fund Manager		3,321,847	4,421,917
CIBC First Caribbean International Bank		27,673,319	26,968,749
Bank of Nova Scotia		674,920	14,354,064
	$	32,013,714	46,048,570

12. **Investment Securities:**

		2020	2019
Term deposits measured at amortised cost			
Certificates of deposit	$	5,035,628	4,976,795
Interest receivable		52,373	78,743
Less: allowance for impairment		(5,048)	(920)
Total term deposits	$	5,082,953	5,054,618
Other securities measured at amortised cost			
Debt securities at amortised cost			
Unlisted	$	-	-
Listed		61,545,875	34,785,658
Interest receivable		238,068	186,710
Less: allowance for impairment		(318,162)	(649,039)
	$	61,465,781	34,323,329
Total investments measured at amortised cost		66,548,734	39,377,947
Securities measured at fair value through P&L			
Debt securities – listed		-	272,492
Equity securities			
Unlisted		1,115,570	1,092,833
Listed		27,413,667	9,924,627
Total securities measured at fair value through P&L		28,529,237	11,289,952
Total investments	$	95,077,971	50,667,899

(Expressed in Eastern Caribbean Dollars)

12. **Investment Securities *(cont'd)***

All debt securities have fixed interest rates.

Movement of the Company's financial assets are summarized as follows:

		Fair value through P&L	Amortised cost	Available for sale	Held-to-maturity
As at October 31, 2018	$	2,703,743	-	1,147,493	38,633,998
Impact of adopting IFRS 9 - reclassification		1,147,493	38,633,998	(1,147,493)	(38,633,998)
Fair value adjustment		(79,124)	-	-	-
Impact of adopting IFRS 9 - ECL remeasurement		-	(346,694)	-	-
As at November 1, 2018		3,772,112	38,287,304	-	-
Additions		6,687,327	19,000,000	-	-
Disposals (sales, redemptions and principal repayments)		-	(17,755,410)	-	-
Movement in accrued interest		-	149,318	-	-
Change in fair value		830,513	-	-	-
Allowance for expected credit losses		-	(303,265)	-	-
As at October 31, 2019		11,289,952	39,377,947	-	-
Additions		13,500,000	30,000,000	-	-
Reclassified to cash		1,100,070	-	-	-
Disposals (sales, redemptions and principal repayments)		(355,056)	(3,211,448)	-	-
Movement in accrued interest			51,358	-	-
Change in fair value		2,994,271	-	-	-
Allowance for expected credit losses		-	330,877	-	-
As at October 31, 2020	$	28,529,237	66,548,734	-	-

12. Investment Securities *(cont'd)*

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit rating system and year end stage classification for investments.

	Stage 1 12 Month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired Financial Assets Lifetime ECL	Total
October 31, 2020				
Gross exposure	$ 1,381,035	65,490,909	-	66,871,944
ECL	(214)	(322,996)	-	(323,210)
Net exposure	1,380,821	65,167,913	-	66,548,734
October 31, 2019				
Gross exposure	$ 40,027,906	-	-	40,027,906
ECL	(649,959)	-	-	(649,959)
Net exposure	39,377,947	-	-	39,377,947
ECL allowance as at October 31, 2019	$ 649,959	-	-	649,959
ECL on new instruments issued during the yea r	-	-	-	-
Change in ECL on prior instruments not matured	(326,749)	-	-	(326,749)
ECL reversed on matured instruments	-	-	-	-
As at October 31, 2020	$ 323,210			323,210
ECL allowance as at November 1, 2018 under IFRS 9	$ 346,694	-	-	346,694
ECL on new instruments issued during the yea r	367,070	-	-	367,070
Change in ECL on prior instruments not matured	(59,303)	-	-	(59,303)
ECL reversed on matured instruments	(4,502)	-	-	(4,502)
As at October 31, 2019	$ 649,959	-	-	649,959

(Expressed in Eastern Caribbean Dollars)

13. Statutory Deposit

		2020	2019
Accountant General	$	718,474	718,474

Under the previous Banking Act No. 14 of 2005 of Antigua and Barbuda, the Company was required to maintain with the Accountant General, a reserve amount equivalent to 5.0% of its total deposit liabilities to the public. The above amount of $718,474 at the year-end represents total funds paid over to the Accountant General, over the years.

