NCB Global Finance Limited

Financial Statements

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

NCB Global Finance Limited

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NCB Global Finance Limited

Statement of Management's Responsibilities

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

- Preparing and fairly presenting the accompanying financial statements of NCB Global Finance Limited (the Company) which comprise the statement of financial position as at 30 September 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Company keeps proper accounting records;

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

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

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

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

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

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

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

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

Angus P. Young

Chief Executive Officer
2 December 2020

Finance Manager
2 December 2020

Independent Auditor's Report

To the shareholder of NCB Global Finance Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of NCB Global Finance Limited (the Company) as at 30 September 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 September 2020;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Independent Auditor's Report (Continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
4 December 2020

NCB Global Finance Limited

Income Statement

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 30 September 2020 $	2019 $
Operating income			
Interest income		19,039,978	18,087,168
Interest expense		(12,290,893)	(7,864,095)
Net interest income	4	6,749,085	10,223,073
Fee and commission income	5	12,778,384	7,058,791
Net gains on foreign currency and investment activities	6	15,125,098	19,310,796
Dividend income		32,413	47,751
Other operating income		37,194	117,811
		15,194,705	19,476,358
		34,722,174	36,758,222
Operating expenses			
Staff costs	7	5,617,085	6,612,517
Net impairment gains on loans	13	656,163	(1,098,314)
Net impairment gains on investment securities		(451,603)	(888,406)
Depreciation, amortisation		1,064,099	1,183,876
Other operating expenses	8	6,446,973	7,061,652
		13,332,717	12,871,325
Profit before taxation		21,389,457	23,886,897
Taxation	9	(6,432,309)	(3,749,336)
Net profit		14,957,148	20,137,561

The notes on pages 9 to 46 are an integral part of these financial statements.

NCB Global Finance Limited

Statement of Comprehensive Income
(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 September 2020 $	2019 $
Net profit	14,957,148	20,137,561
Other comprehensive income/(loss), net of tax		
Items that may be reclassified to profit or loss		
Expected credit losses on debt instruments as fair value through other comprehensive income (FVOCI)	(451,603)	(888,406)
Net gains on investments in debt instruments measured at FVOCI	125,794	387,262
	(325,809)	(501,144)
Total comprehensive income	14,631,339	19,636,417

The notes on pages 9 to 46 are an integral part of these financial statements.

NCB Global Finance Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 30 September 2020 $	2019 $
Assets			
Cash in hand and balances at Central Bank	10	23,323,065	34,705,216
Due from other banks		113,959,231	146,500,786
Investment securities	11	56,581,475	222,200,314
Pledged assets	12	11,265,146	12,234,835
Loans and advances, net of provisions for credit losses	13	291,065,588	164,619,089
Intangible assets	14	1,325,856	2,252,415
Property, plant and equipment	15	28,988	160,664
Deferred income tax asset	16	3,122,460	9,043,529
Other assets	17	10,893,981	8,068,135
Total assets		511,565,790	599,784,983
Liabilities			
Customer deposits	18	369,380,681	465,683,451
Repurchase agreements	19	10,266,136	10,458,220
Deferred income tax liability	16	184,388	171,545
Other liabilities	20	14,981,718	21,350,239
Total liabilities		394,812,923	497,663,455
Equity			
Share capital	21	82,921,789	82,921,789
Fair value reserve	22	1,306,468	1,632,277
Statutory reserve fund	23	12,168,559	10,672,844
Retained earnings		20,356,051	6,894,618
Total equity		116,752,867	102,121,,528
Total equity and liabilities		511,565,790	599,784,983

The notes on pages 9 to 46 are an integral part of these financial statements.

Approved for issue by the Board of Directors on 2 December 2020 and signed on its behalf by:

Director

Angus P. Young Director

NCB Global Finance Limited

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

	Note	Share capital $	Fair value reserve $	Statutory reserve fund $	Retained earnings/(deficit) $	Total $
Balance at 1 October 2019		82,921,789	1,632,277	10,672,844	6,894,618	102,121,528
Total comprehensive (loss)/income		--	(325,809)	--	14,957,148	14,631,339
Transfer to statutory reserve fund	23	--	--	1,495,715	(1,495,715)	--
Balance at 30 September 2020		82,921,789	1,306,468	12,168,559	20,356,051	116,752,867
Balance as at 30 September 2018		82,921,789	(54,070)	8,659,087	(8,774,138)	82,752,668
Initial impact of IFRS 9 application		--	2,187,491	--	(2,455,048)	(267,557)
Balance at 1 October 2018		82,921,789	2,133,421	8,659,087	(11,229,186)	82,485,111
Total comprehensive (loss)/income		--	(501,144)	--	20,137,561	19,636,417
Transfer to statutory reserve fund	23	--	--	2,013,757	(2,013,757)	--
Balance at 30 September 2019		82,921,789	1,632,277	10,672,844	6,894,618	102,121,528

The notes on pages 9 to 46 are an integral part of these financial statements.

NCB Global Finance Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 30 September 2020 $	2019 $
Cash flows from operating activities			
Net profit after taxation		14,957,148	20,137,561
Adjustments to reconcile net profit to net cash provided by operating activities	24	(228,812,241)	175,389,773
Net cash (used in)/provided by operating activities		(213,855,093)	195,527,334
Cash flows from investing activities			
Acquisition of property, plant and equipment	15	(5,864)	(12,993)
Acquisition of intangible asset - computer software	14	--	(30,182)
Purchases of investment securities		(378,974,396)	(447,293,645)
Proceeds from sales/maturities of investment securities		548,911,647	310,460,505
Net cash provided by/(used) in investing activities		169,931,387	(136,876,315)
Net (decrease)/increase in cash and cash equivalents		(43,923,706)	58,651,019
Cash and cash equivalents at beginning of period		181,206,002	122,554,983
Cash and cash equivalents at end of period		137,282,296	181,206,002
Comprising:			
Cash in hand and balances at Central Bank	10	23,323,065	34,705,216
Due from other banks		113,959,231	146,500,786
		137,282,296	181,206,002

The notes on pages 9 to 46 are an integral part of these financial statements.

1 Incorporation and business activities

NCB Global Finance Limited (formerly AIC Finance Limited) (the "Company") was incorporated in the Republic of Trinidad and Tobago on 5 November 1982, and commenced operations in January 1983. Effective 11 August 1993, the Company was licensed under the Financial Institutions Act 1993 as a financial institution. On 26 August 2003, the Company's application for a merchant bank's licence was approved by the Central Bank of Trinidad and Tobago (CBTT), thereby authorising the Company to conduct the additional activity of foreign exchange dealing.

