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Financial Statements
for the Year ended 31 December **2022**

ANSA MERCHANT BANK LIMITED

MERCHANT BANK LIMITED

# FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2022

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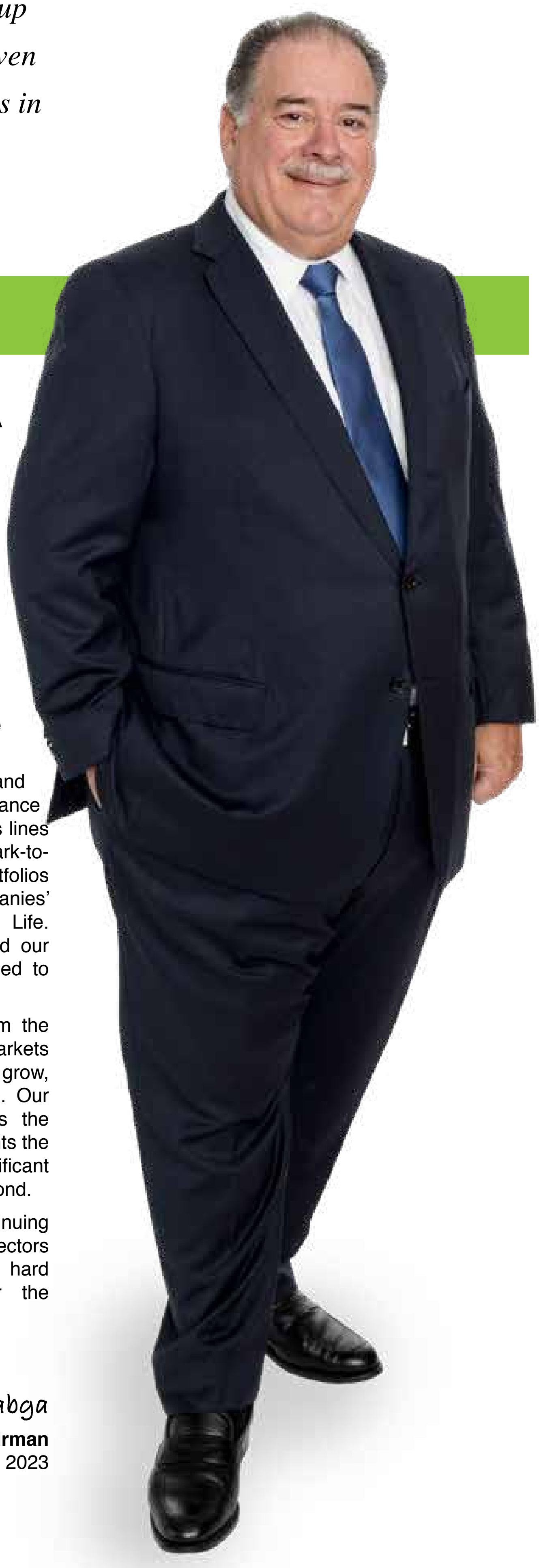
MERCHANT BANK LIMITED

*"The ANSA Merchant Bank Limited ("AMBL") financial services group is poised for significant growth given major acquisitions and investments in technology and people."*



## CHAIRMAN'S REPORT

The ANSA Merchant Bank Limited ("AMBL") financial services group is poised for significant growth given major acquisitions and investments in technology and people. AMBL also attained this past year an Investment Grade Rating of CariAA with a Stable Outlook from CariCRIS, which was the first credit rating for the Group and amongst the best credit ratings in Trinidad and Tobago.

The Banking business has been investing in the future of banking technology and this past year implemented digital capabilities to better serve our customers, and launched our first fully digital touch point in San Fernando, with additional digital Bank touch points to follow in 2023. This will be followed by our digital banking applications which will be released over the next few months to excite our customers, with hassle-free banking solutions.

In our Insurance business, TATIL, which has one of the strongest balance sheets in the Insurance Industry and is rated A- (Excellent) by the International Rating Agency, AM Best, completed the integration of the Trident business (Barbados) during the year and has received regulatory approval to acquire Colfire. This acquisition is anticipated to align the mutual strengths of these organizations and ensure that Colfire's policyholders benefit from the financial strength of our AMBL Group.

The financial results of AMBL for the year ended 31 December 2022, reflect the ongoing global effects of the increase in interest rates driven by the war in Ukraine and persistent inflation. This resulted in the recording of a consolidated loss before tax of $34 million for the year ended 31 December 2022, largely driven by non-cash, mark-to-market valuations in our investment portfolios, versus a profit before tax of $360.2 million for the same period last year. Notwithstanding, Total Assets grew by 2% to $9.6 billion in 2022 versus $9.4 billion in the same period last year as the Bank saw strong growth of over half a billion dollars ($0.52 billion) in Loans & Advances which resulted in our Banking business producing a Profit before tax in excess of $124 million.

Our Banking Segment comprising ANSA Merchant Bank Ltd., ANSA Merchant Bank (Barbados) Ltd., and our commercial bank, ANSA Bank Ltd., all produced notable new business growth, increased market share and profits over the period. The Bank launched its Natural Capital Hub as part of our ESG Strategy in 2022 which was well received by all stakeholders, both domestic and international, as we move towards further enhancing our sustainable and resilient financial services group. Our ANSA Mutual Funds have outperformed other local Mutual Funds in their respective classes and again did so in 2022.

Our Insurance Segments, comprising TATIL and TATIL Life, remain well capitalised, and Insurance revenues increased in most of our business lines over the prior year. Negative non-cash mark-to-market adjustments in our investment portfolios adversely impacted the Insurance companies' profit before taxes, primarily in TATIL Life. However, we invest for the long-term, and our portfolios are well diversified and positioned to recover when markets rebound.

Despite the income statement impact from the international and domestic investment markets in 2022, our core businesses continued to grow, and we are well positioned for the future. Our significant investments in new IT across the Banking and Insurance companies represents the execution of our vision which will bear significant returns for all stakeholders in 2023 and beyond.

I wish to thank our stakeholders for their continuing support and our employees, Boards of Directors and senior executives for their continuing hard work and exceptional leadership over the past year.

A. Norman Sabga
**Chairman**
March 16, 2023

## STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying separate and consolidated financial statements of ANSA Merchant Bank Limited ("the Parent") and its subsidiaries ("the Group") which comprise the separate and consolidated statement of financial position as at 31 December 2022, the separate and consolidated statements of comprehensive income/(loss), 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 Group 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 Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited separate and consolidated 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 Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying separate and consolidated financial statements have been authorised for issue, if later.

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

| | |
|---|---|
| Gregory N. Hill | Glenn Cheong |
| Gregory N. Hill | Glenn Cheong |
| Managing Director | Head of Finance & Administration |
| 16 March 2023 | 16 March 2023 |

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Building a better working world

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## INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF ANSA MERCHANT BANK LIMITED**

**Report on the Audit of the Separate and Consolidated Financial Statements**

**Opinion**

We have audited the separate and consolidated financial statements of ANSA Merchant Bank Limited ("Parent") and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position as at 31 December 2022, and the separate and consolidated statements of income/(loss), comprehensive income/(loss), changes in equity and cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Parent and Group as at 31 December 2022 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the *Audit of the Separate and Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

| Key Audit Matters | How our audit addressed the key audit matter |
|---|---|
| **Estimates used in the calculation of Insurance Contracts' Liabilities**<br><br>Refer to Notes 2xix, 3ii, 22 and 23. The Group has significant insurance liabilities of $1.79 billion representing 26% of the Group's total liabilities. The valuation of insurance contract liabilities involves extensive judgement and is dependent on a number of subjective assumptions, including primarily the timing and ultimate settlement value of long-term policyholder liabilities as well as the estimation of claims incurred, whether reported or not, for short-term insurance contracts.<br><br>Various economic and non-economic key assumptions are being used to estimate the long-term liabilities. Specifically, the Group estimates the expected number and timing of deaths, persistency, future expenses and future investment income arising from the assets backing long-term insurance contracts.<br><br>For short-term insurance contracts, in calculating the estimated cost of unpaid claims (both reported and incurred but not reported (IBNR)), the Group uses a combination of loss-ratio-based estimates and estimates based upon actual claims experience.<br><br>The Group uses valuation models to support the calculations of these insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models.<br><br>Considering the significance of the insurance contracts' liabilities and the complexity and estimates involved in the actuarial valuations, we determined this to be a key audit matter in our audit of the consolidated financial statements. | We involved our EY actuarial specialists to assist us in performing our audit procedures in this area, which included among others:<br><br>• Assessment of the key assumptions applied including consideration of emerging trends and studies on mortality and morbidity, voluntary terminations, persistency, interest rate, capital gains, policy maintenance and administrative expenses, inflation, tax and lapse rates.<br><br>• Recalculation of technical provisions produced by the models on a sample basis.<br><br>• An assessment of the internal controls regarding the maintenance of the policyholder database.<br><br>• An analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience.<br><br>• We considered whether the Group's disclosures in the consolidated financial statements in relation to insurance contract liabilities were compliant with IFRS. |

**Report on the Audit of the Separate and Consolidated Financial Statements** (continued)

**Key Audit Matters** (continued)

| Key Audit Matters | How our audit addressed the key audit matter |
|---|---|
| **Allowance for Expected Credit Losses (ECLs)** | |
| Refer to Notes 2vi(b), 3i, 5, 6, 7 and 40. Net investments in leased assets, loans and advances and other financial assets not held at fair value through statement of income (FVSI) represent 55% of the total assets of the Group (Parent: 44%) amounting to $5.2 billion (Parent: $1.8 billion)."<br><br>IFRS 9 'Financial Instruments' requires the Group to record an allowance for Expected Credit Losses (ECLs) for all loans and other debt financial assets not held at FVSI, together with investment in leased assets.<br><br>The appropriateness of ECLs is a highly subjective area due to the level of judgement applied by management, involving various assumptions and factors, such as the estimate of the likelihood of default and the potential loss given default. Management also applied adjustments, or overlays, where they believe the data driven parameters and calculations were not appropriate, either due to emerging trends or models not capturing the risks in the portfolios. These overlays required significant judgement.<br><br>Other significant areas of judgement included:<br>- the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models;<br>- the application of assumptions where there was limited or incomplete data;<br>- the identification of exposures with a significant deterioration in credit quality;<br>- assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security;<br>- the need to apply overlays, the quantification of which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model; and<br>- additional credit risk that could stem from macro-economic factors, on the ability of the Group's customers/investors to meet their financial commitments.<br><br>Given the combination of inherent subjectivity in the valuation, and the material nature of the balance, we considered the measurement of ECLs to be a key audit matter in our audit of the separate and consolidated financial statements. | We understood and critically assessed the methodology and assumptions used by the Group in its ECL models while evaluating its compliance with IFRS 9 requirements.<br><br>We tested the completeness and accuracy of the inputs used within the models, including the Probabilities of Default (PDs), recoveries and the associated Loss Given Defaults (LGDs) and Exposures at Default (EADs). We also considered whether all relevant risks were reflected in the ECL calculation, and where this was not, whether overlays appropriately reflected those risks.<br><br>The aging of the portfolios and other qualitative factors were assessed to determine the staging and thus indication of a significant deterioration in credit risk in accordance with IFRS 9.<br><br>Independent testing on PD and LGD inputs was performed through validation to international external credit rating agencies, where these were used, as well as typical collateral, historical loss trends and other borrower characteristics.<br><br>In determining the reasonableness of the ECL overlay applied on the net investment in leased assets, we reviewed Management's assessment.<br><br>For ECLs calculated on an individual basis, we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default.<br><br>We utilised our EY valuation specialists to assess the appropriateness of the key assumptions used in the models.<br><br>Finally we focused on the adequacy of the Group's financial statement disclosures as to whether it appropriately reflected the requirements of the IFRSs. |

| Key Audit Matters (continued) | How our audit addressed the key audit matter |
|---|---|
| **Fair value measurement of investments securities and related disclosures** | |
| Refer to Notes 2vii, 3i, 7 and 39. The Group invests in various investment securities, of which $1.8 billion (Parent: $528 million) is carried at fair value in the statement of financial position. Additionally, the fair values are disclosed for $2.3 billion (Parent: $534 million) of investment securities carried at amortised cost in the statement of financial position. Of these assets, $1.7 billion (Parent: $181 million) are related to investments for which no published prices in active markets are available and have been classified as Level 2 and Level 3 assets within the IFRS fair value hierarchy.<br><br>Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors, particularly in a potentially distressed macroeconomic environment. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the determination of fair value of Level 2 and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. | We independently tested the pricing on quoted securities, and we used our valuation specialists to assess the appropriateness of pricing models used by the Group. This included:<br>• An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines.<br>• Testing of the inputs used, including cash flows and other market based data.<br>• An evaluation of the reasonableness of other assumptions applied such as credit spreads and the volatility in the market.<br>• The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation.<br>• An assessment of management's impairment analysis, including underlying indicators. |
| For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve.<br><br>Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. The fair value of these assets cannot be measured reliably and are therefore held at cost, being the fair value of the consideration paid on acquisition. These assets are regularly assessed for impairment.<br><br>As the determination of the fair value for certain investments securities is a key source of estimation uncertainty, is subject to differing underlying assumptions and represents a material balance and disclosure, we deemed this to be a key audit matter in our audit of the separate and consolidated financial statements. | Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk. |

**Other information included in the Parent's and Group's 2022 Annual Report**

Other information consists of the information included in the Parent's and Group's 2022 Annual Report, other than the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Parent's and Group's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate and consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**Responsibilities of Management and the Audit Committee for the Separate and Consolidated Financial Statements**

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

In preparing the separate and consolidated financial statements, management is responsible for assessing the Parent's and Group'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 Parent or Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Parent's and Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

**Report on the Audit of the Separate and Consolidated Financial Statements**
(continued)

**Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements**
(continued)

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

- Identify and assess the risks of material misstatement of the separate and consolidated 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 Parent's and Group'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 Parent's and Group'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 separate and consolidated 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 Parent and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Adrienne D'Arcy.

EY

Port of Spain
TRINIDAD
16 March 2023

## SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| Parent 31 Dec 2021 | Parent 31 Dec 2022 | | Notes | Group 31 Dec 2022 | Group 31 Dec 2021 |
|---|---|---|---|---|---|
| | | **Assets** | | | |
| 729,390 | 705,070 | Cash and short-term funds | 4 | 1,495,579 | 1,452,588 |
| – | – | Fixed deposits | | 8,528 | 8,549 |
| 872,462 | 718,290 | Net investment in leased assets and other instalment loans | 5 | 987,197 | 1,165,163 |
| 414,541 | 548,919 | Loans and advances | 6 | 1,555,835 | 1,035,788 |
| 1,035,207 | 1,062,387 | Investment securities | 7 | 4,161,989 | 4,429,880 |
| 7,766 | 3,021 | Interest receivable | | 18,237 | 24,100 |
| – | – | Insurance receivables | 9 | 79,487 | 77,899 |
| 108,139 | 20,578 | Other debtors and prepayments | 10 | 57,183 | 130,443 |
| – | – | Reinsurance assets | 22 | 218,682 | 179,803 |
| 6,439 | 21,532 | Taxation recoverable | | 27,723 | 8,277 |
| 989,510 | 1,039,510 | Investment in subsidiaries | 11 | – | – |
| – | – | Investment properties | 12 | 147,047 | 106,112 |
| 3,207 | 3,008 | Property and equipment | 13 | 192,002 | 201,570 |
| 27,418 | 25,322 | Intangible assets | 14 | 434,448 | 343,430 |
| 3,397 | 8,267 | Right-of-use assets | 15 | 20,369 | 11,619 |
| 32,563 | 18,856 | Deferred tax assets | 16 | 32,523 | 45,905 |
| 9,396 | 8,006 | Employee benefits asset | 17 | 153,967 | 160,908 |
| **4,239,435** | **4,182,766** | **Total assets** | | **9,590,796** | **9,382,034** |
| | | **Liabilities** | | | |
| 1,960,705 | 1,938,156 | Customers' deposits and other funding instruments | 19 | 3,603,443 | 3,383,770 |
| 3,701 | 8,265 | Lease liabilities | 15 | 19,153 | 11,766 |
| 1,907 | 3,840 | Bank overdraft | 4 | 3,840 | 1,907 |
| 94,658 | 83,419 | Accrued interest and other payables | 18 | 380,793 | 307,427 |
| 600,000 | 600,000 | Debt securities in issue | 20 | 600,000 | 600,000 |
| 8,148 | 7,799 | Deferred tax liabilities | 16 | 165,116 | 185,838 |
| 918 | 1,019 | Employee benefits liability | 17 | 9,250 | 8,616 |
| – | – | Investment contract liabilities | 21 | 282,978 | 273,902 |
| – | – | Insurance contract liabilities | 22 | 1,785,172 | 1,705,771 |
| **2,670,037** | **2,642,498** | **Total liabilities** | | **6,849,745** | **6,478,997** |
| | | **Equity** | | | |
| 667,274 | 667,274 | Stated capital | 24 | 667,274 | 667,274 |
| 225,896 | 230,274 | Statutory reserve fund | | 246,218 | 241,839 |
| 47 | (871) | Fair value reserve/(deficit) | | (1,929) | (1,236) |
| 4,768 | 3,884 | General loan loss reserve | | 11,298 | 13,520 |
| 672 | 673 | Foreign currency reserve/(deficit) | | (1,440) | (1,216) |
| 670,741 | 639,034 | Retained earnings | | 1,818,964 | 1,982,112 |
| 1,569,398 | 1,540,268 | Equity attributable to the equity holders of the parent | | 2,740,385 | 2,902,293 |
| – | – | Non-controlling interest | | 666 | 744 |
| **1,569,398** | **1,540,268** | **Total equity** | | **2,741,051** | **2,903,037** |
| **4,239,435** | **4,182,766** | **Total liabilities and equity** | | **9,590,796** | **9,382,034** |