14. Loans and Advances, net

		2020	2019
Government loans	$	35,116,215	39,164,225
Consumer loans		19,556,819	28,413,773
Other loans and advances		76,262,138	77,954,463
		130,935,172	145,532,461
Allowance for credit losses		(18,565,871)	(19,787,521)
	$	112,369,301	125,744,940

The movement in allowance for credit losses is as follows:

		2020	2019
Balance, beginning of year	$	19,787,521	20,430,823
IFRS 9 ECL impact		-	(2,468,513)
Restated opening balance under IFRS 9 at		19,787,521	17,962,310
Current provision		333,926	3,370,153
Amounts written-off		(1,555,576)	(1,544,942)
	$	18,565,871	19,787,521

Consumer loans are shown net of unearned income of $2,149,377 (2019: $6,218,285).

In prior years, the Company had set aside additional amounts totalling $6,647,190 as an appropriation within a separate reserve account in equity in respect of the difference between the provision requirements under International Financial Reporting Standards and the ECCB Prudential Guidelines. The Company has made a decision to maintain this reserve at the current amount although it is $3,660,609 in excess of what required for the 2020 financial year.

(Expressed in Eastern Caribbean Dollars)

14. Loans and Advances, net *(cont'd)*

A breakdown of the staging of loans and advances and the related ECLs is illustrated below:

		Total
Balance at October 31, 2020		
Gross loans before provisions	$	130,935,173
Stage 1: 12-month ECL		(1,917)
Stage 2: Lifetime ECL		(1,626,698)
Stage 3: Credit Impaired		(16,937,257)
At October 31, 2020	$	112,369,301

		Total
Balance at October 31, 2019		
Gross loans before provisions	$	145,532,461
Stage 1: 12-month ECL		(22,612)
Stage 2: Lifetime ECL		(1,966,852)
Stage 3: Credit Impaired		(17,798,057)
At October 31, 2019	$	125,744,940

		Total
Stage 1: 12-Month ECL		
ECL allowance as at:		
October 31, 2019	$	22,612
ECL decrease due to IFRS 9 reassessment		(20,695)
As at October 31, 2020	$	1,917

		Total
Stage 1: 12-Month ECL		
ECL allowance as at:		
November 1, 2018 under IFRS 9	$	40,388
ECL decrease due to IFRS 9 reassessment		(17,776)
As at October 31, 2019	$	22,612

(Expressed in Eastern Caribbean Dollars)

14. **Loans and Advances, net *(cont'd)***

Stage 2: Lifetime ECL		**Total**
ECL allowance as at:		
October 31, 2019	$	1,966,852
ECL decrease due to IFRS 9 reassessment		(340,154)
As at October 31, 2020	$	1,626,698

Stage 2: Lifetime ECL		**Total**
ECL allowance as at:		
November 1, 2018 under IFRS 9	$	2,079,122
ECL decrease due to IFRS 9 reassessment		(112,270)
As at October 31, 2019	$	1,966,852

Stage 3: Lifetime ECL (Credit Impaired)		**Total**
ECL allowance as at:		
October 31, 2019	$	17,798,057
ECL increase due to IFRS 9 reassessment		694,775
Credit loss expense		-
Charge-offs and write-offs		(1,555,576)
As at October 31, 2020		16,937,256
Total	$	18,565,871

Stage 3: Lifetime ECL (Credit Impaired)		**Total**
ECL allowance as at:		
November 1, 2018 under IFRS 9	$	15,842,800
ECL decrease due to IFRS 9 reassessment		(513,255)
Credit loss expense		4,013,454
Charge-offs and write-offs		(1,544,942)
As at October 31, 2019		17,798,057
Total	$	19,787,521

15. **Repossessed Stock, net**

		2020	2019
Inventories on hand	$	465,376	1,282,914

Repossessed stock are vehicles repossessed by the Company as a result of the customer defaulting on the loan. Repossessed stock also includes vehicles traded in and returned by customers.