On 13 December 2013, NCB Capital Markets Limited (the "Parent") acquired 100% of the shareholding of AIC Finance Limited from AIC Financial Group Limited (AICFG). NCB Capital Markets Limited is a 100% owned subsidiary of National Commercial Bank Jamaica Limited ("the Bank"). The Bank is a wholly owned subsidiary of NCB Financial Group Limited, a company incorporated and domiciled in Jamaica. NCB Financial Group Limited is a 55% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc. incorporated in Canada and controlled by Hon.Michael A.Lee-Chin, OJ, Chairman of the Bank.

Shares in NCB Financial Group Limited are listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

As part of the sale agreement, AIC Finance Limited transferred its 43% shareholding in AIC Securities Limited to AIC Financial Group Limited on 12 December 2013.

NCB Global Finance Limited is authorised to carry on the following classes of business: finance company, confirming house/acceptance house, leasing corporation, mortgage institution, merchant bank, trust company, unit trust and financial services.

In January 2016, the Company was issued a Broker-Dealer license from the Trinidad and Tobago Securities and Exchange Commission which allows the Company to conduct the following activities: (1) Broker-Dealer as agent; (2) Broker-Dealer as principal; (3) Investment adviser and (4) Underwriter.

In July 2018, the CBTT granted approval for the Company to be included in the group of Second Tier Primary Dealers. This allows the Company to participate in up to 50% of the Open Market Operations (OMO) auctions staged by the CBTT in its efforts to manage liquidity in the Banking system.

The Company's registered office is located at 68 Ariapita Avenue, Woodbrook, Trinidad and Tobago.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. *Basis of preparation*

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets at fair value.

The Company has prepared these financial statements to file with The Central Bank of Trinidad and Tobago in accordance with The Financial Institutions Act, 2008.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(i) *New and amended standards adopted by the Company*

The Company has adopted the following new and amended standards as at 1 October 2019:

- IFRS 16, 'Leasing' (effective for annual periods beginning on or after 1 January 2019). Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.
  For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company does not have any significant impact on the financial statements from the adoption of the standard.

- Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019). The IASB issued a narrow-scope amendment to IFRS 9 enabling companies to measure some financial assets containing a prepayment feature which results in negative compensation, at amortised cost. The relevant assets (certain loans and debt securities), would otherwise have been measured at fair value through profit or loss (FVPL). Negative compensation occurs where the contractual terms give a borrower the right to prepay the instrument before its contractual maturity, with the resulting prepayment being less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. There was no significant impact from the adoption of this amendment during the year.

- IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual periods beginning on or after 1 January 2019). This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. There was no significant impact from the adoption of this amendment during the year.

2 **Summary of significant accounting policies (continued)**

a. *Basis of preparation (continued)*

(ii) *Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company:*

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Company has not early adopted.

- Amendments to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors', (effective for annual periods beginning on or after 1 January 2020). These amendments use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting, clarifies explanation of the definition of material and incorporate guidance in IAS 1 about immaterial information.

- Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform, (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that inter-bank offered rate (IBOR) reform should not generally cause hedge accounting to terminate. However, any hedge effectiveness should continue to be recorded in the income statement. Given the pervasive nature if hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

- Amendments to IAS 1, Presentation of financial statements on classification of liabilities, (effective for annual periods beginning on or after 1 January 2022). There narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).The amendment also clarifies what IAS 1 means where it refers to the 'settlement' of a liability.

(iii) *Functional and presentation currency*

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

(iv) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through the profit or loss are reported as part of the fair value gain or loss.

b. *Cash and cash equivalents*

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including cash in hand, deposits held at call with banks and other short term highly liquid investments.

2 **Summary of significant accounting policies (continued)**

c. *Financial assets*

(i) *Business model assessment*

The business models are determined at the level which best reflects how the Company manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, supported by relevant and objective evidence including:

- How the performance and risks of a portfolio of assets is managed, evaluated and reported to key management and how the managers of the portfolio are compensated;
- How the Company intends to generate profits from holding the portfolio of assets;
- The past experience on how the cash flows of the portfolio of assets were collected;
- The historical and future expectations of asset sales within a portfolio.

The Company reclassifies debt instruments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

(ii) *Solely repayments of principal and interest ("SPPI")*

Where the business model is to collect or, to collect and sell a financial instruments' contractual cash flows, the Company assesses whether those cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The cash flows of financial assets which contain an embedded derivative are not disaggregated when determining whether their cash flows are solely payments of principal and interest but are considered in their entirety. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

(iii) *Equity instruments*

The Company has elected to measure equity holdings that fall under IFRS 9 at FVPL, unless they form part of a strategic acquisition that is not held for trading purposes.

(iv) *Debt instruments*

The Company classifies portfolios of debt instruments, including hybrid contracts, based on:

(a) the Company's business model for managing the asset; and

(b) the cash flow characteristics of the asset.

(v) *Initial recognition*

Financial assets and liabilities are recognised when the Company becomes party to a contractual provision of the instrument. At initial recognition, regular purchase of financial assets are recorded at fair value. The carrying value of financial assets at initial recognition includes any directly attributable transactions costs. Purchases of financial assets are recognised on the date on which the Company becomes the beneficial owner of the security.

2 **Summary of significant accounting policies (continued)**

c. *Financial assets (continued)*

(vi) *De-recognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), 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 recognised in other comprehensive income ("OCI") is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(vii) *Classification of financial assets*

After initial recognition, financial assets are measured based on the business model and the resulting classification. As required by IFRS 9, the Company applies a principles-based approach to the classification of financial assets on its business model and the nature of the cash flows of the asset.

Financial instruments are classified as either:

- fair value through profit or loss ("FVPL"),
- fair value through other comprehensive income ("FVOCI") or
- amortised cost

Financial assets measured at fair value through profit and loss (FVPL)

Financial instruments are classified in this category if they meet one of the criteria set out below and are so designated irrevocably at inception:

- this designation removes or significantly reduces an accounting mismatch; or
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the financial instrument is held for trading purposes.
- The financial instrument is a derivative that is not designated as a hedge.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting and selling contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net gains/(losses) on investment securities. Foreign exchange gains or losses are presented in foreign exchange income and impairment losses are presented as a separate line item in the statement of comprehensive income.