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 16 March 2023 and signed on its behalf by:

A. Norman Sabga
A. Norman Sabga
Chairman

Gregory N. Hill
Gregory N. Hill
Managing Director

## SEPARATE AND CONSOLIDATED STATEMENT OF INCOME/(LOSS)

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| Parent 2021 | Parent 2022 | | Notes | Group 2022 | Group 2021 |
|---|---|---|---|---|---|
| – | – | Net insurance revenue | 25 | 374,185 | 427,461 |
| 140,923 | 106,569 | Finance charges, loan fees and other interest income | 26 | 171,702 | 184,511 |
| 69,522 | 36,023 | Investment income/(loss) | 27 | (32,995) | 376,603 |
| 32,499 | 26,654 | Revenue from contracts with customers | 28 | 17,524 | 11,872 |
| 47,481 | 38,962 | Other income | 29 | 190,534 | 155,395 |
| 290,425 | 208,208 | **Total operating income** | | 720,950 | 1,155,842 |
| – | – | Net insurance benefits and claims incurred | 30 | (337,809) | (361,018) |
| (47,152) | (55,643) | Interest expense | 31 | (86,790) | (76,697) |
| (23,357) | 27,382 | Credit loss (expense)/recovery on net investment in leased assets, loans and advances, and investment securities | 32 | 20,292 | (26,786) |
| 219,916 | 179,947 | **Net operating income** | | 316,643 | 691,341 |
| (2,790) | (3,829) | Marketing and policy expenses | 33 | (67,955) | (69,219) |
| (40,553) | (43,990) | Personnel expenses | 34 | (141,344) | (125,266) |
| (4,516) | (4,476) | Depreciation and amortisation | 13, 14, 15 | (41,121) | (43,371) |
| (2,160) | (2,160) | Management fees | | (6,710) | (6,744) |
| (23,675) | (21,316) | General administrative expenses | 35 | (93,560) | (86,562) |
| (73,694) | (75,771) | **Total selling and administration expenses** | | (350,690) | (331,162) |
| 146,222 | 104,176 | **Net profit/(loss) before taxation** | | (34,047) | 360,179 |
| (21,841) | (27,893) | Taxation | 36 | (26,975) | (53,862) |
| 124,381 | 76,283 | **Profit/(loss) for the year** | | (61,022) | 306,317 |
| | | **Profit/(loss) attributable to:** | | | |
| 124,381 | 76,283 | Equity holders of the Parent | | (60,944) | 306,222 |
| – | – | Non-controlling interest | | (78) | 95 |
| 124,381 | 76,283 | | | (61,022) | 306,317 |
| | | **Basic and diluted (loss)/ earning per share ($ per share)** | | (0.71) | 3.58 |
| | | **Weighted average number of shares ('000)** | | 85,605 | 85,605 |

The accompanying notes form an integral part of these financial statements.

## SEPARATE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| Parent 2021 | Parent 2022 | | Notes | Group 2022 | Group 2021 |
|---|---|---|---|---|---|
| 124,381 | 76,283 | **Profit/(loss) for the year** | | (61,022) | 306,317 |
| | | **Other comprehensive income/ (loss) that will not be reclassified to profit or loss in subsequent periods:** | | | |
| (470) | 1 | Net (loss)/gain on investment securities at fair value through other comprehensive income | | – | – |
| (4,178) | (799) | Other movements | | 2,926 | (1,580) |
| 2,250 | (1,509) | Experience gains/(losses) on defined benefit plans | 17(b) | (13,482) | 16,544 |
| (680) | 447 | Income tax effect | 16 | 3,350 | (4,504) |
| 1,570 | (1,062) | | | (10,132) | 12,040 |
| (3,078) | (1,860) | | | (7,206) | 10,460 |
| | | **Other comprehensive income/ (loss) that may be reclassified subsequently to profit and loss, net of tax** | | | |
| | | *Debt instruments at fair value through other comprehensive income* | | | |
| (442) | (918) | Net change in fair value during the year | | (1,161) | (867) |
| (2,314) | (1) | Changes in allowance for expected credit losses | | (104) | (2,318) |
| 1,117 | 92 | Income tax effect | 16 | 92 | 1,117 |
| (1,639) | (827) | | | (1,173) | (2,068) |
| – | – | Exchange differences on translation of foreign operations | | (224) | 4,135 |
| 119,664 | 73,596 | **Total comprehensive income/ (loss) for the year, net of tax** | | (69,625) | 318,844 |
| | | **Attributable to:** | | | |
| 119,664 | 73,596 | Equity holders of the Parent | | (69,547) | 318,749 |
| – | – | Non-controlling interest | | (78) | 95 |
| 119,664 | 73,596 | | | (69,625) | 318,844 |

The accompanying notes form an integral part of these financial statements.

## SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| Parent | Stated capital | Statutory reserve fund | General loan loss reserve | Fair value reserve/ (deficit) | Foreign currency reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2020** | 667,274 | 215,898 | 5,596 | 489 | 1,142 | 640,660 | 1,531,059 |
| Profit for the year | – | – | – | – | – | 124,381 | 124,381 |
| Other comprehensive loss for the year | – | – | – | (442) | (470) | (3,805) | (4,717) |
| Transfer from general loan loss reserve | – | – | (828) | – | – | 828 | – |
| Transfer to statutory reserve fund | – | 9,998 | – | – | – | (9,998) | – |
| Dividends (Final 2020 and Interim 2021) (Note 46) | – | – | – | – | – | (81,325) | (81,325) |
| **Balance as at 31 December 2021** | 667,274 | 225,896 | 4,768 | 47 | 672 | 670,741 | 1,569,398 |
| **Balance as at 31 December 2021** | 667,274 | 225,896 | 4,768 | 47 | 672 | 670,741 | 1,569,398 |
| Profit for the year | – | – | – | – | – | 76,283 | 76,283 |
| Other comprehensive (loss)/income for the year | – | – | – | (918) | 1 | (1,770) | (2,687) |
| Transfer from general loan loss reserve | – | – | (884) | – | – | 884 | – |
| Transfer to statutory reserve fund | – | 4,378 | – | – | – | (4,378) | – |
| Dividends (Final 2021 and Interim 2022) (Note 46) | – | – | – | – | – | (102,726) | (102,726) |
| **Balance as at 31 December 2022** | 667,274 | 230,274 | 3,884 | (871) | 673 | 639,034 | 1,540,268 |

The accompanying notes form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| Group | Stated capital | Statutory reserve fund | Statutory surplus reserve | General loan loss reserve | Fair value deficit | Foreign currency deficit | Retained earnings | Total equity attributable to equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2020** | 667,274 | 231,841 | 66,539 | 13,906 | (369) | (5,351) | 1,703,081 | 2,676,921 | 649 | 2,677,570 |
| Profit for the year | – | – | – | – | – | – | 306,222 | 306,222 | 95 | 306,317 |
| Other comprehensive (loss)/income for the year | – | – | – | – | (867) | 4,135 | 9,259 | 12,527 | – | 12,527 |
| Other life insurance reserve movements | – | – | – | – | – | – | (11,817) | (11,817) | – | (11,817) |
| Transfer to general loan loss reserve | – | – | – | 677 | – | – | (677) | – | – | – |
| Transfer to statutory reserve fund | – | 9,998 | – | (828) | – | – | (9,170) | – | – | – |
| Transfer from statutory surplus reserve | – | – | (66,539) | – | – | – | 66,539 | – | – | – |
| Dividends (Final 2020 and Interim 2021) (Note 46) | – | – | – | – | – | – | (81,325) | (81,325) | – | (81,325) |
| Other reserve movements | – | – | – | (235) | – | – | – | (235) | – | (235) |
| **Balance as at 31 December 2021** | 667,274 | 241,839 | – | 13,520 | (1,236) | (1,216) | 1,982,112 | 2,902,293 | 744 | 2,903,037 |

| Group | Stated capital | Statutory reserve fund | General loan loss reserve | Fair value deficit | Foreign currency deficit | Retained earnings | Total equity attributable to equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2021** | 667,274 | 241,839 | 13,520 | (1,236) | (1,216) | 1,982,112 | 2,902,293 | 744 | 2,903,037 |
| Loss for the year | – | – | – | – | – | (60,944) | (60,944) | (78) | (61,022) |
| Other comprehensive loss for the year | – | – | – | (1,161) | (224) | (7,218) | (8,603) | – | (8,603) |
| Other life insurance reserve movements | – | – | – | – | – | 9,957 | 9,957 | – | 9,957 |
| Transfer from general loan loss reserve | – | – | (2,154) | – | – | 2,154 | – | – | – |
| Transfer to statutory reserve fund | – | 4,379 | – | – | – | (4,379) | – | – | – |
| Dividends (Final 2020 and Interim 2021) (Note 46) | – | – | – | – | – | (102,726) | (102,726) | – | (102,726) |
| Other reserve movements | – | – | (68) | 468 | – | 8 | 408 | – | 408 |
| **Balance as at 31 December 2022** | 667,274 | 246,218 | 11,298 | (1,929) | (1,440) | 1,818,964 | 2,740,385 | 666 | 2,741,051 |

The accompanying notes form an integral part of these financial statements.

## SEPARATE AND CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| Parent 2021 | Parent 2022 | | Notes | Group 2022 | Group 2021 |
|---|---|---|---|---|---|
| | | **Cash flows from operating activities** | | | |
| 146,222 | 104,176 | Profit/(loss) before taxation | | (34,047) | 360,179 |
| | | Adjustments for: | | | |
| 670 | 980 | Employee benefits | 17(b) | (3,255) | (3,967) |
| – | – | Gain on disposal of property and equipment | | (4,812) | (4,548) |
| 2,771 | 2,987 | Depreciation and amortisation | 13, 14 | 36,013 | 37,663 |
| 1,745 | 1,489 | Depreciation of right-of-use assets | 15 | 5,108 | 5,708 |
| 2,076 | 3,178 | Credit loss expense/(credit loss recovery) on investment securities | 32 | 4,422 | (7,393) |
| (3,368) | (445) | Amortisation of investment securities and interest capitalised | | (8,100) | (11,164) |
| 21,281 | (30,559) | Credit loss expense/(credit loss recovery) on net investment in leased assets and loans and advances | 32 | (25,098) | 30,617 |
| – | – | Credit loss expense on insurance receivables | | 384 | 3,393 |
| (7,724) | 4,696 | (Gain)/loss on revaluation of investment securities | 32 | 146,030 | (165,823) |
| – | – | Loss on revaluation of investment property | – | 3,910 | |
| 4,705 | 18,160 | Loss/(gain) on sale of investment securities | | 38,014 | (21,557) |
| (69,589) | (60,488) | Interest income | | (200,895) | (216,084) |
| 47,152 | 55,643 | Finance costs | 31 | 86,790 | 76,697 |
| 4,625 | 327 | Foreign exchange (gains)/losses | | 7,754 | 338 |
| 150,566 | 100,144 | Operating profit before changes in operating assets and liabilities | | 48,308 | 87,969 |
| (26,758) | 50,354 | Decrease/(increase) in investment in leased assets and loans and advances | | (316,982) | (40,439) |
| (77,244) | 87,561 | (Increase)/decrease in other receivables, debtors and prepayments | | 33,508 | (132,518) |
| 784,654 | (22,549) | Increase/(decrease) in customers' deposits and other funding instruments | | 219,673 | 745,310 |
| (26,018) | (13,544) | (Decrease)/increase in accrued interest and other payables | | 66,124 | 76,364 |
| (41,944) | 11,314 | Decrease/(increase) in Central Bank reserve account | | (132,396) | (82,629) |
| – | – | Increase in insurance and investment contract liabilities | | 88,477 | 122,602 |
| 763,256 | 213,280 | | | 6,712 | 776,659 |
| (54,347) | (48,774) | Finance costs paid | | (79,549) | (86,214) |
| 68,234 | 65,233 | Interest received on investment securities | | 206,770 | 220,625 |
| (29,561) | (28,820) | Taxes paid | | (18,136) | (45,742) |
| 747,582 | 200,919 | Net cash generated from operating activities | | 115,797 | 865,328 |
| | | **Cash flows from investing activities** | | | |
| – | – | Placement of fixed deposits | | (5) | (141) |
| – | – | Maturity of fixed deposits | | 25 | – |
| 19 | – | Proceeds from sale of property and equipment | | 11,418 | 14,938 |
| (1,173) | (7,051) | Additions to property and equipment, leases and intangible assets | | (154,173) | (192,971) |
| – | – | Purchase of investment property | | (40,935) | – |
| (1,125,730) | (1,226,153) | Purchase of investment securities | | (1,832,418) | (2,679,830) |
| 874,161 | 1,170,075 | Sale or maturity of investment securities | | 1,911,679 | 2,154,938 |
| (179,190) | (50,000) | Net cash outflow from the purchase of interests in subsidiary | | – | (9,080) |
| (431,913) | (113,129) | Net cash used in investing activities | | (104,409) | (712,146) |
| | | **Cash flows from financing activities** | | | |
| – | 600,000 | Issue of debt securities | | – | – |
| (202,836) | (600,000) | Repayment of debt securities | | – | (202,836) |
| (81,325) | (102,726) | Dividends paid | 46 | (102,726) | (81,325) |
| (284,161) | (102,726) | Net cash used in financing activities | | (102,726) | (284,161) |
| 31,508 | (14,939) | **Net increase/(decrease) in cash and cash equivalents** | | (91,338) | (130,979) |
| 584,420 | 615,928 | **Cash and cash equivalents at the beginning of the year** | | 1,266,389 | 1,397,368 |
| 615,928 | 600,989 | **Cash and cash equivalents at the end of the year** | | 1,175,051 | 1,266,389 |
| | | **Represented by:** | | | |
| 615,928 | 600,989 | Cash and cash equivalents | 4 | 1,175,051 | 1,266,389 |
| 615,928 | 600,989 | | | 1,175,051 | 1,266,389 |
| | | **Supplemental information:** | | | |
| 68,234 | 65,233 | Interest and dividends received | | 377,276 | 397,963 |
| 54,347 | 48,774 | Interest paid | | 79,549 | 86,214 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

### 1. Principal activities of the Group

ANSA Merchant Bank Limited (the 'Bank' or 'Parent') is domiciled and was incorporated in the Republic of Trinidad and Tobago on 3 March 1977. Its registered office is located at ANSA Centre, 11 Maraval Road, Port of Spain. The Bank is licensed under the provisions of the Financial Institutions Act 2008 to carry on the following classes of business:

- Confirming House/Acceptance House
- Finance House/Finance Company
- Leasing Corporation
- Mortgage Institution
- Merchant Bank
- Trust Company
- Unit Trust
- Financial Services

The Bank has also been granted full Authorised Dealer Status by the Central Bank of Trinidad and Tobago under Section 5 of the Exchange Control Act, Chapter 79:50 and is authorised to take deposits, grant credit facilities and otherwise deal in foreign currency consistent with the terms of its licence.

The Bank has a primary listing on the Trinidad & Tobago Stock Exchange and was registered by the Trinidad and Tobago Securities and Exchange Commission as a reporting issuer on 18 December 1997. On 6 May 1999 under the Securities Industries Act 1995 the Bank was registered to conduct business as a securities company.