(Expressed in Eastern Caribbean Dollars)

16. Property and Equipment

Property and equipment comprise the following:

		Motor Vehicles	Office Equipment	Computer Equipment	Security System	Storage Facility	Total
Year ended October 31, 2020							
Opening net book value	$	147,122	104,614	362,677	64,947	25,273	704,633
Additions		36,000	5,230	27,680	3,699	-	72,609
Depreciation charge		(30,118)	(18,955)	(82,266)	(7,337)	(1,330)	(140,006)
Closing net book value	$	153,004	90,889	308,091	61,309	23,943	637,236
At October 31, 2020							
Cost	$	463,235	493,064	902,355	105,444	44,803	2,008,901
Accumulated depreciation		(310,231)	(402,175)	(594,264)	(44,135)	(20,860)	(1,371,665)
Net book value	$	153,004	90,889	308,091	61,309	23,943	637,236
Year ended October 31, 2019							
Opening net book value	$	85,788	122,353	174,704	71,043	26,603	480,491
Additions		122,850	695	256,077	1,010	-	380,632
Disposal		(30,000)	-	-	-	-	(30,000)
Depreciation charge		(31,516)	(18,434)	(68,104)	(7,106)	(1,330)	(126,490)
Closing net book value	$	147,122	104,614	362,677	64,947	25,273	704,633
At October 31, 2019							
Cost	$	427,235	487,834	874,675	101,745	44,803	1,936,292
Accumulated depreciation		(280,113)	(383,220)	(511,998)	(36,798)	(19,530)	(1,231,659)
Net book value	$	147,122	104,614	362,677	64,947	25,273	704,633

(Expressed in Eastern Caribbean Dollars)

17. Intangible Assets

		2020	2019
Software			
Cost at the beginning of the year	$	763,282	-
Additions		-	763,282
Cost at the end of the year	$	763,282	763,282
Accumulated amortisation - beginning of the year	$	76,328	-
Charge for the year		137,391	76,328
Accumulated amortisation - end of the year		213,719	76,328
Net book value	$	549,563	686,954

18. Customer Deposits

		Payable in less than 1 year	Payable between 1 to 3 years	Total 2020	Total 2019
Personal	$	169,526,150	-	169,526,150	166,395,426
Corporate		55,712,712	-	55,712,712	50,797,972
Total	$	225,238,862	-	225,238,862	217,193,398

Deposits attract interest at rates varying from 2% to 4% (2019: 2.0% to 6.5%). The overall weighted average effective interest rate on deposits was 3.24% (2019: 3.92%). Included in the total customer deposits is accrued interest payable of $3,290,017 (2019: $4,151,152).

19. Accounts Payable and Accruals

		2020	2019
Accounts payable	$	14,052	240,095
Accruals		1,372,119	605,586
	$	1,386,171	845,681
Current	$	1,386,171	845,681
Non-current		-	-
	$	1,386,171	845,681

(Expressed in Eastern Caribbean Dollars)

20. Income Taxes

In accordance with the laws of Antigua and Barbuda, the Company currently pays tax at a rate of 25% (2019: 25%).

Tax concessions:

The Company benefits from tax concessions on interest earned from bonds issued by the Government of Antigua and Barbuda and on loans to Antigua and Barbuda statutory bodies.

Income tax payable

		2020	2019
Balance, beginning of year	$	4,000	4,000
2019 Income tax expense		88,910	-
Balance, end of year	$	92,910	4,000

A reconciliation of the income tax attributable to the operations for the period using the statutory rate of 25% is as follows:

Income tax expense

		2020	2019
Loss before taxation	$	(1,100,751)	(2,351,236)
Tax at twenty-five (25%) percent		(275,188)	(587,807)
Add/(Deduct):			
Tax effect on items not allowable as tax deductible items		1,332,114	3,010,834
Tax effect on capital and balancing allowance		(68,311)	(2,245,207)
Tax effect on exempt income		(2,530,208)	-
Tax effect on losses not utilized/(utilized)		1,541,593	(88,910)
Current tax expense	$	-	-

(Expressed in Eastern Caribbean Dollars)

20. **Income Taxes:** *(cont'd)*

As at October 31, 2020, the Company had a deferred tax asset of $5,439,223 (2019: $5,621,016) arising out of tax loss which has not been recognised in these financial statements, as there is no certainty that future taxable profits will be available against which the Company can utilize the benefit therefrom.