2 **Summary of significant accounting policies (continued)**

c. *Financial assets (continued)*

(vii) *Classification of financial assets (continued)*

Financial assets measured at amortised cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains or losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

(viii) *Impairment of financial assets*

Under IFRS 9 the Company applies an impairment model that recognises expected credit losses ("ECL") on financial assets measured at amortised cost and FVOCI and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired are in stage 3'.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available, including information from the past as well as forward-looking information. Factors such as whether payments of principal and interest are in delinquency, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

Purchased or originated credit-impaired assets

These are financial assets that are purchased or originated at a deep discount that reflects their incurred credit losses, these assets are considered to be already credit-impaired on initial recognition. The Company calculates the credit adjusted effective interest rate, which is based on the originated fair value instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these financial assets is always measured on a life time basis and changes in the ECL are recorded in the Statement of Comprehensive Income.

2 **Summary of significant accounting policies (continued)**

c. *Financial assets (continued)*

(viii) *Impairment of financial assets (continued)*

Definition of default

The Company determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is greater than 90 days past due.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Recognition and measurement of ECL

The general approach to recognising and measuring ECL reflects:

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

Expected credit losses are calculated by multiplying the following three main components:

- the probability of default ("PD")
- the loss given default ("LGD") and
- the exposure at default ("EAD"), discounted at the original effective interest rate.

Management has calculated these inputs based on the estimated forward looking economic and historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. The PD, LGD and EAD models which support these determinations are reviewed periodically. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in modelling and for the incorporation of scenarios which have not generally been subject to experience gained through stress testing.

2 Summary of significant accounting policies (continued)

c. *Financial assets (continued)*

Recognition and measurement of ECL (continued)

The exercise of judgement in making estimations requires the use of assumptions which are subjective and sensitive to risk factors, in particular to changes in economic and credit conditions across geographical areas. Many of the risk factors have a high degree of interdependency and there is no single factor to which impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and these results are not extrapolated to the wider population of financial assets.

The measurement 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.

For a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information

The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the expected credit loss calculation have forecasts of the relevant macroeconomic variables. The estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is be based on macroeconomic forecasts that are publicly available. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios occurs on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted. The base scenario reflects the most likely outcome and is assigned the highest weighting.

The weightings assigned to each economic scenario as at 1 October 2019 and 30 September 2020 were as follows:

	Base	**Optimistic**	**Pessimistic**
Scenarios	85%	15%	5%

Impairment on financial assets measured at amortised cost and FVOCI, recognise impairment gains and losses are recognised in the statement of profit or loss. Unrealised gains and losses arising from changes in fair value on FVOCI assets are measured in other comprehensive income and the loss allowance is recycled to profit or loss in the credit loss provision line. When the asset is sold, the cumulative gain or loss is reclassified to investment income and the impairment on these financial assets will be reversed to provision for credit losses in the profit and loss.

2 **Summary of significant accounting policies (continued)**

c. *Financial assets (continued)*

Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

d. *Assets leased to customers under finance leases*

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable and is reported on the statement of financial position in “loans and advances, net provisions for credit losses”. The difference between the gross and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using net investment method before tax, which reflects a constant periodic rate of return.

e. *Offsetting financial instruments*

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

f. *Property, plant and equipment*

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

Subsequent costs are included in the asset’s carrying amount or 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. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The expected useful life of the assets are as follows:

Furniture, equipment and motor vehicles - 5 years

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net trading gain/loss in the income statement.

g. *Intangible asset*

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis at annual rates that will write off the carrying value of the asset over its expected useful life. The expected useful life for computer software is 3-5 years.

2 **Summary of significant accounting policies (continued)**

h. *Borrowings*

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

i. *Repurchase and reverse repurchase transactions*

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

j. *Loans and advances and provisions for credit losses*

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

See Note 2 c (viii) for details of provision for credit losses determined under the requirements of IFRS 9.

k. *Repurchase agreements*

Securities sold under agreements to repurchase are treated as collateralised financing transactions. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective yield method.

l. *Share capital*

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

m. *Reverse repurchase agreements*

Securities purchased subject to repurchase agreements ('repos') are included in the financial statements under Reverse Repurchase Agreements. The difference between the purchase price and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

n. *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2 **Summary of significant accounting policies (continued)**

o. *Income tax*

(i) *Current income tax*

Income tax payable (receivable) is calculated on the basis of the applicable tax law in Trinidad and Tobago and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on unrealised gains on available-for-sale investment).

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation.

(ii) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from accelerated tax depreciation, revaluation of financial assets and tax losses carried forward.

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

p. *Interest income and expenses*

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of 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.

2 **Summary of significant accounting policies (continued)**

q. *Fees and commissions*

Arrangement fees

Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the acquisition of loans, shares of other financial assets or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised over the period the service is provided.

Origination fees

Fees relating to the creation or acquisition of a financial asset other than under IAS 39 classified as a financial asset 'at fair value through profit or loss' are amortised over the expected life of the instrument using the effective interest rate method.

r. *Dividend income*

Dividends are recognised in the income statement in "dividend income" when the Company's right to receive payment is established.

s. *Leases*

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 October 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The right-of-use assets is presented within property, plant and equipment. Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- restoration costs.

The Company has one short term leases (lease term of 12 months or less) and has opted to not apply the requirements of the standard.

3 Critical accounting estimates and judgements

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and assumptions are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality.

a. *Income and deferred income taxes*

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

The Company recognises deferred tax assets on temporary differences from accelerated tax depreciation, revaluation of financial assets and losses carried forward to the extent that there are probable future taxable profits in the foreseeable future in which the temporary differences can be utilised.

b. *Impairment losses*

In determining amounts recorded for impairment losses in the financial statements, management makes judgements as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from financial assets. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between loss estimates and actual loss experience.

c. *Fair value of financial assets*

The fair value of financial assets where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated using models. These models are validated and periodically reviewed by independent qualified personnel. See Note 27 for further details.