The ANSA Merchant Bank Group (the 'Group') is a financial services group comprising of the Parent and eight subsidiaries at 31 December 2022. A full listing of the Group's subsidiaries is detailed in Note 11. The Group is engaged in a wide range of banking and financial related activities and carries on all classes of long-term and short-term insurance business and the rental of property in Trinidad and Tobago and the Caribbean. The ultimate parent of the Group is ANSA McAL Limited ('Ultimate Parent') which is incorporated in the Republic of Trinidad and Tobago.

### 2. Significant accounting policies

#### i) Basis of preparation

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities, investment properties and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest (SPPI).

The financial statements are presented in Trinidad and Tobago dollars (TTD) which is the functional currency of the Parent and all values are rounded to the nearest thousand, except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

**Presentation of financial statements**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The Group presents its statement of financial position broadly in order of liquidity. An analysis of recovery or settlement in the 12 months after the statement of financial position date (current) and greater than 12 months after the statement of financial position date (non-current) is presented in Note 43.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of ANSA Merchant Bank Limited and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**2. Significant accounting policies** (continued)

**i) Basis of preparation** (continued)

**Basis of consolidation** (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the statement of income. Any investment retained is recognised at fair value.

The Bank established open-ended mutual funds in the following periods:

- 2005: ANSA Secured Fund
- 2007: ANSA US$ Secured Fund
- 2010: ANSA TT$ Income Fund and ANSA US$ Income Fund

The Bank acts as the sponsor, investment manager, administrator and distributor of the Funds.

These mutual funds are financed through the issue of units to investors in the funds. The Group generates fees from managing the assets of the mutual funds and the Group's retirement benefit plans on behalf of third party interests. For the year ended 31 December 2022, the Group earned $8.6 million (2021: $8.0 million) in management fees from the retirement plans and $7.95 million (2021: $17.5 million) from the mutual funds.

The Group holds an interest of $71 million in sponsored funds as at 31 December 2022 (2021: $72 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Group.

The Bank re-assessed whether or not it controls any investee in accordance with IFRS 10, 'Consolidated Financial Statements.' This assessment also extended to the Bank's open-ended mutual funds. The criteria for control includes:

- The power to govern the financial and operating policies;
- Exposure, or rights, to variable returns from its involvement; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

Based on the application of this criteria, the Bank has consolidated the Funds into these financial statements. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Parent accounts for investments in subsidiaries on a cost basis.

**ii) Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021 except for the adoption of new standards and interpretations noted below.

***New and amended standards and interpretations***

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Group. These are described in more detail below.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard or amendment is described below:

**IFRS 3 – 'Business Combinations' Amendments – Reference to the Conceptual Framework – Effective 1 January 2022**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The amendments must be applied prospectively. Earlier application is permitted.

These amendments had no impact on the Group.

**IAS 16 – 'Property, Plant and Equipment' Amendments – Proceeds before Intended Use – Effective 1 January 2022**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

These amendments had no impact on the Group.

**IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets' Amendments – Onerous Contracts – Costs of Fulfilling a Contract – Effective 1 January 2022**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

These amendments had no impact on the Group.

***Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' – Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – Effective 1 January 2023
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Amendments to IAS 8 – Definition of Accounting Estimates – Effective 1 January 2023
- IAS 12 'Income Taxes' – Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Effective 1 January 2023
- IFRS 17 'Insurance Contracts' – Effective 1 January 2023
- IAS 1 'Presentation of Financial Statements' – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current – Effective 1 January 2024
- IFRS 16 'Leases' – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback – Effective 1 January 2024

**IFRS 17 'Insurance Contracts'**

The Group will apply IFRS 17 "Insurance Contracts" for the first time on 1 January 2023. This Standard will bring significant changes to the accounting for insurance and reinsurance contracts held and is expected to have material impact on the Group's consolidated financial statements in the period of initial application.

The IASB issued IFRS 17 in May 2017 and the Amendments to IFRS 17 in June 2020. IFRS 17, as amended, is effective for annual reporting periods beginning on or after 1 January 2023, to be applied retrospectively.

IFRS 17 will replace IFRS 4 and the principles underlying IFRS 17 differ from IFRS 4, affecting how the Group accounts for its insurance contracts and when and how it reports financial performance in the consolidated financial statements. The following outlines some of the key differences:

- New business gains under IFRS 17 will be deferred and recorded as the Contractual Service Margin ("CSM"), one of the measurement components of insurance contract liabilities. The CSM is subsequently amortized into income as insurance contract services are provided. New business losses are recorded into income immediately. On the other hand, under IFRS 4, premium income is recognised over the term of the related policy coverage.
- The discount rate used to estimate the present value of insurance contract liabilities is based on the characteristics of the insurance contracts themselves under IFRS 17. Under IFRS 4 for life insurance contracts, the Group uses the rates of returns for current and projected assets supporting insurance contract liabilities to value the liabilities. As it relates to non-life insurance contracts, under IFRS 17, the Group will discount the future cash flows when measuring liabilities for incurred claims. Under IFRS 4, the Group currently does not discount such future cash flows.
- The Risk Adjustment ("RA") represents the compensation required for uncertainty related to non-financial risk such as mortality and expenses under IFRS 17. Provisions for uncertainty related to financial risk are reflected in the present value of insurance contract liabilities. Under IFRS 4, amounts provided for non-financial and financial risks are both reflected in provisions for adverse deviation ("PfAD") which is part of insurance contract liabilities.

The Group is required to measure insurance contracts using the General Measurement Model. However, has elected to apply the optional simplified measurement model, the Premium Allocation Approach (PAA), for non-life insurance contracts including Group Life insurance contracts and related reinsurance contracts, mainly because the coverage period of each contract is one year or less (short-term insurance business).

On transition to IFRS 17, the Group expects to apply the fair value approach on all long-term insurance business as the Group has made a preliminary assessment that it is impracticable to apply IFRS 17 retrospectively from the transition date for these contracts. The Group expects to apply the full retrospective approach on all short-term insurance business.

The Group is still in the process of implementing IFRS 17. As industry practice and interpretation of the Standard is still developing, the likely financial impact of its implementation remains uncertain.

**Improvements to International Financial Reporting Standards**

The annual improvement process of the International Accounting Standards Board deals with non-urgent, but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after 1 January 2022, but have resulted in no material change to the Group's financial statements.

- IFRS 1 'First-time Adoption of International Financial Reporting Standards' – Subsidiary as a first-time adopter
- IFRS 9 'Financial Instruments' – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 'Agriculture' – Taxation in fair value measurements

**iii) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, 'Financial Instruments,' is measured at fair value with the changes in fair value recognised in the statement of income.

**2. Significant accounting policies** (continued)

**iii) Business combinations and goodwill** (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

**iv) Cash and short-term funds**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original contractual maturity of three months or less that are readily convertible to a known amount of cash and, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

**v) Statutory deposits with Central Banks**

Pursuant to the provisions of Trinidad and Tobago, the Central Bank Act 1964 and the Financial Institutions Act 2008, the Bank is required to maintain with the Central Bank of Trinidad and Tobago statutory balances in relation to deposit liabilities and certain funding instruments of the institutions.

In addition, ANSA Merchant Bank (Barbados) Limited, a subsidiary of the Group, is required to maintain with the Central Bank of Barbados statutory deposit balances in relation to deposit liabilities. Those funds are not available to finance the subsidiary's day-to-day operations.

**vi) Financial instruments**

**Financial assets**

***a) Initial recognition and subsequent measurement***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Amortised cost and effective interest method*

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt instruments that are designated as at fair value through the statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding ("the SPPI test").

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in the statement of income and is included in Note 27.

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

*Equity instruments at fair value through other comprehensive income (FVOCI)*

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short- term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the statement of income on disposal of the investments.

The Group does not have any equity instruments that are carried at FVOCI on initial application of IFRS 9, 'Financial Instruments'.

*Debt instruments at fair value through other comprehensive income (FVOCI)*

The Group applies the FVOCI category under IFRS 9, for debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual cash flows of an asset give rise to payments on specified dates that are SPPI on the principal amount outstanding ("the SPPI test").

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in the statement of income in the same manner as for financial assets measured at amortised cost.

*Financial assets at fair value through statement of income (FVSI)*

Investments in equity instruments are classified as FVSI, unless the Group designates an investment that is not held for trading as FVOCI on initial recognition. The Group has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured as FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as FVSI are measured at FVSI. A debt instrument may be designated as FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as FVSI on initial recognition is not allowed. The Group has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of income. The net gain or loss recognised in the statement of income is included in Note 27. Fair value is determined in the manner described in Note 39.

Interest income on debt instruments designated at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of income when the Group's right to receive the dividends is established in accordance with IFRS 15, 'Revenue from Contracts with Customers' and is included in the net gain or loss described above.

*Foreign exchange gains and losses*

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore:

- for financial assets that are classified as FVSI, the foreign exchange component is recognised in the statement of income;
- for equity instruments that are designated as FVOCI, any foreign exchange component is recognised in other comprehensive income;
- for debt instruments that are designated as FVOCI, any foreign exchange component is recognised in the statement of income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'investment income' line item in the statement of income.

***b) Impairment of financial assets***

The Group uses the general probability of default approach when calculating expected credit loss (ECL). The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

*Significant increase in credit risk*

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility/investment to the watch list, to non-investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

*Definition of default and cure*

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

**2. Significant accounting policies** (continued)

**vi) Financial instruments** (continued)

**Financial assets** (continued)

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

*Calculation of Expected Credit Losses (ECLs)*

When estimating the ECLs, the Group considers among other factors the risk rating category and aging of the financial asset. Each of these factors is associated with different PDs, EADs and LGDs (see below). When relevant, it also incorporates how defaulted financial assets are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- *Probability of Default (PD):*

  The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

- *Exposure at Default (EAD):*

  The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

  The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation.

- *Loss Given Default (LGD):*

  The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

For investments, the Group primarily relies on international external credit rating agencies to provide data for PDs and LGDs. PDs and LGDs for other financial assets such as leased assets and loans and advances were derived based on historical loss trends in the portfolios, recoveries, typical collateral and other borrower characteristics.

*Cash and short-term funds*

Cash and short-term funds are short-term funds placed with Central Banks and commercial banks in the countries where the Group is engaged in the full range of banking and financial activities and correspondent banks. These balances are usually less than three months old and highly liquid, therefore the Group considers the risk of default to be low and has taken the position of nil ECL on these balances.

*Collateral valuation*

To mitigate its credit risks on financial instruments, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables and other non-financial assets. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed on a periodic basis.

To the extent possible, the Group uses active market data for valuing financial instruments held as collateral. Other financial instruments which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations data provided by third parties such as mortgage brokers, or independent valuations.

*Collateral repossessed*

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the valuation cost of the asset.

In its normal course of business should the Group physically repossess assets in its retail portfolio, it sometimes engages external agents to recover the asset, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

Repossessed stock is valued at the lower of the carrying amount and fair value less estimated cost to sell.

*Write-offs*

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

*Forward-looking information*

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Oil prices
- Unemployment rates
- Money supply

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

*Stage 1*

The 12mECL is calculated as the portion of LTECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. The expected 12- month default probability is applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

The mechanics of the ECL method are summarised below: (continued)

*Stage 2*

When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, but PD and LGD are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

*Stage 3*

For a financial instrument considered credit-impaired (as defined in Note 2(vi)(b) above), the Group recognises the LTECL for such a financial instrument. The method is similar to that for Stage 2 assets, with the PD set at 100%.

*Purchase or originated credit-impaired (POCI)*

POCI assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs.

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. In limited circumstances within the Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates. These portfolios included premium receivables, policy loans and reinsurance receivables.

***c) Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of income.

**Financial liabilities**

***a) Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. The Group's financial liabilities include other payables, bank overdrafts, deposit liabilities and debt securities in issue. The Group has not designated any financial liabilities upon initial recognition as at FVSI.

***b) Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

**vii) Fair value measurement**

The Group measures certain financial instruments at fair value at each year end. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 39. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

With the exception of insurance contracts which are specifically excluded under IFRS 7, 'Financial Instruments', the estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Group would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated. The fair value information is based on information available to management as at the dates presented.

Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for the purposes of these financial statements and, therefore, the current estimates of the fair value may be significantly different from the amounts presented herein.

**2. Significant accounting policies** (continued)

**vii) Fair value measurement** (continued)

*Short-term financial assets and liabilities*

The carrying amount of short-term financial assets and liabilities comprising cash and short-term funds, fixed deposits, interest receivable, insurance receivable, other debtors, customer deposits and other funding instruments, accrued interest and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

*Investment securities*

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the yield to worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration using the internal rate of return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

*Loans and advances*

The estimated fair value for performing loans is computed as the future cash flows discounted and the yield to maturity based on the carrying values and the inherent rates of interest in the portfolio as those rates approximate market conditions. When discounted, the cash flow values are equal to the carrying value.

*Debt securities in issue*

The Group values the debt and asset-backed securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and liquidity discounts.

*Determination of fair value and fair value hierarchies*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable; and

POCI – Credit-impaired on initial recognition, therefore fair valued at original recognition with interest income being subsequently recognised on a credit- adjusted EIR.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

POCI

Included in the POCI category are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re- assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**viii) Repurchase and reverse repurchase agreements**

Securities sold subject to a linked repurchase agreement ('repo') are retained in the financial statements as trading securities and the counterparty liability is included in amounts due to other banks, deposits from banks or other deposits as appropriate. Securities purchased under an agreement to resell ('reverse repo') are recorded as loans and advances to other banks. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield.

**ix) Product classification**

*Insurance contracts*

IFRS 4, 'Insurance Contracts', defines insurance contracts as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Long-term insurance contracts include those contracts with and without discretionary participation features ('DPF'). For insurance contracts with DPFs, the guaranteed element has not been recognised separately. Changes to the insurance contract liability are recognised in the statement of income as an item of expense.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

*Investment contracts*

Any insurance contracts not considered to be transferring significant risk are, under IFRS, classified as investment contracts. Deposits collected and benefit payments under investment contracts are not accounted for through the statement of income, but are accounted for directly through the statement of financial position as a movement in the investment contract liability. Changes in the fair value of financial assets backing investment contracts are recognised in the statement of income as investment income.

**x) Interest bearing debt and borrowings**

Borrowings and interest bearing debt are initially recognised at the fair value of the consideration received, net of transaction costs incurred. After initial recognition, these borrowings are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any transaction cost, discount, or premium on issue. Gains and losses are recognised in the statement of income when the liabilities are derecognised, as well as through the amortisation process.

**xi) Insurance receivables**

Insurance receivables are recognised when due. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income..

**xii) Reinsurance assets**

The Group cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

The benefit to which the Group is entitled under its reinsurance contracts held is recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and it can be measured reliably.

**xiii) Taxation**

*Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all applicable taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised.

Current and deferred tax shall be recognised as income or an expense and included in the statement of income for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the statement of income, either in other comprehensive income or directly in equity and a business combination.

**xiv) Investment properties**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property, at the time that cost is incurred, if the recognition criteria is met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured annually by fair values either by way of Management's internal valuations or by an accredited external, independent valuator. Management uses discounted cash flow models and assumptions which reflect the market conditions at the reporting date. External valuators apply valuation models recommended by the International Valuation Standards Committee. Each property is externally valued at least once every three years.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on disposal is recognised in the statement of income.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes investment property, the Group accounts for such property in accordance with the policy under property and equipment up to the date of change in use.

**2. Significant accounting policies** (continued)

**xv) Property, equipment and leased assets**

Property and equipment are stated at historical cost net of accumulated depreciation and/or accumulated impairment loss, if any. Depreciation is provided on the straight line or reducing balance method at various rates sufficient to write off the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated on a straight-line basis. All other repair and maintenance costs are recognised in the statement of income as incurred.

| The rates used are as follows: | % per annum |
|---|---|
| Building | 2 |
| Motor vehicles | 20 - 33⅓ |
| Computer equipment | 25 - 33⅓ |
| Leasehold improvements | 10 - 20 |
| Office furniture, machinery and equipment | 10 - 33⅓ |
| Leased vehicles and equipment | 20 |

Depreciation is computed over the estimated useful life of the asset. The estimated useful lives of property and equipment are reviewed annually and adjusted prospectively if appropriate. Investment property which is owner occupied is accounted for as property and equipment. Where the carrying value of an item of property and equipment exceeds the recoverable amount, the excess would be immediately taken to the statement of income. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of income.