The Company has incurred income tax losses amounting to $6,166,372 which may be carried forward and applied to reduce taxable income in future years by an amount not exceeding one half of the taxable income in any one year of assessment prior to the expiration of the losses. The losses are yet to be agreed by the Commissioner of Inland Revenue. The losses expire as follows:

Date of Expiration	Loss
October 31, 2021	$ 3,120,637
October 31, 2022	5,470,598
October 31, 2023	7,346,882
October 31, 2026	6,166,372
	$ 22,104,489

21. **Stated Capital**

	2020	2019
Authorised, issued and fully paid:		
17,500,000 common shares of no par value	$ 17,500,000	17,500,000

22. **Statutory Reserve**

	2020	2019
Balance, beginning of year	$ 7,274,115	7,274,115
Transfer of profit after taxation	-	-
Balance, end of year	$ 7,274,115	7,274,115

Pursuant to Section 45 of the Banking Act No. 10 of 2015, the Company shall, out of its net profits of each year, transfer to a reserve "not less than 20% of the annual net earnings of the Company to a reserve fund whenever the fund is less than one hundred percent of the issued and paid-up capital of the Company". At the reporting date, the Company's reserve was less than the issued and paid-up capital. However, on the basis that the Company incurred a loss for the year ended October 31, 2020 no transfer was made to statutory reserve.

(Expressed in Eastern Caribbean Dollars)

23. Interest Income:

		2020	2019
Loans			
Loans and advances from customers	$	6,207,447	9,186,883
Government loans		4,008,633	4,784,863
		10,216,080	13,971,746
Deposits with other financial institutions and investments			
Government bonds		3,095,193	2,018,267
Deposits and dividends		120,248	531,660
Unrealised gain on fair value changes		3,017,007	830,513
Realised loss		(104,838)	-
		6,127,610	3,380,440
Total	$	16,343,690	17,352,186

24. Other Operating Income:

		2020	2019
Sundry income	$	270,244	391,716
Investment portfolio income		218,994	227,548
Recoveries		60,074	43,358
Repossessed stock gain		43,706	-
Late fee charges		-	382,822
	$	593,018	1,045,444

25. Salaries and related costs:

		2020	2019
Salaries, wages and allowances	$	2,341,671	2,000,478
Statutory deductions		154,580	149,168
Other costs		87,240	37,307
Medical insurance		28,250	27,669
Training		8,066	72,235
Uniforms		5,564	37,704
Staff benefit		2,600	147,000
	$	2,627,971	2,471,561
Average number of employees		32	32

(Expressed in Eastern Caribbean Dollars)

26. General and Administrative Expenses

	Note		2020	2019
Salaries and related costs	25	$	2,627,971	2,471,561
Investment fees and expenses			294,849	155,403
Other expenses			216,409	331,715
Repossessed stock expenses			175,671	221,333
Audit fees			165,064	139,074
Security			149,925	153,269
Repairs and maintenance			143,840	64,765
Licence fees			80,000	80,000
Subscriptions and donations			76,934	97,457
Professional and legal fees			58,472	177,015
Insurance			35,830	13,164
Credit card expenses			26,820	21,603
Vehicle expenses			24,539	149,406
Utilities			20,858	154,829
Advertising and promotion			17,254	26,052
Bank charges			11,630	12,728
Travel			3,303	18,200
Commission			2,600	5,100
Penalties and fees			2,000	500
Telephone			1,104	30,563
Rent			-	516,000
Cash (overs)/shorts			(932)	669
		$	4,134,141	4,840,406

27. **Related Party Balances and**

Transactions Related party definition

A related party is a person or entity that is related to the Company.

a) A person or a close member of that person's family is related to the Company if that person:

  (i) has control or joint control of the Company;

  (ii) has significant influence over the Company; or

  (iii) is a member of the key management personnel of the Company or of the parent of the Company.

b) An entity is related to the Company if any of the following conditions applies:

  (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

A related party transaction is a transfer of resources, services or obligations between related entities regardless of whether a price is charged.

A number of transactions were entered into with related parties in the normal course of business. These include loans, deposits and other transactions.

(Expressed in Eastern Caribbean Dollars)

27. Related Party Balances and Transactions *(cont'd)*

The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

(i) Outstanding balances – presented in loans and advances on statement of financial position

		2020	2019
Loans and other assets			
Other related entities	$	13,817,863	15,381,600
Directors		336,560	660,864
Key management personnel		521,897	624,369
	$	14,676,320	16,666,833

(ii) Outstanding balances – other balances due from related parties

		2020	2019
Advances made to shareholders	$	-	7,733,922
Receivables from other related entities		3,200,000	3,855,000
	$	3,200,000	11,588,922

Related party loans and other balances due from related parties attract interest at rates varying from 0% to 7.5% (2019: 0% to 7.5%). During the year the Company wrote-off balances due from related party of $4,133,896 (2019: nil). No specific provisions have been recognised in respect of loans or other balances due from related parties (2019: nil).