4 Net interest income

	2020 $	2019 $
Interest income		
Loans and advances	11,435,996	11,280,020
Investment securities		
- Fair value through other comprehensive income	7,384,800	6,752,974
- Fair value through profit or loss	--	28,282
Deposits and other	206,351	25,892
Reverse repurchase agreements	12,831	--
	19,039,978	18,087,168

		2020 $	2019 $
4	**Net interest income (continued)**		
	Interest expense		
	Customer deposits	(11,933,927)	(7,535,090)
	Repurchase agreements	(356,966)	(329,005)
		(12,290,893)	(7,864,095)
	Net interest income	6,749,085	10,223,073

5 Fee and commission income

Arrangement fees	12,381,040	6,775,139
Loan commitment fees	170,065	173,967
Registrar, trustee and paying agent fees	115,370	80,232
Other fees	111,909	29,453
	12,778,384	7,058,791

6 Net gains on foreign currency and investment activities

Net foreign exchange gains	11,623,346	16,461,160
Gains on investment securities:		
- Realised gain on debt securities	3,563,278	2,776,112
- Unrealised loss on debt securities	--	(17,843)
- Unrealised gain on equity securities	(61,526)	91,367
	15,125,098	19,310,796

Net foreign exchange gains include gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency dealing activities.

7 Staff costs

Wages, salaries, allowances and benefits	5,388,487	6,372,623
Payroll taxes	228,598	239,894
	5,617,085	6,612,517

8 Other operating expenses

	2020 $	2019 $
Property lease rental	1,104,000	1,342,614
Marketing, advertising and donations	791,915	807,305
Technical, consultancy and professional fees	771,061	746,674
Insurance	691,783	544,363
Service level agreement (IT Support)	524,738	525,501
Commissions	515,010	422,455
Auditor's remuneration	474,506	501,954
Travelling, courier and telecommunication	407,939	572,461
License and transaction processing fees	330,671	330,127
Other expenses	294,579	469,471
Irrecoverable value added tax	275,480	299,832
Property maintenance and utilities	237,086	276,392
Stationery	28,205	15,044
Loan directly written off	--	207,459
	6,446,973	7,061,652

9 Taxation

Business levy and green fund levy	511,239	504,522
Deferred tax (Note 16)	5,921,070	3,244,814
	6,432,309	3,749,336

The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before taxation	21,389,457	23,886,897
Tax calculated at a tax rate of 30%	6,416,837	7,166,069
Income not subject to tax	(124,300)	(4,220)
Expenses not deductible for tax purposes	233,291	258,407
Previously unrecognised tax losses utilised	--	(3,670,920)
Prior year over provision - deferred tax	(93,519)	--
	6,432,309	3,749,336

10 Cash in hand and balances at Central Bank

Statutory deposit with Central Bank of Trinidad and Tobago	23,283,229	34,682,850
Cash in hand	39,836	22,366
	23,323,065	34,705,216

The reserve account is non-interest bearing and is not available for investment, lending or other use by the Company.

11 Investment securities

	2020 $	2019 $
Classified as FVPL		
Quoted and unquoted equity securities	1,512,453	1,575,221
Gross carrying amount	1,512,453	1,575,221
ECL allowance	(94,104)	(98,878)
Net carrying amount	1,418,349	1,476,343
Classified as FVOCI		
Government of Trinidad and Tobago debt securities	45,083,002	185,999,149
Corporate debt securities	20,884,920	39,234,565
Interest receivable	460,350	996,452
Other government securities	--	6,728,640
Carrying amount	66,428,272	232,958,806
Total investment securities	67,846,621	234,435,149
Less: pledged assets (Note 12)	(11,265,146)	(12,234,835)
Amount reported in the financial statements	56,581,475	222,200,314
Current portion	460,350	60,795,373
Long term portion	56,121,125	161,404,941
	56,581,475	222,200,314

12 Pledged assets

	2020 $	2019 $
Investment securities classified as FVOCI pledged as collateral for:		
Repurchase agreements	11,265,146	12,234,835

13 Loans and advances, net of provisions for credit losses

	2020 $	2019 $
Instalment loans	229,357,146	106,145,137
Finance leases	29,320,684	29,518,155
Mortgage loans	31,813,971	19,076,068
Trade financing	--	9,293,051
Gross loans and advances	290,491,801	164,032,411
ECL allowance	(1,042,702)	(383,840)
	289,449,099	163,648,571
Interest receivable	1,616,489	970,518
	291,065,588	164,619,089

13 **Loans and advances, net of provisions for credit losses (continued)**

	2020 $	2019 $
Current	19,882,112	54,650,197
Non-current	271,183,476	109,968,892
	291,065,588	164,619,089
Present value of minimum lease payments		
Gross investment (future minimum lease payments)	32,324,419	33,025,243
Future finance charges	(3,003,735)	(3,507,088)
Present value of minimum lease payments	29,320,684	29,518,155
Finance leases		
Not later than 1 year	2,701,909	1,688,043
Later than 1 year and not later than 5 years	26,618,775	27,830,112
Net investment in finance leases	29,320,684	29,518,155

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

	2020 $	2019 $
Balance at beginning of year	383,840	1,014,870
IFRS 9 initial adjustment effective 1 October 2018	--	267,557
Revised opening balance	383,840	1,282,427
Net increase/(decrease) in provision during the year	658,862	(12,946)
Recoveries of loans provided for	--	(705,088)
Reversal provision-loan written off	--	(180,553)
Balance at end of year	1,042,702	383,840
Specific provision	315,637	--
General provision	727,065	383,840
	1,042,702	383,840

During the year, the following (losses)/gains were recognised in profit or loss in relation to impaired loans:

	2020 $	2019 $
Recoveries of loans previously written off	2,699	199,727
Recoveries of loans provided for	--	705,088
Reversal provision - loan written off	--	180,553
(Increase)/decrease in provision during the year	(658,862)	12,946
	(656,163)	1,098,314

14 **Intangible assets**

	Computer software	
	2020 $	2019 $
Net book value at beginning of year	2,252,415	3,161,797
Additions	--	30,182
Amortisation charge	(926,559)	(939,564)
Net book value at end of year	1,325,856	2,252,415
Cost	6,038,391	6,038,391
Accumulated amortisation	(4,712,535)	(3,785,976)
Net book value	1,325,856	2,252,415

15 Property, plant and equipment

	Furniture, equipment and motor vehicles $
Cost	
At 1 October 2018	3,052,430
Additions	12,993
At 30 September 2019	3,065,423
Additions	5,864
At 30 September 2020	3,071,287
Accumulated depreciation	
At 1 October 2018	(2,660,447)
Charge for the year	(244,312)
At 30 September 2019	(2,904,759)
Charge for the year	(137,540)
At 30 September 2020	(3,042,299)
Net book value	
30 September 2019	160,664
30 September 2020	28,988