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

**xvi) Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short- term leases and leases of low-value assets.

**i) Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building 3 to 6 years
- Motor vehicles 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

**ii) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**iii) Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

*Group as lessor*

The Group assesses at contract inception whether a contract is, or contains, a lease i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**xvii) Intangible assets**

*Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

*Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed fifteen (15) years.

*Banking license and customer deposits*

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite and are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group in its acquisition of ANSA Bank Limited, acquired intangible assets of a banking license as well as customer deposits. The banking license has been assessed to have an indefinte useful life and will be tested for impairment annually. The customer deposits have been assessed to have a useful life of seven (7) years.

**xviii) Employee benefits**

The ANSA McAL Pension Plan for Monthly Paid Employees is a hybrid plan with both defined benefit and defined contribution characteristics for its members. It is governed by trust deed and rules dated 17 September 1965 and encompasses all eligible full time employees of the ANSA McAL Group of Companies. The Plan was registered to carry on business in Trinidad and Tobago on 31 October 1973.

The Trustees of the plan have elected to fund the benefits by means of a Segregated Asset Plan with Tatil Life Assurance Limited by way of an agreement dated 1 October 1984. Effective 1 January 2009, the name of the plan was changed to the ANSA McAL Pension Plan for Monthly Paid Employees from Alston's Pension Fund Plan and from this date all new entrants to the Plan were admitted to a defined contribution scheme.

*Defined benefit plan*

The pension accounting costs for the defined benefit plan are assessed using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. The maximum economic benefits available, as limited by the asset ceiling will crystallise in the form of reductions in future contributions.

Past service costs are recognised in the statement of income on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'general administrative expenses' in the statement of income (by function) within Note 35:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

*Other post-employment benefit plan*

The Group also provides other post-employment benefits to its retirees. These benefits are unfunded. The entitlement to these benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for the defined benefit plans.

*Defined contribution plan*

Under the defined contribution plan, the Group has no further payment obligations once the contributions have been paid. Contributions are recognised as an expense when they are due.

**2. Significant accounting policies** (continued)

**xix) Insurance contract liabilities**

*Life insurance contract liabilities*

The provision for a life insurance contract is calculated on the basis of a cash flow matching method where the expected cash flows are based on prudent assumptions depending on the circumstances prevailing. The liability is determined as the sum of the discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the actual gross premiums that would be paid over the expected future lifetime of the contract. The liability is based on best estimate assumptions as to mortality, persistency, investment income and maintenance expenses that are expected to prevail over the life of the contract. A margin for adverse developments is added to each best estimate assumption to provide a prudent estimate of possible future claims. Adjustments to the liabilities at each end of reporting period are recorded in the statement of income as an expense.

*General insurance contract liabilities*

General insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at year end, whether reported or not. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, therefore the ultimate cost cannot be known with certainty at the statement of financial position date.

*Provision for unearned premiums*

The proportion of written premiums attributable to subsequent periods is deferred as unearned premiums. The change in the provision for unearned premium is taken to the statement of income in the order that revenue is recognised over the period of risk.

*Liability adequacy test*

In accordance with IFRS 4, 'Insurance Contracts', reserving for liabilities existing as at the statement of financial position date from property and casualty lines of business has been tested for adequacy by independent actuarial consultants using the Bornhuetter-Fergusson model.

The Bornhuetter-Fergusson model can be summarised as follows:

- This valuation method makes an independent estimate of the gross ultimate claims to a corresponding premium for each underwriting year based on expectations of claims arising from the gross premiums written in that year;
- It estimates a claim run-off pattern of how claims emerge year by year until all is known about the total ultimate claim; and
- From the independent estimate of gross ultimate claims, the portion that relates to past periods is removed and the resultant balance is the gross claims yet to emerge.

The independent actuaries concluded in their report dated 11 February 2023 that the carrying amounts of the insurance liabilities of the general insurance subsidiary as at 31 December 2022, in respect of incurred but not reported (IBNR) claims and claims from unexpired contracts were adequate.

*Provision for unexpired risk*

Provision for unexpired risk is computed as a percentage of the provision for unearned premiums at the end of the year. At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. Any deficiency is charged to the statement of income by subsequently establishing a provision for losses arising from the liability adequacy tests (the unexpired risk provision).

**xx) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**xxi) Guarantee reserve fund**

The Bank has guaranteed 100% return of the principal invested in the ANSA Secured Fund and ANSA US$ Secured Fund, subject to a minimum period of investment and a fixed minimum yield on the units held subject to a defined period of time, established at the time of purchase.

The Bank establishes a guarantee reserve fund as a liability on its statement of financial position through the statement of income for any shortfalls that may arise under the guarantee, as required. At each end of reporting period, the Bank values these guarantees and any changes required are adjusted accordingly through the statement of income.

**xxii) Revenue recognition**

Revenue from contracts with customers is recognised when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for services. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

*The effective interest rate (EIR) method*

Interest income and expense is recorded using the EIR method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

*Investment income*

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. For POCI financial assets, a credit-adjusted EIR is applied to the amortised cost of the financial asset.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVSI is recognised using the contractual interest rate in net trading income and net gains or losses on financial assets at FVSI, respectively.

*Dividend income*

Dividend income is recognised when the Group's right to receive the payment is established.

*Rental income*

Rental income from investment property under operating leases is recognised in the statement of income on a straight line basis over the term of the lease.

*Premium income*

Premiums from life insurance contracts are recognised as revenue when payable by the policyholders. For single premium business this is the date from which the policy becomes effective. For non-life business, premiums written are recognised on policy inception and earned on a pro-rata basis over the term of the related policy coverage.

Premiums written on general insurance policies are recognised on policy inception and earned on a pro-rata basis over the term of the related policy coverage. For single premium business this is the date from which the policy is effective.

*Reinsurance premiums*

Reinsurance premiums are recognised when the right to receive the gross premium is recognised in accordance with the relevant reinsurance contract.

*Fees and commissions*

Unless included in the effective interest calculation, fees are recognised on an accrual basis as the service is provided. Fees and commissions not integral to the effective interest arising from negotiating or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contract.

*Other income and expenditure*

Other income and expenditure, inclusive of borrowing costs, are brought into account on the accrual basis.

**xxiii) Deposit insurance contribution**

The Central Bank of Trinidad and Tobago and the Financial Institutions (Non-Banking) (Amendment) Act 1986 of Trinidad and Tobago established a Deposit Insurance Fund for the protection of depositors. An annual premium of 0.2% is levied on the average deposit liability outstanding at the end of each quarter of the preceding year.

The Barbados Deposit Insurance Corporation in accordance with the Deposit Insurance Act 2006 29 of Barbados established a Deposit Insurance Fund for the protection of depositors. An annual premium of 0.05% is levied on the average deposit liability outstanding at the end of each quarter of the preceding year.

**xxiv) Benefits and claims**

*Life insurance*

Life insurance business claims reflect the cost of all claims incurred during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

*General insurance*

Reported outstanding general insurance claims comprise the estimated costs of all claims incurred but not settled at the end of the reporting period, less any reinsurance recoveries. In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from adjusters and information on the cost of settling claims with similar characteristics in previous periods. Provision is made for claims IBNR until after the end of the reporting period. Differences between the provisions for outstanding claims and subsequent revisions and settlement are included in the statement of income in the year the claims are settled.

*Reinsurance claims*

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract.

**xxv) Lapses - Life insurance**

Policies will lapse and the Group's liability will cease:

i. At the end of the grace period (30 days) for any unpaid premium unless the premium or part of it is advanced under the automatic premium loan provision or the policy is changed to paid up; or

ii. At the end of the pro-rated period for which insurance is provided if part of an unpaid premium was advanced under the automatic loan provision; or

iii. At the end of the 30-day period following the mailing of a lapse notice indicating that the indebtedness equals or exceeds the gross cash value.

**xxvi) Foreign currency translation**

*Functional and presentation currency*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The separate and consolidated financial statements are expressed in Trinidad and Tobago dollars, which is the functional currency of the parent.

**2. Significant accounting policies** (continued)

**xxvi) Foreign currency translation** (continued)

*Foreign currency transactions*

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the statement of financial position date. Non- monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of income.

*Foreign entities*

On consolidation, the assets and liabilities of foreign operations are translated into Trinidad and Tobago dollars at the rate of exchange prevailing at 31 December and their statements of income are translated at an average exchange rate. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

**xxvii) Equity movements**

*Stated capital*

Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares are shown as a reduction in equity, net of tax. As equity is repurchased, the amount of consideration paid is recognised as a charge to equity and reported in the statement of financial position as treasury shares.

*Dividends on ordinary share capital*

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors. Dividends are deducted from the liability when they are paid.

Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the end of reporting date.

**xxviii) Statutory reserve fund**

There is a requirement where a portion of net profit after deduction of taxes in each year be transferred to a statutory reserve account. Group statutory reserves amounted to $246.2 million (2021: $241.8 million) as at 31 December 2022.

**xxix) Catastrophe reserve**

On an annual basis, the Group determines an amount that is transferred to a catastrophe reserve. This is treated as an appropriation of retained earnings and is disclosed as part of the statutory reserve fund in the statement of financial position.

**xxx) Statutory surplus reserve**

As previously required by Section 171 of the Insurance Act 1980 of Trinidad and Tobago, at least 25% of an insurance company's profit from general insurance business, for the preceding year is to be appropriated towards a statutory surplus reserve until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies. This statutory surplus reserve is no longer required under the new Insurance Act, 2018 of Trinidad and Tobago and therefore was reappropiated to retained earnings.

**xxxi) General loan loss reserve**

The Bank has established a general reserve for loan losses in accordance with the guidelines issued by the Central Bank of Trinidad and Tobago. The reserve has been calculated at 0.5% of the loan balance at the year-end and encompasses hire purchase loans, finance leases and premium financing loans after deducting unearned finance charges. This reserve has been accounted for as an appropriation of retained earnings and is disclosed in the statement of changes in equity.

**xxxii) Earnings per share**

Earnings per share have been calculated by taking the profit for the year attributable to shareholders over the weighted average number of ordinary shares outstanding during the year, net of treasury shares (2022: ($0.71); 2021: $3.58). There are no dilutive ordinary shares in issue.

**xxxiii) Salvage and subrogation reimbursements**

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). Salvage is recognised on a cash receipts basis.

The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

**xxxiv) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

**3. Significant accounting judgements and estimates in applying Group policies**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Financial instruments risk management (Note 40)
- Capital management (Note 42)

**i) Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

*Leases (Note 15)*

- *Determining the lease term of contracts with renewal and termination options – Group as lessee*

  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

  The Group included the renewal period as part of the lease term for leases of properties with shorter non-cancellable period (i.e., 3 to 6 years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

- *Estimating the incremental borrowing rate (IBR)*

  If the Group cannot readily determine the interest rate implicit in the lease, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

  The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

- *Operating lease commitments – Group as lessor*

  The Group has entered into vehicle and equipment leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the leases, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

- *Finance lease commitments – Group as lessor*

  Leases are classified as finance leases when the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*Property and equipment (Note 13)*

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

*Revenue from contracts with customers (Note 28)*

The Group has determined that the performance obligation from contracts with customers has been satisfied at a point in time, i.e. when the service is rendered to a customer.

The amount recognised in the statement of income would be the consideration received.

*Impairment of financial instruments*

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment;

**3. Significant accounting judgements and estimates in applying Group policies** (continued)

**i) Judgements** (continued)

*Impairment of financial instruments* (continued)

- The segmentation of financial instruments when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macro-economic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

**ii) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Impairment of goodwill (Note 14)*

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU, to which the goodwill relates. Where the recoverable amount of a CGU is less than its carrying amount an impairment loss is recognised. The Group performs its annual impairment test of goodwill as at 31 December. Previously recorded impairment losses for goodwill are not reversed in future periods.

When goodwill forms part of a CGU (or group of CGUs) and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operation to determine the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the CGUs retained.

*Deferred taxation (Note 16)*

In calculating the provision for deferred taxation, management uses judgement to determine the possibility that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

*Pension and other post-employment benefits (Note 17)*

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

*Insurance contract liabilities (Note 22)*

The estimation of the ultimate liability arising from claims made under life and general insurance contracts is an accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately incur for those claims.

For the life insurance contracts, estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group based these estimates on standard industry mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's unique risk exposure. The number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover reserves, which in turn is monitored against current and future premiums. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, and both endemic, as well as wide-ranging changes to lifestyle, which could result in significant changes to the expected future mortality exposure. All of this results in even more uncertainty in estimating the ultimate liability.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each end of reporting period, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of a reporting period and for the expected ultimate cost of claims IBNR at the end of a reporting period. It can take a significant period of time before the ultimate claims costs can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claims settlement estimates. At each end of reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

*Revenue from contracts with customers (Note 28)*

Revenue from contracts with customers relates to investment management and arrangement fees and spread income. The performance obligation for each is as follows:

- Investment management fees are earned over time and payment is due quarterly in arrears;
- Arrangement fees are earned upon disbursement of the relevant loan and payment is due at that time; and
- Spread income is earned upon the disbursement of the interest payment to investors and payment is due at that time.

*Valuation of investments (Note 39)*

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgment and applying judgment in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

**4. Cash and short-term funds**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| | | **Cash and short-term funds** | | |
| 559,153 | 552,121 | Cash in hand and at bank | 1,033,676 | 1,122,238 |
| 58,682 | 52,708 | Short-term deposits with other banks | 145,215 | 146,058 |
| 617,835 | 604,829 | | 1,178,891 | 1,268,296 |
| 111,555 | 100,241 | Central Bank Reserve | 316,688 | 184,292 |
| 729,390 | 705,070 | | 1,495,579 | 1,452,588 |

Cash held at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Central Bank Reserve balance represents the amounts held at the Central Bank of Trinidad and Tobago and the Central Bank of Barbados as required under the respective regulatory pronouncements. The Central Bank of Trinidad and Tobago reserve account represents 10% of average deposit liabilities and is non-interest bearing. The Central Bank of Barbados reserve account represents 19% of average deposit liabilities and earned interest of 0.10% (2021: 0.10%).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 559,153 | 552,121 | Cash in hand and at bank | 1,033,676 | 1,122,238 |
| 58,682 | 52,708 | Short-term deposits with other banks | 145,215 | 146,058 |
| 617,835 | 604,829 | | 1,178,891 | 1,268,296 |
| (1,907) | (3,840) | Bank overdraft | (3,840) | (1,907) |
| 615,928 | 600,989 | | 1,175,051 | 1,266,389 |

**5. Net investment in leased assets and other instalment loans**

**a) Net investment in leased assets and other instalment loans**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 882,995 | 662,092 | Hire purchase | 935,553 | 1,170,585 |
| 145,541 | 140,640 | Finance leases | 136,422 | 140,532 |
| 1,028,536 | 802,732 | Performing | 1,071,975 | 1,311,117 |
| 84,299 | 71,393 | Non-performing | 75,515 | 99,688 |
| 1,112,835 | 874,125 | Future minimum lease payments | 1,147,490 | 1,410,805 |
| (157,561) | (116,628) | Future finance charges and loan fees | (116,628) | (156,581) |
| 955,274 | 757,497 | Present value of minimum lease payments | 1,030,862 | 1,254,224 |
| (82,812) | (39,207) | Allowance for ECLs | (43,665) | (89,061) |
| 872,462 | 718,290 | Net investment in leased assets net of provision | 987,197 | 1,165,163 |

**b) New business less unearned income**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 192,031 | 136,533 | New business less unearned income | 208,347 | 287,731 |

**c) Present value of minimum lease payments has the following sectorial breakdown:**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 447,038 | 332,382 | Personal | 532,228 | 680,813 |
| 508,236 | 425,115 | Commercial | 498,634 | 573,411 |
| 955,274 | 757,497 | | 1,030,862 | 1,254,224 |

**d) Present value of minimum lease payments has the following maturity profile:**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 74,338 | 64,023 | Within 1 year | 70,496 | 88,574 |
| 621,608 | 538,040 | 1 to 5 years | 679,522 | 812,184 |
| 259,328 | 155,434 | Over 5 years | 280,844 | 353,466 |
| 955,274 | 757,497 | | 1,030,862 | 1,254,224 |

**e) Future minimum lease payments has the following maturity profile:**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 78,102 | 71,041 | Within 1 year | 77,515 | 92,338 |
| 722,209 | 617,087 | 1 to 5 years | 758,568 | 912,266 |
| 312,524 | 185,997 | Over 5 years | 311,407 | 406,201 |
| 1,112,835 | 874,125 | | 1,147,490 | 1,410,805 |

***Repossessed collateral***

As at 31 December 2022, the Group held repossessed vehicles with a fair value of $2.1 million (2021: $6.4 million). Repossessed vehicles are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

***Restructured/modified loans***

To support its customers from the impact of the COVID-19 virus in the prior year, the banking subsidiaries in the Group offered a moratorium to customers that were in good standing, which included a deferral of monthly instalments, including the principal and interest, for a period of one to five months beginning on the date of acceptance, with interest continuing to accrue during the period of the moratorium.