		2020	2019
Deposits and other liabilities			
Directors	$	122,643,639	110,289,559
Other related entities		18,594,845	17,755,494
	$	141,238,484	128,045,053

Related party deposits attract interest at rates varying from 2.5% to 4% (2019: 2.5% to 6.5%).

(Expressed in Eastern Caribbean Dollars)

27. Related Party Balances and Transactions *(cont'd)*

(iii) Transactions

		2020	2019
Interest income on loans			
Other related entities	$	568,959	1,082,138
Key management personnel		29,173	57,240
	$	598,132	1,139,378

		2020	2019
Interest expense on deposits			
Directors	$	4,146,763	6,528,394
Other related entities		744,525	596,536
Key management personnel		7,018	-
	$	4,898,306	7,124,930

		2020	2019
Other expenses			
Directors' fees and other expenses	$	5,516,132	785,047
Key management compensation		584,800	587,700
Rental and utilities expense		516,000	516,000
Director medical expenses		-	4,703
	$	6,616,932	1,893,450

During the year, $4,133,896 (2019: nil) in amounts receivable from related parties was written-off as per a resolution by the Board of Directors.

28. Contingencies and Commitments

Credit related commitments

The contractual amounts of the Company's off-balance sheet financial instruments that commit it to extend credit to customers are listed below:

As of October 31, 2020		**Up to 1 year**	**Total**
Loan commitments (undrawn)	$	-	-
As of October 31, 2019			
Loan commitments (undrawn)	$	106,240	106,240

29. **Leases**

The Company leases a building for its sole office operations. The lease runs for an indefinite period. Previously, the lease was classified as operating leases under IAS 17.

	Right of Use Property 2020
a) Right-of-Use Assets	
As of November 1, 2019	3,716,423
Dismantling cost provision	(50,000)
Depreciation expense	(371,642)
As of October 31, 2020	3,294,781

b) Lease Liability
Maturity analysis – contractual undiscounted cash flows:

	2020
Total undiscounted lease liabilities at November 1, 2019	3,666,423
Add. Lease interest	247,484
Less: Lease payments	(516,000)
Lease liabilities included in the statement of financial position on October 31, 2020	3,397,907
Current	573,283
Non-current	2,874,624

c) Amounts recognised in profit or loss	
Interest on lease liabilities	247,484
d) Amounts recognised in cash flows	
Total cash outflow for leases	516,000

(e) Extension options

The lease has an indefinite period. The lessor and its stakeholders have not indicated that the agreement will be broken in the near future and hence the agreement is expected to exist indefinitely and no extension will be require.

(Expressed in Eastern Caribbean Dollars)

30. **Effect of Covid-19:**

The outbreak of the Coronavirus (Covid-19) pandemic has significantly impacted Antigua and Barbuda's economy and its financial services sector. In response, the Company participated in a loan moratorium program targeting customers who suffered economic disruption due to the Covid-19 pandemic, which took the form of an interest only payment or full blended payment deferral up to nine months on a case-by-case basis. During the fiscal year, the Company granted two hundred and thirty (230) deferrals with a net outstanding amount of $24,194,944. At the financial year end, the Company had two hundred and twenty-three (223) active customers with loan moratoriums with a net outstanding balance of $23,688,120.

Interest income from loans decreased by $3,755,666 or twenty-seven percent (27%) compared with the prior year. However, the Company was able to mitigate the negative impact of the pandemic from a decision taken by the Board of Directors in January 2020 to decrease the interest rates on certain fixed deposits from five and one half percent (5.5%) and six percent (6%) to four percent (4%). This resulted in a decrease in interest expense of $3,763,692 which fully absorbed the impact of the decrease in loan interest income on the bottom line.
Given the short-to-medium term economic outlook, Management adopted a prudent approach in the event the portfolio could be impacted and therefore assessed an increase in the overall impairment provisions in 2020.