16 Deferred income tax

	2020 $	2019 $
Net asset at beginning of year	(8,871,984)	(12,288,343)
Deferred tax charge in the income statement (Note 9)	5,921,070	3,244,814
Deferred tax charge on securities at fair value through other comprehensive income (OCI)	12,842	171,545
Net deferred tax asset at end of year	(2,938,072)	(8,871,984)

(Assets)/liabilities recognised on the statement of financial position are as follows:

	2020 $	2019 $
Deferred tax asset	(3,122,460)	(9,043,529)
Deferred tax liability	184,388	171,545
Net asset	(2,938,072)	(8,871,984)
Deferred income tax assets:		
Tax losses	(1,933,902)	(7,785,090)
Accelerated depreciation	(1,188,558)	(1,258,439)
	(3,122,460)	(9,043,529)

16 **Deferred income tax (continued)**	**2020** **$**	**2019** **$**
Deferred income tax liabilities:		
Investment securities at fair value through OCI	184,388	171,545
Net asset at end of year	(2,938,072)	(8,871,984)
The amounts shown in the statement of financial position include the following:		
Deferred tax assets to be recovered after more than 12 months	1,188,558	3,021,689
The amounts recognised in the income statement were due to:		
Accelerated tax depreciation	69,881	(34,232)
Tax losses	5,851,189	3,279,046
	5,921,070	3,244,814
Deferred tax recognised in other comprehensive income was due to the following items:		
Securities at fair value through other comprehensive income	12,842	171,545

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable in the foreseeable future. The Company has unutilised tax losses of $6,419,472 (2019: $26,160,414) to carry forward against future taxable profits. The losses can be carried forward indefinitely and have no expiry date. The losses were incurred prior to the acquisition by NCB Capital Markets Limited (the Parent) of 100% of the share capital of the Company in December 2013 and were due mainly to losses on disposal of financial assets. In May 2015 the BIR advised that they were satisfied that the change in ownership in December 2013 was not effected with a view to avoiding or reducing any liability to tax which is the key hurdle to overcome in utilising tax losses accumulated under different ownership. The tax assessment for income years 2015 and 2016 were received and they did not indicate any objection to the utilisation of the losses.

17 Other assets

Client balances	8,968,123	5,525,454
Prepayments	1,040,771	1,325,958
Vat recoverable	857,263	1,215,277
Intercompany receivables	27,824	1,446
	10,893,981	8,068,135

18 Customer deposits

Deposit balances	364,744,167	461,352,463
Accrued interest	4,636,514	4,330,988
	369,380,681	465,683,451

19 Repurchase agreements

The securities pledged for the repurchase agreements were two eurobonds with total market value plus accrued interest of $11,265,146 (TTD equivalent). The tenors of the agreements are 370 and 712 days .

20 Other liabilities

	2020 $	2019 $
Client balances	13,446,997	18,829,741
Accrued staff benefits	687,644	1,677,140
Accrued other operating expenses	724,790	807,110
Intercompany payables	122,287	36,248
	14,981,718	21,350,239

21 Share capital

	2020	2019
Authorised		
An unlimited number of shares of no par value		
Issued and fully paid		
92,698,531 ordinary shares of no par value	82,921,789	82,921,789

22 Fair value reserve

The fair value reserve represents the unrealised gains/(losses) on securities measured at FVOCI, the ECL allowances recognised in profit or loss and the respective deferred tax asset or liability.

23 Statutory reserve fund

The Financial Institutions Act, 2008 requires that a minimum of 10% of the profit for the year in each period be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital.

24 Adjustments to reconcile net profit to net cash provided by operating activities

	Notes	2020 $	2019 $
Depreciation of property, plant and equipment	15	137,540	244,312
Amortisation of intangible assets	14	926,559	939,564
Net provision on credit losses		207,260	(1,081,905)
Loss on write off on loans (Note 8)		--	207,459
Interest income		(19,039,978)	(18,087,168)
Interest expense		12,290,893	7,864,095
Income tax expense (Note 9)		6,432,309	3,749,336
Unrealised revaluation exchange (gain)/loss on investments		(244,438)	255,497
Net gain on disposal of financial assets		(3,563,278)	(2,776,112)
Loss/(gain) on investment securities at fair value through profit or loss		61,526	(73,524)

24 Adjustments to reconcile net profit to net cash provided by operating activities (continued)

	2020 $	2019 $
Changes in operating assets and liabilities:		
Increase in loans and advances	(126,459,390)	(20,420,615)
(Decrease)/increase in customer deposits	(96,608,296)	185,058,571
(Decrease)/increase in repurchase agreements	(16,124)	3,367,293
(Decrease)/increase in other assets	(2,825,846)	(1,993,739)
(Decrease)/increase in other liabilities	(6,368,521)	6,323,512
	(235,069,784)	163,576,576
Interest received	18,930,109	18,069,018
Interest paid	(12,161,327)	(5,751,299)
Income taxes paid	(511,239)	(504,522)
	(228,812,241)	175,389,773

The net provision on credit losses of $207,260 above includes an increase in loan provision during the year - $658,863 and a decrease in ECL allowances on investment securities through profit or loss - $451,603.

25 Related party transactions

	The parent and entities with significant influence over the entity		Directors and key management personnel (and their families)	
	2020 $	2019 $	2020 $	2019 $
Loans and advances				
Balance at 1 October	--	--	1,610,345	1,123,268
Issued during the year	--	--	497,560	687,676
Repayment during the year	--	--	(495,211)	(200,599)
Balance at 30 September	--	--	1,612,694	1,610,345
Interest income earned (loans)	--	--	73,552	69,276
Investment classified as FVPL				
Balance at 1 October	168,779	--	--	--
Net movement during the year	7,993	168,779	--	--
Balance at 30 September	176,772	168,779	--	--
Other assets	27,824	1,446	--	--
Other liabilities	92,404	1,012,938	--	--
Interest income earned	12,831	--	--	--
Fee income earned	--	5,093,462	--	--
Repurchase agreement (Repo)	10,266,136	10,458,220	--	--
Interest expense on Repo	356,966	329,005	--	--
Other operating expenses	1,198,361	525,501	--	--

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties as none of the outstanding balances are considered impaired.