There were no deferrals for 2022 (2021: $315 million).

**5. Net investment in leased assets and other instalment loans** (continued)

***Restructured/modified loans*** (continued)

***Impairment allowance for leased assets and other instalment loans***

The tables below show the staging of net investment in leased assets and the related ECLs based on the Group's criteria as explained in Note 2(vi)(b).

| **Parent** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| **Net Investment in Leased Assets** | | | | |
| Gross carrying amount as at 31 December 2022 | 657,390 | 23,849 | 76,258 | 757,497 |
| ECL allowance as at 31 December 2022 | (9,736) | (817) | (28,654) | (39,207) |
| **Net exposure as at 31 December 2022** | **647,654** | **23,032** | **47,604** | **718,290** |
| Gross carrying amount as at 31 December 2021 | 812,098 | 69,194 | 73,982 | 955,274 |
| ECL allowance as at 31 December 2021 | (15,395) | (4,655) | (62,762) | (82,812) |
| **Net exposure as at 31 December 2021** | **796,703** | **64,539** | **11,220** | **872,462** |
| ECL allowance as at 1 January 2021 | (9,860) | (4,760) | (65,212) | (79,832) |
| ECL on new instruments issued during the year | (3,115) | (483) | (2,798) | (6,396) |
| Other credit loss movements, repayments etc. | (2,420) | 588 | (12,002) | (13,834) |
| Charge-offs and write-offs | – | – | 17,250 | 17,250 |
| **At 31 December 2021** | (15,395) | (4,655) | (62,762) | (82,812) |
| ECL on new instruments issued during the year | (2,283) | – | – | (2,283) |
| Other credit loss movements, repayments etc. | 7,942 | 3,838 | 26,534 | 38,314 |
| Charge-offs and write-offs | – | – | 10,194 | 10,194 |
| Credit loss expense | – | – | (2,620) | (2,620) |
| **At 31 December 2022** | **(9,736)** | **(817)** | **(28,654)** | **(39,207)** |

| **Group** | | | | |
|---|---|---|---|---|
| **Net Investment in Leased Assets** | | | | |
| Gross carrying amount as at 31 December 2022 | 915,432 | 33,982 | 81,448 | 1,030,862 |
| ECL allowance as at 31 December 2022 | (10,940) | (1,119) | (31,606) | (43,665) |
| **Net exposure as at 31 December 2022** | **904,492** | **32,863** | **49,842** | **987,197** |
| Gross carrying amount as at 31 December 2021 | 1,071,700 | 92,417 | 90,107 | 1,254,224 |
| ECL allowance as at 31 December 2021 | (18,111) | (5,901) | (65,049) | (89,061) |
| **Net exposure as at 31 December 2021** | **1,053,589** | **86,516** | **25,058** | **1,165,163** |
| ECL allowance as at 1 January 2021 | (11,141) | (6,268) | (68,102) | (85,511) |
| ECL on new instruments issued during the year | (3,131) | (235) | (1,607) | (4,973) |
| Other credit loss movements, repayments etc. | (3,786) | 93 | (14,850) | (18,543) |
| Charge-offs and write-offs | (53) | 509 | 19,510 | 19,966 |
| **At 31 December 2021** | (18,111) | (5,901) | (65,049) | (89,061) |
| ECL on new instruments issued during the year | (2,283) | – | – | (2,283) |
| Other credit loss movements, repayments etc. | 8,422 | 4,100 | 24,045 | 36,567 |
| Charge-offs and write-offs | 1,032 | 682 | 12,020 | 13,734 |
| Credit loss expense | – | – | (2,622) | (2,622) |
| **At 31 December 2022** | **(10,940)** | **(1,119)** | **(31,606)** | **(43,665)** |

**6. Loans and advances**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| – | – | Policy loans | 14,749 | 12,845 |
| – | – | Mortgage loans | 415,225 | 243,971 |
| 383,262 | 546,404 | Other loans and advances | 1,099,096 | 738,941 |
| 383,262 | 546,404 | Performing loans and advances | 1,529,070 | 995,757 |
| 42,732 | 9,497 | Non-performing loans and advances | 47,805 | 62,887 |
| 425,994 | 555,901 | | 1,576,875 | 1,058,644 |
| (11,453) | (6,982) | Allowance for ECLs | (21,040) | (22,856) |
| 414,541 | 548,919 | | 1,555,835 | 1,035,788 |
| | | **Sectorial analysis of advances** | | |
| 3,188 | 2,964 | Personal | 603,350 | 378,421 |
| – | – | Retail/distribution/manufacturing | 139,744 | 82,079 |
| – | – | Hotel and restaurant | 7,524 | 4,533 |
| – | – | Services | 93,544 | 51,886 |
| 127,045 | 30,757 | Construction and real estate | 77,587 | 154,763 |
| 126,791 | 281,620 | Financial | 256,260 | 126,791 |
| 168,970 | 240,560 | Other | 398,866 | 260,171 |
| 425,994 | 555,901 | | 1,576,875 | 1,058,644 |
| | | **Loans and advances have the following maturity profile** | | |
| 326,086 | 238,002 | Within 1 year | 404,074 | 449,286 |
| 56,188 | 206,241 | 1 to 5 years | 422,880 | 153,718 |
| 43,720 | 111,658 | Over 5 years | 749,921 | 455,640 |
| 425,994 | 555,901 | | 1,576,875 | 1,058,644 |

***Impairment allowance for loans and advances***

The tables below show the staging of loans and advances and the related ECLs based on the Group's criteria as explained in Note 2(vi)(b).

| **Parent** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| **Other loans and advances** | | | | |
| Gross carrying amount as at 31 December 2022 | 508,499 | 529 | 46,873 | 555,901 |
| ECL allowance as at 31 December 2022 | (2,421) | – | (4,561) | (6,982) |
| **Net exposure as at 31 December 2022** | **506,078** | **529** | **42,312** | **548,919** |
| Gross carrying amount as at 31 December 2021 | 380,017 | 3,156 | 42,821 | 425,994 |
| ECL allowance as at 31 December 2021 | (1,852) | (6) | (9,595) | (11,453) |
| **Net exposure as at 31 December 2021** | **378,165** | **3,150** | **33,226** | **414,541** |
| ECL allowance as at 1 January 2021 | (2,128) | (924) | (7,159) | (10,211) |
| ECL on new instruments issued during the year | (758) | (6) | (1,789) | (2,553) |
| Other credit loss movements, repayments etc. | 1,034 | 924 | (456) | 1,502 |
| Charge-offs and write-offs | – | – | (191) | (191) |
| **At 31 December 2021** | (1,852) | (6) | (9,595) | (11,453) |
| ECL on new instruments issued during the year | (1,299) | – | – | (1,299) |
| Other credit loss movements, repayments etc. | 730 | 6 | (4,908) | (4,172) |
| Charge-offs and write-offs | – | – | 9,942 | 9,942 |
| **At 31 December 2022** | **(2,421)** | **–** | **(4,561)** | **(6,982)** |

| **Group** | **Stage 1** | **Stage 2** | **Stage 3** | **Eliminations** | **Total** |
|---|---|---|---|---|---|
| **Other loans and advances** | | | | | |
| Gross carrying amount as at 31 December 2022 | 1,456,491 | 27,992 | 101,648 | (9,256) | 1,576,875 |
| ECL allowance as at 31 December 2022 | (4,885) | (130) | (16,025) | – | (21,040) |
| **Net exposure as at 31 December 2022** | **1,451,606** | **27,862** | **85,623** | **(9,256)** | **1,555,835** |
| Gross carrying amount as at 31 December 2021 | 946,049 | 42,300 | 79,551 | (9,256) | 1,058,644 |
| ECL allowance as at 31 December 2021 | (3,255) | (244) | (19,357) | – | (22,856) |
| **Net exposure as at 31 December 2021** | **942,794** | **42,056** | **60,194** | **(9,256)** | **1,035,788** |

| **Group** (continued) | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| **Other loans and advances** (continued) | | | | |
| ECL allowance as at 1 January 2021 | (2,489) | (1,108) | (7,913) | (11,510) |
| ECL on new instruments issued during the year | (916) | (15) | (1,786) | (2,717) |
| Other credit loss movements, repayments etc. | 380 | 892 | (5,825) | (4,553) |
| Charge-offs and write-offs | (70) | 158 | (3,825) | (3,737) |
| Credit loss expense | (160) | (171) | (8) | (339) |
| **At 31 December 2021** | (3,255) | (244) | (19,357) | (22,856) |
| ECL on new instruments issued during the year | (1,575) | (30) | (3) | (1,608) |
| Other credit loss movements, repayments etc. | (115) | 96 | (7,560) | (7,579) |
| Charge-offs and write-offs | 85 | 48 | 10,895 | 11,028 |
| Credit loss expense | (25) | – | – | (25) |
| **At 31 December 2022** | **(4,885)** | **(130)** | **(16,025)** | **(21,040)** |

**7. Investment securities**

Investment securities are stated net of impairment provisions for both the Parent and Group and comprise of investment securities designated as at fair value through statement of income, investment securities measured at amortised cost and investment securities measured at fair value through statement of other comprehensive income.

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| | | **Investment securities** | | |
| 486,658 | 486,525 | Designated at fair value through statement of income | 1,779,452 | 1,965,554 |
| 508,410 | 533,926 | Amortised cost | 2,330,100 | 2,439,750 |
| 40,139 | 41,936 | Fair value through other comprehensive income | 52,437 | 24,576 |
| 1,035,207 | 1,062,387 | Total investment securities | 4,161,989 | 4,429,880 |
| | | **Investment securities designated at fair value through statement of income** | | |
| 22 | 22 | Equity securities | 668,677 | 713,975 |
| 486,636 | 388,467 | Managed Funds | 930,973 | 1,131,928 |
| – | – | Government bonds | 10,133 | 11,888 |
| – | – | State-owned company securities | 48,065 | 50,453 |
| – | 98,036 | Corporate bonds | 121,604 | 57,310 |
| 486,658 | 486,525 | | 1,779,452 | 1,965,554 |
| | | **Investment securities measured at amortised cost** | | |
| 1,416 | 1,415 | Government bonds | 460,296 | 459,386 |
| 66,478 | 45,371 | State-owned company securities | 481,454 | 620,399 |
| 440,516 | 487,140 | Corporate bonds | 1,388,350 | 1,359,965 |
| 508,410 | 533,926 | | 2,330,100 | 2,439,750 |

## 7. Investment securities (continued)

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| | | **Investment securities designated and measured at FVOCI** | | |
| 21,046 | 20,630 | Equity securities | – | – |
| – | – | Government bonds | 5,458 | 5,483 |
| 19,093 | 21,306 | Corporate bonds | 46,979 | 19,093 |
| 40,139 | 41,936 | | 52,437 | 24,576 |
| 1,035,207 | 1,062,387 | **Total investment securities** | 4,161,989 | 4,429,880 |

Equity securities listed under investment securities designated and measured at fair value through other comprehensive income relates to the Bank's investment in the mutual funds.

***Impairment allowance for investment securities***

The tables below show the staging of investment securities and the related ECLs based on the Group's criteria as explained in Note 2(vi)(b).

| | Stage 1 | Stage 2 | Stage 3 | Purchase or originated credit-impaired | Total |
|---|---|---|---|---|---|
| **Parent** | | | | | |
| **Investment securities measured at amortised cost** | | | | | |
| Gross carrying amount as at 31 December 2022 | 547,006 | – | 471 | – | 547,477 |
| ECL allowance as at 31 December 2022 | (13,086) | – | (465) | – | (13,551) |
| **Net exposure as at 31 December 2022** | **533,920** | **–** | **6** | **–** | **533,926** |
| Gross carrying amount as at 31 December 2021 | 487,775 | 3,074 | 28,697 | – | 519,546 |
| ECL allowance as at 31 December 2021 | (3,371) | (14) | (7,751) | – | (11,136) |
| **Net exposure as at 31 December 2021** | **484,404** | **3,060** | **20,946** | **–** | **508,410** |
| ECL allowance as at 1 January 2021 | (3,773) | (2,462) | (2,206) | – | (8,441) |
| ECL on new instruments issued during the year | (608) | – | – | – | (608) |
| Other credit loss movements, repayments etc. | 1,629 | 2,448 | (5,545) | – | (1,468) |
| Charge-offs and write-offs | (619) | – | – | – | (619) |
| **At 31 December 2021** | (3,371) | (14) | (7,751) | – | (11,136) |
| ECL on new instruments issued during the year | (271) | – | – | – | (271) |
| Other credit loss movements, repayments etc. | (9,444) | 14 | 6,524 | – | (2,906) |
| Credit loss income | – | – | 762 | – | 762 |
| **At 31 December 2022** | **(13,086)** | **–** | **(465)** | **–** | **(13,551)** |
| **Group** | | | | | |
| **Investment securities measured at amortised cost** | | | | | |
| Gross carrying amount as at 31 December 2022 | 2,325,939 | 11,241 | 8,723 | 16,101 | 2,362,004 |
| ECL allowance as at 31 December 2022 | (22,725) | (456) | (8,723) | – | (31,904) |
| **Net exposure as at 31 December 2022** | **2,303,214** | **10,785** | **–** | **16,101** | **2,330,100** |
| Gross carrying amount as at 31 December 2021 | 2,382,576 | 30,145 | 29,093 | 16,209 | 2,458,023 |
| ECL allowance as at 31 December 2021 | (9,442) | (657) | (8,174) | – | (18,273) |
| **Net exposure as at 31 December 2021** | **2,373,134** | **29,488** | **20,919** | **16,209** | **2,439,750** |
| ECL allowance as at 1 January 2021 | (9,307) | (8,052) | (3,976) | – | (21,335) |
| Translation adjustments | 1 | (8) | (166) | – | (173) |
| ECL on new instruments issued during the year | (3,021) | – | – | – | (3,021) |
| Other credit loss movements, repayments etc. | 3,677 | 7,229 | (492) | – | 10,414 |
| Charge-offs and write-offs | (606) | 231 | (3,968) | – | (4,343) |
| Credit loss (expense)/income | (186) | (57) | 428 | – | 185 |
| **At 31 December 2021** | (9,442) | (657) | (8,174) | – | (18,273) |
| Translation adjustments | (232) | – | – | – | (232) |
| ECL on new instruments issued during the year | (757) | – | – | – | (757) |
| Other credit loss movements, repayments etc. | (10,210) | 202 | 6,569 | – | (3,439) |
| Charge-offs and write-offs | (782) | – | – | – | (782) |
| Credit loss (expense)/income | (1,302) | (1) | (7,118) | – | (8,421) |
| **At 31 December 2022** | **(22,725)** | **(456)** | **(8,723)** | **–** | **(31,904)** |

**Parent**

| | Stage 1 | Stage 2 | Stage 3 | Purchase or originated credit-impaired | Total |
|---|---|---|---|---|---|
| **Investment securities designated and measured at FVOCI** | | | | | |
| Gross carrying amount as at 31 December 2022 | 21,306 | – | – | – | 21,306 |
| ECL allowance as at 31 December 2022 | (5) | – | – | – | (5) |
| **Net exposure as at 31 December 2022** | **21,301** | **–** | **–** | **–** | **21,301** |
| Gross carrying amount as at 31 December 2021 | 19,093 | – | – | – | 19,093 |
| ECL allowance as at 31 December 2021 | (6) | – | – | – | (6) |
| **Net exposure as at 31 December 2021** | **19,087** | **–** | **–** | **–** | **19,087** |
| ECL allowance as at 1 January 2021 | (703) | – | – | – | (703) |
| Other credit loss movements, repayments etc. | 697 | – | – | – | 697 |
| **At 31 December 2021** | (6) | – | – | – | (6) |
| Other credit loss movements, repayments etc. | 1 | – | – | – | 1 |
| **At 31 December 2022** | **(5)** | **–** | **–** | **–** | **(5)** |
| **Group** | | | | | |
| **Investment securities designated and measured at FVOCI** | | | | | |
| Gross carrying amount as at 31 December 2022 | 52,437 | – | – | – | 52,437 |
| ECL allowance as at 31 December 2022 | (144) | – | – | – | (144) |
| **Net exposure as at 31 December 2022** | **52,293** | **–** | **–** | **–** | **52,293** |
| Gross carrying amount as at 31 December 2021 | 24,576 | – | – | – | 24,576 |
| ECL allowance as at 31 December 2021 | (41) | – | – | – | (41) |
| **Net exposure as at 31 December 2021** | **24,535** | **–** | **–** | **–** | **24,535** |
| ECL allowance as at 1 January 2021 | (809) | – | – | – | (809) |
| Other credit loss movements, repayments etc. | 626 | – | – | – | 626 |
| Credit loss expense | 142 | – | – | – | 142 |
| **At 31 December 2021** | (41) | – | – | – | (41) |
| Other credit loss movements, repayments etc. | (104) | – | – | – | (104) |
| Credit loss expense | 1 | – | – | – | 1 |
| **At 31 December 2022** | **(144)** | **–** | **–** | **–** | **(144)** |

## 8. Assets pledged

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| – | – | Cash and short-term funds | 3,686 | 3,697 |
| – | – | Bonds and debentures | 36,415 | 36,607 |
| – | – | | 40,101 | 40,304 |

A statutory fund and deposit is a requirement under the provisions of the Barbados Insurance Act, Cap 310 for the Barbados territory of business held to the order of the Financial Services Commission.