25 **Related party transactions (continued)**

Key management compensation

	2020 $	2019 $
Salaries and other short term benefits	4,294,693	4,840,236

26 **Financial risk management**

The Company's activities expose it to a variety of financial risks. These risks include liquidity risk, credit risk, and market risk which includes; interest rate risk, foreign exchange risk and price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk limits and benchmarks are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:

- Credit and Counterparty risk - exposures to individuals, group, counterparty, country
- Market risk - rate gap exposure, currency exposure, market value exposure
- Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits and benchmarks are monitored on an ongoing basis and reported to the relevant governance committees.

Policies and procedures

Policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/ or the Board of Directors.

a. *Credit risk*

Credit risk is the risk that a borrower or counter-party fails to meet contractual obligations, or to perform as agreed. This risk is managed through credit appraisal governed by adherence to credit risk policies in compliance with regulatory requirements. The major classes of credit facilities advanced are instalment loans, mortgage loans, finance leases and trade financing.

Authorisation limits are established for different credit facilities with approval levels for Group Risk Management Division, the Risk Management Committee and the Board.

Portfolio management is the key in managing the performance of the instalment loans, mortgage loans, finance leases and trade financing. In that regard, focus is on relationship management and monitoring of repayments to ensure that they are not only paid but paid in a timely manner. Having the relevant legal support in cases of default is also a critical component of ensuring early redress of the situation to minimise loss through default. In addition, particular attention is paid to ensuring the maintenance of collateral.

26 **Financial risk management (continued)**

a. *Credit risk (continued)*

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

Credit risk exposures relating to on balance sheet assets are as follows:

	2020 $	2019 $
Balances with Central Bank of Trinidad and Tobago	23,283,229	34,682,850
Due from other banks	113,959,231	146,500,786
Investment securities	66,428,272	232,932,634
Loans and advances, net of provision for credit losses	291,065,588	164,619,089
	494,736,320	578,735,359
The credit quality of loans is summarised as follows:		
Not impaired	280,350,942	163,920,325
Impaired	10,140,860	112,086
	290,491,802	164,032,411
Less: provision for credit losses	(1,042,703)	(383,840)
Net	289,449,099	163,648,571
The ageing analysis of past due but not impaired loans was as follows:		
Less than 30 days	275,946,055	162,720,412
31 to 60 days	3,920,754	1,199,913
61 to 90 days	484,133	--
	280,350,942	163,920,325

Of the aggregate amount of gross past due but not impaired loans, $280,350 was secured (2019: $154,751).

Credit exposures

(i) *Loans*

The following table summarises the credit exposure to businesses and government by sector:

	2020	2019
Central government	182,591,824	67,285,079
Construction and land development	30,076,430	19,637,595
Other financial institutions	805,999	1,324,562
Distribution	27,041,895	25,349,706
Manufacturing	2,789,570	3,628,964
Mining and processing	731,090	--
Personal	8,566,872	10,387,925
Professional and other services	33,404,618	30,915,581
Tourism	2,890,949	3,661,010
Transportation, storage and communication	1,592,554	1,841,989
	290,491,801	164,032,411
Expected credit losses	(1,042,702)	(383,840)
Interest receivable	1,616,489	970,518
	291,065,588	164,619,089

26 **Financial risk management (continued)**

a. *Credit risk (continued)*

Credit exposures (continued)

(ii) *Debt securities*

The following table summarises the Company's credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	2020 $	2019 $
Government of Trinidad and Tobago	45,083,002	185,999,149
Corporate	20,884,920	39,234,565
Foreign governments	--	6,728,640
	65,967,922	231,962,354
Interest receivable	460,350	996,452
	66,428,272	232,958,806

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

External credit ratings (Standard and Poor's)

	2020 $	2019 $
AA+	--	6,728,640
BBB	--	198,088,329
BBB-	49,579,942	--
BB	3,944,851	5,891,200
B+	4,798,531	4,938,051
B	4,263,303	--
Unrated	3,381,295	16,316,134
	65,967,922	231,962,354

(iii) The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

Alternate classification for internal rating – S&P or equivalent	Classification	External
Low risk	Investment Grade	AAA – BBB
Medium risk	Non-Investment Grade	BB – B
High risk	Non-Investment Grade	CCC - C
Default	Default	D

	ECL staging				
Debt securities	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Purchased credit-impaired $	Total $
Risk rating					
Low					
Medium	62,023,077	563,550	--	--	62,586,627
High	3,381,295	--	--	--	3,381,295
Default	--	--	--	--	--
Gross carrying amount	65,404,372	563,550	--	--	65,967,922

26 **Financial risk management (continued)**

a. *Credit risk (continued)*

Credit exposures (continued)

	ECL staging				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**credit-impaired**	**Total**
Loans and advances risk rating	**$**	**$**	**$**	**$**	**$**
Low	276,277,607	4,073,334	10,140,860	--	290,491,801
Gross carrying amount	276,277,607	4,073,334	10,140,860	--	290,491,801
Loss allowance	(727,065)	(57,793)	(257,844)	--	(1,042,702)
Carrying amount	275,550,542	4,015,541	9,883,016	--	289,449,099

	ECL staging				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**credit-impaired**	**Total**
Other assets risk rating	**$**	**$**	**$**	**$**	**$**
Low	10,893,981	--	--	--	10,893,981
Gross carrying amount	10,893,981	--	--	--	10,893,981
Loss allowance	--	--	--	--	
Carrying amount	10,893,981	--	--	--	10,893,981

The following tables contain an analysis of the expected credit losses:

	ECL staging				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**credit-impaired**	**Total**
Debt securities risk rating	**$**	**$**	**$**	**$**	**$**
Low	--	--	--	--	--
Medium	189,680	4,445	--	--	194,125
High	653,357	--	--	--	653,357
Loss allowance	843,037	4,445	--	--	847,482

	ECL staging				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**credit-impaired**	**Total**
Loans and advances risk rating	**$**	**$**	**$**	**$**	**$**
Low	727,065	57,793	257,844	--	1,042,702
Loss allowance	727,065	57,793	257,844	--	1,042,702

26 **Financial risk management (continued)**

a. *Credit risk (continued)*

Credit exposures (continued)

Loss allowance

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period :