## 9. Insurance receivables

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| – | – | Premiums receivable | 67,628 | 70,299 |
| – | – | Reinsurance receivables | 11,859 | 7,600 |
| – | – | | 79,487 | 77,899 |

## 10. Other debtors and prepayments

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 23,416 | 9,916 | Fees and rent receivable | 1,337 | 2,545 |
| 3,757 | 4,540 | Proceeds from investments | 4,540 | 3,736 |
| 1,499 | 1,822 | Prepayments | 11,794 | 8,814 |
| 2,385 | 4,300 | VAT receivable | 10,501 | 9,023 |
| – | – | Client funds receivable | 8,265 | 1,453 |
| – | – | Other related party balances | 12,038 | 11,989 |
| 76,741 | – | Other receivables on loans & advances | 225 | 79,173 |
| 341 | – | Other receivables | 8,483 | 13,710 |
| 108,139 | 20,578 | | 57,183 | 130,443 |

**11. Investment in subsidiaries**

| | Parent 2022 | Parent 2021 |
|---|---|---|
| At beginning of the period | 989,510 | 810,320 |
| Acquisitions during the period | – | 179,190 |
| Capital funding | 50,000 | – |
| At end of the period | 1,039,510 | 989,510 |

The financial statements include the subsidiaries listed in the following table:

| Name of Company | Country of incorporation and operation | Proportion of issued capital held 31-Dec-22 | Proportion of issued capital held 31-Dec-21 |
|---|---|---|---|
| Trinidad and Tobago Insurance Limited | Trinidad and Tobago | 100% | 100% |
| TATIL Life Assurance Limited | Trinidad and Tobago | 99.93% | 99.93% |
| TATIL Re Limited | St. Lucia | 100% | 100% |
| ANSA Securities Limited | Trinidad and Tobago | 100% | 100% |
| ANSA Financial Holdings (Barbados) Limited | Barbados | 100% | 100% |
| ANSA Merchant Bank (Barbados) Limited | Barbados | 100% | 100% |
| ANSA Bank Limited | Trinidad and Tobago | 100% | 100% |
| First Class Services Limited | Trinidad and Tobago | 100% | – |

The transfer of assets from the subsidiaries to the parent is subject to approval by the relevant governance committees including the Board of Directors of the individual subsidiaries. Further, TATIL Life Assurance Limited requires approval by the Central Bank of Trinidad and Tobago for instances of a distribution of capital approved by the Board of Directors.

On June 23 2022, TATIL Life Assurance Limited completed the acquisition of 100% of First Class Services Limited. This was an acquisition of an investment property in the amount of $24 million.

**12. Investment properties**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| – | – | Valuation at beginning of the year | 106,112 | 120,027 |
| – | – | Other movements | – | (9,315) |
| – | – | Additions/(disposals) during the year | 34,125 | (690) |
| – | – | Gain/(loss) from revaluation | 6,810 | (3,910) |
| – | – | Valuation at close of the year | 147,047 | 106,112 |
| – | – | Rental income from properties | 15,061 | 14,353 |
| – | – | Direct operating expenses arising from investment properties that generated rental income during the period | 10,193 | 10,930 |

The Group's investment properties consist of seven commercial properties located across Port of Spain, San Fernando, Mt. Hope and St. James.

*Operating leases*

The Group's policy is to rent investment properties to tenants through operating leases. Minimum future rentals to be received on non-cancellable operating leases of the Group's investment properties are receivable in the following periods:

| | 2022 | 2021 |
|---|---|---|
| No later than 1 year | 20,654 | 20,232 |
| Later than 1 year but not later than 5 years | 170,799 | 185,539 |
| Later than 5 years | 53,701 | 44,683 |
| | 245,154 | 250,454 |

The Group has no restrictions on the realisability of its investment properties and no contractual obligation for repairs, maintenance and enhancements.

**13. Property and equipment**

| Parent - 2022 | Furniture & equipment | Computer equipment | Motor vehicles | Leasehold improvements | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At beginning of the period | 1,776 | 8,333 | 1,540 | 5,092 | 16,741 |
| Additions | 15 | 467 | – | 210 | 692 |
| At end of the period | 1,791 | 8,800 | 1,540 | 5,302 | 17,433 |
| **Accumulated depreciation** | | | | | |
| At beginning of the period | 1,398 | 7,438 | 964 | 3,734 | 13,534 |
| Current depreciation | 40 | 484 | 129 | 238 | 891 |
| At end of the period | 1,438 | 7,922 | 1,093 | 3,972 | 14,425 |
| **Net book value** | 353 | 878 | 447 | 1,330 | 3,008 |

| Parent - 2021 | Furniture & equipment | Computer equipment | Motor vehicles | Leasehold improvements | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At beginning of the period | 1,785 | 7,712 | 998 | 5,092 | 15,587 |
| Additions | 10 | 621 | 542 | – | 1,173 |
| Disposals | (19) | – | – | – | (19) |
| At end of the period | 1,776 | 8,333 | 1,540 | 5,092 | 16,741 |
| **Accumulated depreciation** | | | | | |
| At beginning of the period | 1,355 | 7,091 | 898 | 3,514 | 12,858 |
| Current depreciation | 43 | 347 | 66 | 220 | 676 |
| At end of the period | 1,398 | 7,438 | 964 | 3,734 | 13,534 |
| **Net book value** | 378 | 895 | 576 | 1,358 | 3,207 |

| Group - 2022 | Furniture & equipment | Computer equipment | Motor vehicles | Leasehold improvements | Land & buildings | Leased vehicles & equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At beginning of the period | 26,670 | 51,458 | 3,224 | 37,340 | 64,922 | 193,475 | 377,089 |
| Additions | 1,322 | 3,721 | 7 | 9,300 | 718 | 26,545 | 41,613 |
| Disposals | (99) | (226) | (412) | – | – | (31,343) | (32,080) |
| Transfer to investment property | – | – | – | – | (16,101) | – | (16,101) |
| Exchange differences on translation of foreign operations | 5 | 3 | 2 | 7 | 5 | 276 | 298 |
| Other movements | (14) | (9) | – | (15,458) | 13,373 | 867 | (1,241) |
| At end of the period | 27,884 | 54,947 | 2,821 | 31,189 | 62,917 | 189,820 | 369,578 |
| **Accumulated depreciation** | | | | | | | |
| At beginning of the period | 17,006 | 33,972 | 1,814 | 17,044 | 4,829 | 100,854 | 175,519 |
| Current depreciation | 1,429 | 2,726 | 317 | 1,726 | 749 | 20,451 | 27,398 |
| Disposals | (14) | (153) | (177) | – | – | (25,096) | (25,440) |
| Exchange differences on translation of foreign operations | (41) | 2 | – | 6 | – | 132 | 99 |
| At end of the period | 18,380 | 36,547 | 1,954 | 18,776 | 5,578 | 96,341 | 177,576 |
| **Net book value** | 9,504 | 18,400 | 867 | 12,413 | 57,339 | 93,479 | 192,002 |

| Group - 2021 | Furniture & equipment | Computer equipment | Motor vehicles | Leasehold improvements | Land & buildings | Leased vehicles & equipment | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At beginning of the period | 15,427 | 63,081 | 3,940 | 30,525 | 42,237 | 190,942 | 346,152 |
| Additions from business combination | 5,293 | 1,575 | 589 | 2,493 | – | – | 9,950 |
| Additions | 2,241 | 15,843 | 1,463 | 15,711 | – | 30,374 | 65,632 |
| Transfers | (559) | (22,916) | – | (1,265) | – | – | (24,740) |
| Disposals | (163) | (621) | (987) | (135) | – | (34,149) | (36,055) |
| Transfer from investment property | – | – | – | (8,304) | 12,181 | – | 3,877 |
| Exchange differences on translation of foreign operations | 141 | 84 | 53 | 211 | 174 | 8,786 | 9,449 |
| Other movements | 4,290 | (5,588) | (1,834) | (1,896) | 10,330 | (2,478) | 2,824 |
| At end of the period | 26,670 | 51,458 | 3,224 | 37,340 | 64,922 | 193,475 | 377,089 |
| **Accumulated depreciation** | | | | | | | |
| At beginning of the period | 10,786 | 34,935 | 3,189 | 13,110 | 7,423 | 97,152 | 166,595 |
| Additions from business combination | 4,813 | 1,073 | 570 | 1,952 | – | – | 8,408 |
| Current depreciation | 1,115 | 2,553 | 306 | 1,745 | 343 | 23,980 | 30,042 |
| Disposals | (131) | (576) | (531) | – | – | (24,436) | (25,674) |
| Transfers | (700) | (2,499) | – | 700 | – | – | (2,499) |
| Exchange differences on translation of foreign operations | 122 | 77 | 29 | 200 | 6 | 4,626 | 5,060 |
| Other movements | 1,001 | (1,591) | (1,749) | (663) | (2,943) | (468) | (6,413) |
| At end of the period | 17,006 | 33,972 | 1,814 | 17,044 | 4,829 | 100,854 | 175,519 |
| **Net book value** | 9,664 | 17,486 | 1,410 | 20,296 | 60,093 | 92,621 | 201,570 |

As at 31 December 2022, the Parent's gross carrying amount of fully depreciated assets still in use amounted to $0.4 million (2021: $9.9 million) and the Group $38.1 million (2021: $56.8 million). There were no property and equipment retired, held for disposal, restrictions on title or pledged as security for liabilities as well as no contractual commitments for the acquisition of property and equipment as at 31 December 2022 and at 31 December 2021 for both the Parent and the Group.

**14. Intangible assets**

| Parent - 2022 | Computer software & work in progress | Total |
|---|---|---|
| **Gross carrying amounts** | | |
| At beginning of the period | 32,844 | 32,844 |
| At end of the period | 32,844 | 32,844 |
| **Accumulated impairment and amortisation** | | |
| At beginning of the period | 5,426 | 5,426 |
| Amortisation for the year | 2,096 | 2,096 |
| At end of the period | 7,522 | 7,522 |
| **Net carrying amounts** | 25,322 | 25,322 |

**14. Intangible assets** (continued)

| **Parent - 2021** | **Computer software & work in progress** | **Total** |
|---|---|---|
| **Gross carrying amounts** | | |
| At beginning of the period | 32,844 | 32,844 |
| At end of the period | 32,844 | 32,844 |
| **Accumulated impairment and amortisation** | | |
| At beginning of the period | 3,331 | 3,331 |
| Amortisation for the year | 2,095 | 2,095 |
| At end of the period | 5,426 | 5,426 |
| **Net carrying amounts** | 27,418 | 27,418 |

| **Group - 2022** | **Goodwill** | **Banking license & Customer deposits** | **Computer software & work in progress** | **Total** |
|---|---|---|---|---|
| **Gross carrying amounts** | | | | |
| At beginning of the period | 177,617 | 81,042 | 101,497 | 360,156 |
| Acquisitions during the year | – | – | 87,065 | 87,065 |
| Other movements | – | – | 12,568 | 12,568 |
| At end of the period | 177,617 | 81,042 | 201,130 | 459,789 |
| **Accumulated impairment and amortisation** | | | | |
| At beginning of the period | – | 2,213 | 14,513 | 16,726 |
| Amortisation for the year | – | 2,655 | 5,960 | 8,615 |
| At end of the period | – | 4,868 | 20,473 | 25,341 |
| **Net carrying amounts** | 177,617 | 76,174 | 180,657 | 434,448 |

| **Group - 2021** | **Goodwill** | **Banking license & Customer deposits** | **Computer software & work in progress** | **Total** |
|---|---|---|---|---|
| **Gross carrying amounts** | | | | |
| At beginning of the period | 133,762 | – | 52,207 | 185,969 |
| Disposals during the year | – | – | – | – |
| Acquisitions during the year | 43,855 | 81,042 | 49,333 | 174,230 |
| Other movements | – | – | (43) | (43) |
| At end of the period | 177,617 | 81,042 | 101,497 | 360,156 |
| **Accumulated impairment and amortisation** | | | | |
| At beginning of the period | – | – | 6,699 | 6,699 |
| Other movements | – | – | 1,813 | 1,813 |
| Transfers from property, plant and equipment | – | – | 588 | 588 |
| Acquisitions during the year | – | – | 5 | 5 |
| Amortisation for the year | – | 2,213 | 5,408 | 7,621 |
| At end of the period | – | 2,213 | 14,513 | 16,726 |
| **Net carrying amounts** | 177,617 | 78,829 | 86,984 | 343,430 |

***Goodwill***

On 1 January 2004, the Bank acquired 100% of the issued ordinary shares of Trinidad and Tobago Insurance Limited.

The cost of acquisition was $622.5 million, resulting in goodwill of $133.8 million. The purchase consideration was discharged by the issuance of 54,605,263 new ordinary shares of the Bank at a price of $11.40 per share, which was the publicly listed price at 31 December 2003. As at 30 September 2010, the Bank invested $10 million into its subsidiary ANSA Securities Limited which represents 100% of its shareholding.

On 28 February 2021, the Bank completed the acquisition of 100% of the financial services business of Bank of Baroda (Trinidad) Limited (BOB) which was rebranded as ANSA Bank Limited (ABL). The cost of acquisition was $179.2 million, resulting in goodwill of $43.9 million.

***Intangible assets***

Intangible assets include the internal development cost arising from the development of computer software for the Group which was recognised at fair value at the capitalisation date. Subsequent to initial recognition, computer software was carried at cost, less amortisation and impairment losses where necessary.

Core deposit intangibles acquired through the ABL business combination have been determined to have a life of 7 years from acquisition date. Banking license intangibles acquired through the ABL business combination have been determined to have an infinite useful life.

**Impairment testing of intangible assets**

***Goodwill***

In accordance with IFRS 3, 'Business Combinations', all assets that gave rise to goodwill were reviewed for impairment at 31 December 2022 using the 'value in use' method. Based on the results of this review no impairment expense was required.

The following table highlights the goodwill and impairment information for each CGU:

| | **TATIL** | **ANSA Bank Limited** |
|---|---|---|
| Carrying amount of Goodwill: | 133,762 | 43,855 |
| Basis for recoverable amount: | Value in use | Value in use |
| Discount rate: | 7.4% | 8.5% |
| Cash flow projection term: | Five years to perpetuity | Five years to perpetuity |
| Growth rate (extrapolation period): | 2% | 1% |

No significant or material events occurred from the date of acquisition to the statement of financial position date which would give rise to indicators of impairment. In accordance with IAS 36, 'Impairment of Assets,' management intends to carry out the annual review for impairment within the first year of acquisition and on each anniversary date thereafter.