	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Debt securities	**$**	**$**	**$**	**$**	**$**
Loss allowance as at 1 October 2019	1,288,181	10,904	--	--	1,299,085
New financial assets originated or purchased	20,255	--	--	--	20,255
Financial assets derecognised during the period	(46,045)	--	--	--	(46,045)
Changes to principal	(440,902)	--	--	--	(440,902)
Changes to inputs in ECL model	17,067	(6,459)	--	--	10,608
Foreign exchange movement	4,433	48	--	--	4,481
Loss allowance as at 30 September 2020	842,989	4,493	--	--	847,482

	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
Loans and advances	**$**	**$**	**$**	**$**	**$**
Loss allowance as at 1 October 2019	355,819	--	28,021	--	383,840
Transfer from Stage 1 to Stage 3	(6,211)	--	257,844	--	251,633
New financial assets originated or purchased	255,262	3,058	--	--	258,320
Financial assets derecognised during this period	(187,015)	--	(28,021)	--	(215,036)
Changes to principal	309,210	54,735	--	--	363,945
Loss allowance as at 30 September 2020	727,065	57,793	257,844	--	1,042,702

b. *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Company’s liquidity management process is carried out by the Company’s Treasurer as follows:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of marketable assets that can be liquidated as protection against any unforeseen interruption to cash flow.
- Managing the concentration and profile of maturities.
- Use of Liquidity Gap analysis.

26 Financial risk management (continued)

b. *Liquidity risk (continued)*

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial liabilities based on the remaining period.

As at 30 September 2020

	Within 1 month $	2 to 3 months $	4 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Liabilities						
Customers deposits	7,865,307	70,466,246	240,356,253	57,358,534	--	376,046,340
Repurchase agreements	--	3,501,267	7,224,310	--	--	10,725,577
Other liabilities	14,981,718	--	--	--	--	14,981,718
Total financial liabilities (contractual maturity dates)	22,847,025	73,967,513	247,580,563	57,358,534	--	401,753,635
Assets held for managing liquidity risk	137,282,296	460,350	3,381,295	17,634,111	44,952,516	203,710,568

As at 30 September 2019

	Within 1 month $	2 to 3 months $	4 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Liabilities						
Customers deposits	7,108,380	70,037,651	350,968,123	46,363,045	--	474,477,199
Repurchase agreements	--	3,484,224	7,208,594	--	--	10,692,818
Other liabilities	21,350,239	--	--	--	--	21,350,239
Total financial liabilities (contractual maturity dates)	28,458,619	73,521,875	358,176,717	46,363,045	--	506,520,256
Assets held for managing liquidity risk	190,407,438	--	53,070,281	21,046,002	151,117,432	415,641,153

26 **Financial risk management (continued)**

c. *Market risk*

The Company takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Company incurs market risk primarily in treasury, trading and structural banking activities. The Company manages the risk in accordance with the Group's risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- Limit setting mechanisms and a monitoring process.

(i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Company takes an open position in a currency. To control this exchange risk, the Company has approved limits for net open positions in each currency for both intra-day and overnight.

The Company also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

26 **Financial risk management (continued)**

c. *Market risk (continued)*

(i) *Currency risk (continued)*

The tables below summarises the Company's TTD equivalent exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

As at September 2020

	TTD $	JMD $	US$ $	CAN$ $	Other $	Total $
Assets						
Cash and balances at Central Bank of Trinidad and Tobago	23,285,506	--	37,559	--	--	23,323,065
Due from other banks	38,517,579	--	75,426,190	10,597	4,865	113,959,231
Investment securities (including pledged assets)	47,010,185	24,909	20,811,527	--	--	67,846,621
Loans and advances net of provision	216,099,842	--	74,965,746	--	--	291,065,588
Other assets	5,534,884	4,388	5,322,210	--	32,499	10,893,981
Total assets	330,447,996	29,297	176,563,232	10,597	37,364	507,088,486
Liabilities						
Customer deposits	264,579,374	--	104,801,307	--	--	369,380,681
Repurchase agreements	--	--	10,266,136	--	--	10,266,136
Other liabilities	7,718,410	4,220	7,259,089	--	--	14,981,719
Total liabilities	272,297,784	4,220	122,326,532	--	--	394,628,536
Net on-balance sheet position	58,150,212	25,077	54,236,700	10,597	37,364	112,459,950

26 **Financial risk management (continued)**

c *Market risk (continued)*

(i) *Currency risk (continued)*

As at September 2019

	TTD $	JMD $	US$ $	CAN$ $	Other $	Total $
Assets						
Cash and balances at Central Bank of Trinidad and Tobago	34,686,674	--	18,542	--	--	34,705,216
Due from other banks	110,963,485	--	28,151,212	7,385,778	311	146,500,786
Investment securities (including pledged assets)	148,870,974	26,173	85,538,002	--	--	234,435,149
Loans and advances net of provision	132,602,400	--	32,016,689	--	--	164,619,089
Other assets	5,625,564	4,610	2,060,382	365,464	12,115	8,068,135
Total assets	432,749,097	30,783	147,784,827	7,751,242	12,426	588,328,375
Liabilities						
Customer deposits	377,563,830	--	88,119,621	--	--	465,683,451
Repurchase agreements	--	--	10,458,220	--	--	10,458,220
Other liabilities	7,919,530	10,689	5,682,756	7,737,264	--	21,350,239
Total liabilities	385,483,360	10,689	104,260,597	7,737,264	--	497,491,910
Net on-balance sheet position	47,265,737	20,094	43,524,230	13,978	12,426	90,836,465

26 **Financial risk management (continued)**

c. *Market risk (continued)*

(i) *Currency risk (continued)*

Foreign currency sensitivity

The following table indicates the currencies to which the Company has significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits.

	% Change in currency rate 2020	Effect on net profit 2020	Effect on equity 2020	% Change in currency rate 2019	Effect on net profit 2019	Effect on equity 2019
		$	$		$	$
Currency						
USD	4%	2,169,468	2,169,468	4%	1,740,969	1,740,969
USD	-10%	(5,423,670)	(5,423,670)	-10%	(4,352,423)	(4,352,423)

26 **Financial risk management (continued)**

c. *Market risk (continued)*

(ii) *Interest rate risk*

Interest rate risk arises when the Company's principal and interest cash flows from balance sheet items have mismatched re-pricing dates. The short-term impact is experienced on the Company's net interest income and long term impact is felt on its equity.

The Company incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Company's policy requires that such mismatches are managed. Accordingly, a comprehensive system of limits and gap analysis is used to manage the Company's exposure.

26 **Financial risk management (continued)**

c. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

As at 30 September 2020

	Within 1 month $	2 to 3 months $	4 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances at Central Bank of Trinidad and Tobago	--	--	--	--	--	23,323,065	23,323,065
Due from other banks	113,959,231	--	--	--	--	--	113,959,231
Investment securities	--	--	3,381,295	17,634,111	44,952,516	1,878,699	67,846,621
Loans and advances net of provision	324,052	8,446,664	89,319,094	181,270,480	10,827,453	877,845	291,065,588
Other assets	--	--	--	--	--	10,893,981	10,893,981
Total assets	114,283,283	8,446,664	92,700,389	198,904,591	55,779,969	36,973,590	507,088,486
Liabilities							
Customer deposits	3,226,389	70,087,666	237,130,018	54,300,094	--	4,636,514	369,380,681
Repurchase agreements	--	6,762,600	3,381,300	--	--	122,236	10,266,136
Other liabilities	--	--	--	--	--	14,981,718	14,981,718
Total liabilities	3,226,389	76,850,266	240,511,318	54,300,094	--	19,740,468	394,628,535
On balance sheet interest sensitivity gap	111,056,894	(68,403,602)	(147,810,929)	144,604,497	55,779,969		
Cumulative interest sensitivity gap	111,056,894	42,653,292	(105,157,637)	39,446,860	95,226,829		

26 **Financial risk management (continued)**

c. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

As at 30 September 2019:

	Within 1 month $	2 to 3 months $	4 to 12 months $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Total $
Assets							
Cash and balances at Central Bank of Trinidad and Tobago	--	--	--	--	--	34,705,216	34,705,216
Due from other banks	146,500,786	--	--	--	--	--	146,500,786
Investment securities	6,728,640	--	53,070,280	21,046,002	151,117,431	2,472,796	234,435,149
Loans and advances net of provision	38,849	12,130,795	42,480,553	36,302,268	73,079,946	586,678	164,619,089
Other assets	--	--	--	--	--	8,068,135	8,068,135
Total assets	153,268,275	12,130,795	95,550,833	57,348,270	224,197,377	45,832,825	588,328,375
Liabilities							
Customer deposits	2,775,528	69,698,108	345,400,408	43,478,419	--	4,330,988	465,683,451
Repurchase agreements	--	3,366,400	6,793,624	--	--	298,196	10,458,220
Other liabilities	--	--	--	--	--	21,350,239	21,350,239
Total liabilities	2,775,528	73,064,508	352,194,032	43,478,419	--	25,979,423	497,491,910
On balance sheet interest sensitivity gap	150,492,747	(60,933,713)	(256,643,199)	13,869,851	224,197,377		
Cumulative interest sensitivity gap	150,492,747	89,559,034	(167,084,165)	(153,214,314)	70,983,063		

26 **Financial risk management (continued)**

c. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

Change in basis points	**Effect on net profit 2020 $**	**Effect on net equity 2020 $**	**Effect on net profit 2019 $**	**Effect on net equity 2019 $**
-200 bps	(1,904,537)	(1,904,537)	(1,419,661)	(1,419,661)
+200 bps	1,904,537	1,904,537	1,419,661	1,419,661

(iii) *Other price risk*

The Company is exposed to equity securities price risk because of investments held classified as fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Percentage change in share price	**Effect on net profit 2020 $**	**Effect on net equity 2020 $**	**Effect on net profit 2019 $**	**Effect on net equity 2019 $**
10% decrease	(141,835)	(141,835)	(147,634)	(147,634)
10% increase	141,835	141,835	147,634	147,634

26 Financial risk management (continued)

d. *Capital management*

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

The statutorily required capital is TT$15 million. The Company meets its objectives for managing capital and ensures adherence to the requirements of regulatory authorities by continuous monitoring and ensuring awareness of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

The regulatory qualifying capital ratio for the Company is:

	2020 $'000	2019 $'000
Qualifying capital	117,480	102,505
Risk adjusted assets	171,025	176,392
Capital ratio	38.97%	28.74%

The licensed non-banking financial institutions in Trinidad and Tobago are required to maintain a qualifying capital ratio of total regulatory capital to risk-weighted assets of at least 8%. On 13 December 2013, the date of the acquisition of NCB Global Finance Limited by NCB Capital Markets Limited, the Central Bank of Trinidad and Tobago (CBTT) stated that the Company's minimum capital ratio should not fall below 10%.

27 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 3, based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

27 Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at financial year ended:

As at 30 September 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Investment securities classified as FVOCI				
Government of the Republic of Trinidad and Tobago securities	--	45,083,002	--	45,083,002
Corporate debt securities	--	20,884,920	--	20,884,920
	--	65,967,922	--	65,967,922
Investment securities at fair value through profit or loss				
Quoted and unquoted equity securities	1,393,440	--	24,909	1,418,349

As at 30 September 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Investment securities classified as FVOCI				
Government of the Republic of Trinidad and Tobago debt securities	--	185,999,149	--	185,999,149
Other government securities	--	6,728,640	--	6,728,640
Corporate debt securities	--	34,724,975	4,509,590	39,234,565
	--	227,452,764	4,509,590	231,962,354
Investment securities at fair value through profit or loss				
Quoted and unquoted equity securities	1,450,170	--	26,173	1,476,343

27 Fair value estimation (continued)

The movement in the Company's financial assets classified as Level 3 during the year was as follows:

	2020 $	2019 $
At start of year	4,535,763	4,685,694
Foreign exchange loss recognised in arriving at net profit or loss	(1,264)	(320)
Transfer of bond classified as FVOCI to level 2	(4,509,590)	--
Disposals	--	(149,611)
At end of year	24,909	4,535,763

One bond classified as FVOCI has been transferred from level 3 to level 2.

28 Contingent liabilities

The Company is not a party to any material pending legal proceedings other than ordinary routine litigation incidental to the business. It is not expected that the disposition of such litigation will have a material effect on the Company's financial position.

29 Lease rentals

The Company leases its premises and the future lease obligations are summarised below:

Not later than 1 year	552,000	552,000

30 Capital commitments

The Company has no capital commitments.

31 Subsequent events

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Company and its customers and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of 2 December 2020 management was not aware of any significant adverse effects on the financial statements for the year ended 30 September 2020 as a result of COVID-19 Management will continue to monitor the situation and the impact on the Company.