**15. Leases**

| **Parent** | **Land and building** | **Total** |
|---|---|---|
| **As at 1 January 2022** | 3,397 | 3,397 |
| Modification | 6,359 | 6,359 |
| Charge for the year | (1,489) | (1,489) |
| **As at 31 December 2022** | 8,267 | 8,267 |
| **As at 1 January 2021** | 5,142 | 5,142 |
| Charge for the year | (1,745) | (1,745) |
| **As at 31 December 2021** | 3,397 | 3,397 |

| **Group** | **Land and building** | **Motor vehicles** | **Total** |
|---|---|---|---|
| **As at 1 January 2022** | 10,811 | 808 | 11,619 |
| Additions | 8,309 | 218 | 8,527 |
| Charge for the year | (4,900) | (208) | (5,108) |
| Modification | 5,331 | – | 5,331 |
| **As at 31 December 2022** | 19,551 | 818 | 20,369 |
| **As at 1 January 2021** | 10,282 | 1,100 | 11,382 |
| Additions | 181 | 844 | 1,025 |
| Additions from business combination | 4,670 | – | 4,670 |
| Charge for the year | (5,672) | (36) | (5,708) |
| Other movements | 326 | (1,100) | (774) |
| Modification | 1,024 | – | 1,024 |
| **As at 31 December 2021** | 10,811 | 808 | 11,619 |

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

| **Parent 2021** | **Parent 2022** | | **Group 2022** | **Group 2021** |
|---|---|---|---|---|
| 5,458 | 3,701 | **As at 1 January** | 11,766 | 10,008 |
| – | – | Additions | 1,276 | – |
| – | – | Additions from business combination | – | 4,966 |
| (1,904) | (2,013) | Principal payments | (4,844) | (4,712) |
| 147 | 218 | Interest expense on lease liabilities | 294 | 348 |
| – | – | Other movements | (952) | (916) |
| – | 6,359 | Modifications | 11,609 | (27) |
| – | – | Exchange differences on translation of foreign operations | 4 | 2,099 |
| 3,701 | 8,265 | **As at 31 December** | 19,153 | 11,766 |

The maturity analysis of lease liabilities are disclosed in Note 43.

The following are the amounts recognised in the statement of income.

| **Parent 2021** | **Parent 2022** | | **Group 2022** | **Group 2021** |
|---|---|---|---|---|
| 1,745 | 1,489 | Depreciation expense of right-of-use assets | 5,108 | 5,708 |
| 147 | 218 | Interest expense on lease liabilities | 294 | 348 |
| – | – | Expense relating to short term leases | 727 | 347 |
| – | – | Expense relating to leases of low value assets | 227 | 207 |
| 1,892 | 1,707 | | 6,356 | 6,610 |

The Group has no lease contracts that contains variable payments.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

**16. Deferred taxation**

| **Parent** | **2021** | **Credit/(charge) to Income** | **OCI** | **"Prior period adjustments"** | **2022** |
|---|---|---|---|---|---|
| Employee benefits liability | 279 | – | 30 | – | 309 |
| Finance leases | 22,922 | (8,887) | – | – | 14,035 |
| Provisions | 9,362 | (3,719) | – | (1,131) | 4,512 |
| **Total deferred tax assets** | 32,563 | (12,606) | 30 | (1,131) | 18,856 |
| Property and equipment | (5,236) | (252) | 92 | – | (5,396) |
| Employee benefits asset | (2,820) | – | 417 | – | (2,403) |
| Provisions | (92) | 92 | – | – | – |
| **Total deferred tax liabilities** | (8,148) | (160) | 509 | – | (7,799) |

**16. Deferred taxation** (continued)

| Parent | 2021 | Credit/(charge) to Income | Credit/(charge) to OCI | Prior period adjustments | 2022 |
|---|---|---|---|---|---|
| Employee benefits liability | 259 | 22 | (2) | – | 279 |
| Finance leases | 14,549 | 8,373 | – | – | 22,922 |
| Provisions | 7,501 | 1,167 | 694 | – | 9,362 |
| **Total deferred tax assets** | 22,309 | 9,562 | 692 | – | 32,563 |
| Property and equipment | (4,757) | (902) | 423 | – | (5,236) |
| Employee benefits asset | (2,161) | 19 | (678) | – | (2,820) |
| Provisions | (92) | – | – | – | (92) |
| **Total deferred tax liabilities** | (7,010) | (883) | (255) | – | (8,148) |

| Group | 2021 | Prior period adjustment | Credit/(charge) to Income | Credit/(charge) to OCI | "Life and other reserve" movement | 2022 |
|---|---|---|---|---|---|---|
| Employee benefits liability | 1,864 | – | 81 | 60 | – | 2,005 |
| Property and equipment | 1,138 | – | 21 | – | – | 1,159 |
| Finance leases | 23,164 | – | (8,967) | – | – | 14,197 |
| Tax losses | 6,366 | – | (348) | – | – | 6,018 |
| Provisions | 13,373 | (1,131) | (3,098) | – | – | 9,144 |
| **Total deferred tax assets** | 45,905 | (1,131) | (12,311) | 60 | – | 32,523 |
| Life insurance reserves | (64,874) | – | – | – | 2,148 | (62,726) |
| Employee benefits asset | (42,580) | – | (1,722) | 3,290 | – | (41,012) |
| Property and equipment | (10,220) | – | (6,504) | – | – | (16,724) |
| Unrealised investment gains | (68,164) | – | 15,609 | 92 | 7,809 | (44,654) |
| **Total deferred tax liabilities** | (185,838) | – | 7,383 | 3,382 | 9,957 | (165,116) |

| Group | 2021 | Prior period adjustment | Credit/(charge) to Income | Credit/(charge) to OCI | "Life and other reserve" movement | 2022 |
|---|---|---|---|---|---|---|
| Employee benefits liability | 2,233 | – | (373) | 4 | – | 1,864 |
| Property and equipment | 1,146 | – | (8) | – | – | 1,138 |
| Finance leases | 14,592 | 112 | 8,460 | – | – | 23,164 |
| Tax losses | 1,250 | 111 | 5,005 | – | – | 6,366 |
| Provisions | 12,011 | – | 668 | 694 | – | 13,373 |
| **Total deferred tax assets** | 31,232 | 223 | 13,752 | 698 | – | 45,905 |
| Life insurance reserves | (67,042) | – | – | – | 2,168 | (64,874) |
| Employee benefits asset | (36,417) | – | (1,655) | (4,508) | – | (42,580) |
| Property and equipment | (12,116) | (10) | 1,906 | – | – | (10,220) |
| Unrealised investment gains | (31,169) | – | (23,433) | 423 | (13,985) | (68,164) |
| **Total deferred tax liabilities** | (146,744) | (10) | (23,182) | (4,085) | (11,817) | (185,838) |

**17. Employee benefits**

The level of pension benefits provided under the defined benefit plans depends on the member's length of service and salary at retirement age. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund has a separate legal form and is governed by the Board of Trustees who are responsible for the administration of the plan assets and for the definition of the investment strategy.

The Board of Trustees periodically reviews the level of funding in the pension plan. Such a review includes the asset-liability matching strategy and investment risk management policy which considers the term of the pension obligation while simultaneously remaining compliant with the requirements of the Pensions Act. The pension plans are exposed to inflation, interest rate risks and changes in the life expectancy for pensioners in the relevant jurisdictions. As the plan assets include significant investments in quoted equity shares, the Group is also exposed to equity market risk.

**a) Amounts recognised in the statement of financial position**

| Parent | Defined benefit pension plan 2022 | Defined benefit pension plan 2021 | Post-retirement health benefits 2022 | Post-retirement health benefits 2021 |
|---|---|---|---|---|
| Present value of defined benefit obligation | 26,444 | 21,533 | 1,019 | 918 |
| Fair value of plan assets | (34,450) | (30,929) | – | – |
| (Asset)/liability recognised in the statement of financial position | (8,006) | (9,396) | 1,019 | 918 |

| Group | Defined benefit pension plan 2022 | Defined benefit pension plan 2021 | Post-retirement health benefits 2022 | Post-retirement health benefits 2021 |
|---|---|---|---|---|
| Present value of defined benefit obligation | 137,294 | 132,214 | 9,250 | 8,616 |
| Fair value of plan assets | (291,261) | (293,122) | – | – |
| (Asset)/liability recognised in the statement of financial position | (153,967) | (160,908) | 9,250 | 8,616 |

**b) Changes in defined benefit obligation and fair value of plan assets**

The changes in the benefit obligations and fair value of plan assets are analysed below.

| Parent | Defined benefit obligation | Fair value of plan assets | Defined benefit pension plans | Post-employment medical benefits |
|---|---|---|---|---|
| **Balance at 1 January 2022** | 21,533 | (30,929) | (9,396) | 918 |
| ***Pension cost charged to statement of income*** | | | | |
| Current service cost | 1,267 | – | 1,267 | 95 |
| Net interest cost/(credit) | 1,224 | (1,685) | (461) | 46 |
| Administrative expenses | 33 | – | 33 | – |
| **Total charge/(credit) to statement of income** | 2,524 | (1,685) | 839 | 141 |
| ***Experience losses in OCI*** | | | | |
| Experience losses - demographic | 25 | – | 25 | 22 |
| Experience losses - financial | – | 1,462 | 1,462 | – |
| **Total charge to OCI** | 25 | 1,462 | 1,487 | 22 |
| ***Other movements*** | | | | |
| Contributions by employee | 936 | (936) | – | – |
| Contributions by employer | – | (936) | (936) | – |
| Transfers | 2,220 | (2,220) | – | (13) |
| Administrative expenses | (33) | 33 | – | – |
| Benefits paid | (761) | 761 | – | (49) |
| **Total other movements** | 2,362 | (3,298) | (936) | (62) |
| **Balance at 31 December 2022** | 26,444 | (34,450) | (8,006) | 1,019 |

| Group | Defined benefit obligation | Fair value of plan assets | Defined benefit pension plans | Post-employment medical benefits |
|---|---|---|---|---|
| **Balance at 1 January 2022** | 132,214 | (293,122) | (160,908) | 8,616 |
| ***Pension cost charged to statement of income*** | | | | |
| Current service cost | 3,607 | – | 3,607 | 563 |
| Net interest cost/(credit) | 6,940 | (15,170) | (8,230) | 510 |
| Administrative expenses | 33 | 262 | 295 | – |
| **Total charge/(credit) to statement of income** | 10,580 | (14,908) | (4,328) | 1,073 |
| ***Experience (gains)/losses in OCI*** | | | | |
| Experience gains - demographic | (741) | – | (741) | (60) |
| Experience losses - financial | – | 14,283 | 14,283 | – |
| **Total (credit)/charge to OCI** | (741) | 14,283 | 13,542 | (60) |
| ***Other movements*** | | | | |
| Contributions by employee | 2,177 | (2,178) | (1) | – |
| Contributions by employer | – | (2,321) | (2,321) | – |
| Transfers | (878) | 878 | – | (13) |
| Administrative expenses | (33) | 33 | – | – |
| Exchange differences | 10 | 39 | 49 | (1) |
| Benefits paid | (6,035) | 6,035 | – | (365) |
| **Total other movements** | (4,759) | 2,486 | (2,273) | (379) |
| **Balance at 31 December 2022** | 137,294 | (291,261) | (153,967) | 9,250 |

| Parent | Defined benefit obligation | Fair value of plan assets | Defined benefit pension plans | Post-employment medical benefits |
|---|---|---|---|---|
| **Balance at 1 January 2021** | 18,417 | (25,618) | (7,201) | 850 |
| ***Pension cost charged to statement of income*** | | | | |
| Current service cost | 887 | – | 887 | 59 |
| Net interest cost/(credit) | 1,039 | (1,390) | (351) | 43 |
| Administrative expenses | 32 | – | 32 | – |
| **Total charge/(credit) to statement of income** | 1,958 | (1,390) | 568 | 102 |
| ***Experience (gains)/losses in OCI*** | | | | |
| Experience (gains)/losses - demographic | (634) | – | (634) | 9 |
| Experience gains - financial | – | (1,625) | (1,625) | – |
| **Total (credit)/charge to OCI** | (634) | (1,625) | (2,259) | 9 |
| ***Other movements*** | | | | |
| Contributions by employee | 504 | (504) | – | – |
| Contributions by employer | – | (504) | (504) | – |
| Transfers | 2,021 | (2,021) | – | – |
| Administrative expenses | (31) | 31 | – | – |
| Benefits paid | (702) | 702 | – | (43) |
| **Total other movements** | 1,792 | (2,296) | (504) | (43) |
| **Balance at 31 December 2021** | 21,533 | (30,929) | (9,396) | 918 |

**17. Employee benefits** (continued)

**b) Changes in defined benefit obligation and fair value of plan assets** (continued)

| Group | Defined benefit obligation | Fair value of plan assets | Defined benefit pension plans | Post-employment medical benefits |
|---|---|---|---|---|
| **Balance at 1 January 2021** | 127,056 | (265,317) | (138,261) | 8,916 |
| ***Pension cost charged to statement of income*** | | | | |
| Current service cost | 3,409 | – | 3,409 | 458 |
| Net interest cost/(credit) | 6,838 | (13,948) | (7,110) | 501 |
| Past service credit | (1,067) | – | (1,067) | (432) |
| Administrative expenses | 30 | 244 | 274 | – |
| **Total charge/(credit) to statement of income** | 9,210 | (13,704) | (4,494) | 527 |
| ***Experience gains in OCI*** | | | | |
| Experience gains - demographic | (2,097) | – | (2,097) | (568) |
| Experience gains - financial | – | (13,879) | (13,879) | – |
| **Total credit to OCI** | (2,097) | (13,879) | (15,976) | (568) |
| ***Other movements*** | | | | |
| Contributions by employee | 1,656 | (1,639) | 17 | – |
| Contributions by employer | – | (1,813) | (1,813) | – |
| Transfers | 2,001 | (2,001) | – | – |
| Administrative expenses | (31) | 31 | – | – |
| Exchange differences | 298 | (679) | (381) | 59 |
| Benefits paid | (5,879) | 5,879 | – | (318) |
| **Total other movements** | (1,955) | (222) | (2,177) | (259) |
| **Balance at 31 December 2021** | 132,214 | (293,122) | (160,908) | 8,616 |

**c) Movements in net (asset)/liability recognised in the statement of financial position**

| | Defined benefit pension plan 2022 | Defined benefit pension plan 2021 | Post-retirement health benefits 2022 | Post-retirement health benefits 2021 |
|---|---|---|---|---|
| **Parent** | | | | |
| Net (asset)/liability at the start of the year | (9,396) | (7,201) | 918 | 850 |
| Net expense recognised in the statement of income | 839 | 568 | 141 | 102 |
| Net expense/(income) recognised in the statement of other comprehensive income | 1,487 | (2,259) | 22 | 9 |
| Contributions paid | (936) | (504) | (62) | (43) |
| Net (asset)/liability recognised at the end of the year | (8,006) | (9,396) | 1,019 | 918 |
| **Group** | | | | |
| Net (asset)/liability at the start of the year | (160,908) | (138,261) | 8,616 | 8,916 |
| Net (income)/expense recognised in the statement of income | (4,328) | (4,494) | 1,073 | 527 |
| Net expense/(income) recognised in the statement of other comprehensive income | 13,542 | (15,976) | (60) | (568) |
| Contributions paid | (2,273) | (2,177) | (379) | (259) |
| Net (asset)/liability recognised at the end of the year | (153,967) | (160,908) | 9,250 | 8,616 |

**d) Actual return on plan assets**

| | 2022 | 2021 |
|---|---|---|
| Parent | 223 | 3,015 |
| Group | 889 | 27,825 |

**e) Major categories of plan assets as a percentage of total plan assets**

| Parent and Group | Defined benefit pension plan 2022 | Defined benefit pension plan 2021 |
|---|---|---|
| Local equities | 32% | 32% |
| Local bonds | 31% | 40% |
| Foreign investments | 23% | 21% |
| Real estate/mortgages | 2% | 2% |
| Short-term securities | 12% | 5% |
| | 100% | 100% |

**f) Principal actuarial assumptions**

| Parent and Group | Defined benefit pension plan 2022 | Defined benefit pension plan 2021 |
|---|---|---|
| Discount rate | 5% | 5% |
| Future salary increases | 3% | 3% |
| Medical costs trend rates | 3% | 3% |

Shown below is quantitative sensitivity analysis for the impact of significant assumptions on the defined benefit obligation:

| Assumptions | Discount rate | | Future salary increases | | Future medical claims inflation | |
|---|---|---|---|---|---|---|
| Sensitivity level | +1% | -1% | +1% | -1% | +1% | -1% |
| **Parent** | | | | | | |
| At 31 December 2022 | (2,581) | 3,251 | 1,034 | (918) | 116 | (92) |
| At 31 December 2021 | (2,098) | 2,658 | 799 | (699) | 116 | (92) |
| **Group** | | | | | | |
| At 31 December 2022 | (13,352) | 16,409 | 3,668 | (3,238) | 1,246 | (997) |
| At 31 December 2021 | (13,347) | 16,443 | 876 | (1,851) | 1,190 | (951) |

The sensitivity analyses above have been determined on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

As advised by the consulting actuary, the Group is expected to contribute $2.4 million to its defined benefit plan in 2023 and the average duration of the defined benefit obligation at the end of the reporting period is 12 years (2021: 13 years).

**Defined contribution plan**

Certain employees of the Group are enrolled in the defined contribution pension plan which is operated by the ultimate parent – ANSA McAL Limited. The Group's contributions recognised in the statement of income is shown below:

| Parent 2021 | Parent 2022 | Group 2022 | Group 2021 |
|---|---|---|---|
| 37 | 50 | 712 | 436 |

**18. Accrued interest and other payables**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 11,969 | 18,838 | Interest payable | 21,647 | 14,405 |
| 4,032 | 10,192 | Accrued expenses | 20,240 | 13,313 |
| 3,632 | 3,629 | Client funds held for investment | 113,370 | 80,556 |
| (320) | (326) | Due (from)/to statutory authorities | 24,379 | 17,846 |
| – | – | Distributions payable | 992 | 1,148 |
| – | – | Deferred fee income | 100 | 100 |
| 214 | 524 | Unapplied premiums | 10,046 | 8,027 |
| – | – | Commissions payable | 4,000 | 5,100 |
| 8,427 | 9,560 | Stale-dated cheques | 12,117 | 12,360 |
| – | – | Due to reinsurers | 101,965 | 62,029 |
| (3,941) | (5,050) | Asset finance promotional items | 1,003 | 981 |
| 35,311 | 38,757 | Related party balances | 12,910 | 36,795 |
| 35,334 | 7,295 | Other creditors | 58,024 | 54,767 |
| 94,658 | 83,419 | | 380,793 | 307,427 |

**19. Customers' deposits and other funding instruments**

Sectorial analysis of customers' deposits and other funding instruments:

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 93,012 | 79,370 | Individuals | 914,765 | 958,700 |
| 1,118,329 | 629,972 | Pension funds/credit unions/ trustees | 707,521 | 1,204,902 |
| 749,364 | 1,228,814 | Private companies/estates/ financial institutions | 1,981,157 | 1,220,168 |
| 1,960,705 | 1,938,156 | | 3,603,443 | 3,383,770 |

**20. Debt securities in issue**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 600,000 | 600,000 | Medium and long-term notes | 600,000 | 600,000 |
| 600,000 | 600,000 | | 600,000 | 600,000 |

***TT$ denominated notes***

In November 2014, the Bank issued a TT$250 million medium-term note which was repaid on 20 April 2022. Interest was set at a fixed rate of 3.35% per annum. An additional TT$350 million medium-term note was issued on 5 June 2015 and also repaid on 20 April 2022. Interest was set at a fixed rate of 3.75% per annum.

In April 2022, the Bank issued a TT$600 million sub-ordinated medium-term note maturing on 20 April 2029. Interest was set at a fixed rate of 5.375% per annum.

**21. Investment contract liabilities**

| | Group 2022 | Group 2021 |
|---|---|---|
| At the beginning of year | 273,902 | 265,923 |
| Premiums received | 20,375 | 19,937 |
| Interest credited | 12,186 | 11,783 |
| Liabilities realised for payment on death, surrender and other terminations in the year | (22,267) | (21,922) |
| Other movements | (1,218) | (1,819) |
| | 282,978 | 273,902 |

These investment contracts have neither reinsurance arrangements nor discretionary participation features (DPF).

## 22. Insurance contract liabilities

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| | Notes | 2022 | | | 2021 | | |
| | | Insurance contract liabilities | Reinsurers' share of liabilities | Net | Insurance contract liabilities | Reinsurers' share of liabilities | Net |
| Life insurance contracts | 22(b) | 1,412,121 | (20,938) | 1,391,183 | 1,377,122 | (17,368) | 1,359,754 |
| General insurance contracts | 22(c) | 373,051 | (197,744) | 175,307 | 328,649 | (162,435) | 166,214 |
| **Total insurance contract liabilities** | | 1,785,172 | (218,682) | 1,566,490 | 1,705,771 | (179,803) | 1,525,968 |

### a) Reinsurance assets

| | 2022 | 2021 |
|---|---|---|
| Life insurance contracts | 20,938 | 17,368 |
| General insurance contracts: | | |
| Premiums | 161,798 | 121,445 |
| Claims | 35,946 | 40,990 |
| | 218,682 | 179,803 |

### b) Life insurance contract liabilities may be analysed as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance contract liabilities | Reinsurers' share of liabilities | Net | Insurance contract liabilities | Reinsurers' share of liabilities | Net |
| With DPF | 188,506 | – | 188,506 | 194,282 | – | 194,282 |
| Without DPF | 1,180,716 | (20,938) | 1,159,778 | 1,138,254 | (17,368) | 1,120,886 |
| | 1,369,222 | (20,938) | 1,348,284 | 1,332,536 | (17,368) | 1,315,168 |
| Outstanding claims | 42,899 | – | 42,899 | 44,586 | – | 44,586 |
| **Total life insurance contract liabilities** | 1,412,121 | (20,938) | 1,391,183 | 1,377,122 | (17,368) | 1,359,754 |
| **At 1 January** | 1,377,122 | (17,368) | 1,359,754 | 1,294,548 | (15,549) | 1,278,999 |
| Premiums received | 167,224 | (16,485) | 150,739 | 194,726 | (15,448) | 179,278 |
| Liabilities realised for payment on death, surrender and other terminations in the year | (132,225) | 12,915 | (119,310) | (112,152) | 13,629 | (98,523) |
| **At 31 December** | 1,412,121 | (20,938) | 1,391,183 | 1,377,122 | (17,368) | 1,359,754 |

### c) General insurance contracts may be analysed as follows:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance contract liabilities | Reinsurers' share of liabilities | Net | Insurance contract liabilities | Reinsurers' share of liabilities | Net |
| Claims reported and IBNR | 121,742 | (35,946) | 85,796 | 117,765 | (40,990) | 76,775 |
| Provisions for unearned premiums and unexpired risk | 251,309 | (161,798) | 89,511 | 210,884 | (121,445) | 89,439 |
| **Total at end of year** | 373,051 | (197,744) | 175,307 | 328,649 | (162,435) | 166,214 |

#### *i) Claims reported and IBNR*

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance contract liabilities | Reinsurers' share of liabilities | Net | Insurance contract liabilities | Reinsurers' share of liabilities | Net |
| As at the beginning of the year | | | | | | |
| Provisions for claims reported by policy holders | 94,212 | (32,792) | 61,421 | 94,860 | (37,450) | 57,410 |
| Provisions for claims IBNR | 23,553 | (8,198) | 15,355 | 23,715 | (9,362) | 14,353 |
| | 117,765 | (40,990) | 76,776 | 118,575 | (46,812) | 71,763 |
| Cash paid for claims settled in the year | (184,309) | 29,382 | (154,928) | (165,957) | 20,172 | (145,785) |
| Claims incurred | 188,286 | (24,338) | 163,948 | 165,147 | (14,350) | 150,797 |
| **Total at end of year** | 121,742 | (35,946) | 85,796 | 117,765 | (40,990) | 76,775 |
| Provisions for claims reported by policy holders | 91,885 | (28,757) | 63,128 | 94,212 | (32,792) | 61,420 |
| Provisions for claims IBNR | 29,857 | (7,189) | 22,668 | 23,553 | (8,198) | 15,355 |
| | 121,742 | (35,946) | 85,796 | 117,765 | (40,990) | 76,775 |

#### *ii) Provisions for unearned premiums and unexpired risk*

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Insurance contract liabilities | Reinsurers' share of liabilities | Net | Insurance contract liabilities | Reinsurers' share of liabilities | Net |
| As at the beginning of the year | | | | | | |
| Provisions for unearned premiums | 187,452 | (107,952) | 79,500 | 158,245 | (79,147) | 79,098 |
| Provisions for unexpired risk | 23,432 | (13,494) | 9,938 | 19,780 | (9,893) | 9,887 |
| | 210,884 | (121,446) | 89,438 | 178,025 | (89,040) | 88,985 |
| Increase in the period | 697,365 | (479,169) | 218,196 | 598,993 | (357,651) | 241,342 |
| Release in the period | (656,940) | 438,817 | (218,123) | (566,134) | 325,246 | (240,888) |
| Total at end of year | 251,309 | (161,798) | 89,512 | 210,884 | (121,445) | 89,439 |
| Provisions for unearned premiums | 223,386 | (143,820) | 79,566 | 187,452 | (107,951) | 79,501 |
| Provisions for unexpired risk | 27,923 | (17,978) | 9,945 | 23,432 | (13,494) | 9,938 |
| | 251,309 | (161,798) | 89,511 | 210,884 | (121,445) | 89,439 |

The development table of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Trinidad and Tobago Insurance Limited reports this claims information by underwriting year of account.

### Claims development table

The risks associated with these insurance contracts and in particular, casualty insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group has no known or reported latent claims such as disease or asbestosis and therefore no actuarial analysis is made. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends.

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| **Accident year - Gross** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **Total** |
| Estimate of ultimate claims costs (gross): | | | | | | | |
| - at end of accident year | 118,617 | 157,855 | 161,023 | 120,929 | 171,771 | 190,596 | – |
| - one year later | 122,555 | 159,952 | 167,520 | 122,640 | 172,455 | – | – |
| - two years later | 119,058 | 160,117 | 165,815 | 121,541 | – | – | – |
| - three years later | 119,705 | 161,643 | 162,168 | – | – | – | – |
| - four years later | 122,700 | 157,097 | – | – | – | – | – |
| - five years later | 125,568 | – | – | – | – | – | – |
| Current estimate of cumulative claims incurred | 125,568 | 157,097 | 162,168 | 121,541 | 172,455 | 190,596 | 929,425 |
| Cumulative payments to date | (116,442) | (152,102) | (155,729) | (112,865) | (160,839) | (154,655) | (852,632) |
| Liability recognised in the statement of financial position | 9,126 | 4,995 | 6,439 | 8,676 | 11,616 | 35,941 | 76,793 |
| Liability in respect of prior years | | | | | | | 44,949 |
| Total liability included in the statement of financial position | | | | | | | 121,742 |

The risks associated with these insurance contracts and in particular, casualty insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. This table shows net claims expenses by underwriting year over a six year period. We have made the assumption that all Health claims are settled within three months after reported and therefore this does not result in any long outstanding claims liabilities.

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| **Accident year - Net** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **Total** |
| Estimate of outstanding claims (net): | | | | | | | |
| - at end of accident year | 89,765 | 132,882 | 146,501 | 108,783 | 149,372 | 163,633 | – |
| - one year later | 97,956 | 133,788 | 151,364 | 109,807 | 148,650 | – | – |
| - two years later | 95,985 | 133,292 | 147,976 | 109,702 | – | – | – |
| - three years later | 96,459 | 134,522 | 144,324 | – | – | – | – |
| - four years later | 98,560 | 132,620 | – | – | – | – | – |
| - five years later | 100,096 | – | – | – | – | – | – |
| Current estimate of cumulative claims incurred | 100,096 | 132,620 | 144,324 | 109,702 | 148,650 | 163,633 | 799,025 |
| Cumulative payments to date | (93,742) | (129,169) | (139,937) | (102,703) | (140,944) | (137,216) | (743,711) |
| Liability recognised in the statement of financial position | 6,354 | 3,451 | 4,387 | 6,999 | 7,706 | 26,417 | 55,314 |
| Liability in respect of prior years | | | | | | | 30,482 |
| Total liability included in the statement of financial position | | | | | | | 85,796 |

**23. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities**

**a) Life insurance contracts and investment contracts**

***Terms and conditions***

The Group offers a combination of individual life, pension, annuity and group life contracts with and without discretionary participation features. These contracts are determined by actuaries and all subsequent valuation assumptions are determined by independent consulting actuaries.

***Key assumptions***

Material judgement is required in determining the liabilities and in the choice of assumptions relating to both life insurance contracts and investment contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Assumptions are determined as appropriate and prudent estimates are made at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

For insurance contracts, estimates are made in two stages. Firstly, at inception of the contract, the Group determines the assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Secondly, at the end of each reporting period, new estimates are developed to determine whether the liabilities are appropriate in light of the latest current estimates.

For investment contracts, assumptions used to determine the liabilities are also updated at the end of each reporting period to reflect latest estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

***Mortality and morbidity rates***

Assumptions are based on underlying experience as well as standard industry mortality tables, according to the type of contract written. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected future mortality improvements. Assumptions are differentiated by sex, underwriting class and contract type.

Mortality rates higher than expected will lead to a larger number of insurance claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

***Investment return***

The weighted average rate of return is derived from a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

***Expenses***

Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

***Lapse and surrender rates***

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and changes in policyholders' circumstances.

The impact of a decrease in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

***Sensitivities***

The table below illustrates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process. It demonstrates the effect of change in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumption changes had to be done on an individual basis. It should also be stressed that the relationships between assumptions are non linear and larger or smaller impacts cannot easily be gleaned from these results.

| **Assumption change** | **Required increase in insurance contract liabilities** | |
|---|---|---|
| | **2022** | **2021** |
| 2% increase in mortality | 12,100 | 11,400 |
| 5% increase in expenses | 10,400 | 10,200 |
| 10% change in lapse rates | 9,900 | 9,400 |
| 1% decrease in investment earnings | 152,000 | 148,300 |

**b) General insurance contracts**

***Terms and conditions***

The major classes of general insurance written by the Group include motor, property, casualty, marine, general accident and other miscellaneous types of general insurance. Risks under these policies usually cover a 12 month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined as part of a regular ongoing process and as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

***Assumptions***

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs and claim numbers for each accident year. Claims provisions are separately analysed by geographical area and class of business. In addition, larger claims are usually separately assessed by loss adjusters. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates, as well as testing reported claims subsequent to the end of the reporting period.

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process and other factors is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the end of the reporting period.

***Sensitivities***

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

**24. Stated capital**

| Parent | | | Group | |
|---|---|---|---|---|
| **2021** | **2022** | | **2022** | **2021** |
| | | **Authorised**<br>An unlimited number of shares | | |
| | | **Issued and fully paid** | | |
| 667,274 | 667,274 | 2022: 85,605,263 (2021: 85,605,263) ordinary shares of no par value | 667,274 | 667,274 |

**25. Net insurance revenue**

| Parent | | | Group | |
|---|---|---|---|---|
| **2021** | **2022** | | **2022** | **2021** |
| – | – | Gross insurance contracts premium revenue | 849,619 | 776,972 |
| – | – | Reinsurers' share of insurance contracts premium revenue | (475,362) | (349,058) |
| – | – | Net insurance contracts premium revenue | 374,257 | 427,914 |
| – | – | Gross change in unearned premium provision and unexpired risks | (40,425) | (32,858) |
| – | – | Reinsurers' share of change in unearned premium provision and unexpired risks | 40,353 | 32,405 |
| – | – | Net change in unearned premium provision and unexpired risks | (72) | (453) |
| – | – | **Net insurance revenue** | 374,185 | 427,461 |

**26. Finance charges, loan fees and other interest income**

| Parent | | | Group | |
|---|---|---|---|---|
| **2021** | **2022** | | **2022** | **2021** |
| 90,567 | 53,656 | Finance charges earned | 77,259 | 115,468 |
| 28,445 | 34,976 | Interest income on loans and advances | 71,538 | 40,912 |
| 21,911 | 17,937 | Other income | 22,905 | 28,131 |
| 140,923 | 106,569 | | 171,702 | 184,511 |

**27. Investment income/(loss)**

| Parent | | | Group | |
|---|---|---|---|---|
| **2021** | **2022** | | **2022** | **2021** |
| 123 | 405 | Interest income from investments designated at fair value through statement of income | 5,922 | 6,448 |
| 2,781 | 517 | Interest income from investments designated at fair value through statement of comprehensive income | 517 | 2,781 |
| – | – | Interest income on impaired financial assets | 364 | 355 |
| 38,241 | 24,589 | Interest income from financial assets measured at amortised cost | 122,553 | 165,216 |
| 25,344 | 33,255 | Dividend income | 21,709 | 20,958 |
| (4,691) | (18,047) | Realised (losses)/gains on sale of investment securities | (38,030) | 15,022 |
| 7,724 | (4,696) | Unrealised gains/(losses) on investments held at year-end designated at fair value through statement of income | (146,030) | 165,823 |
| 69,522 | 36,023 | | (32,995) | 376,603 |

**28. Revenue from contracts with customers**

| Parent | | | Group | |
|---|---|---|---|---|
| **2021** | **2022** | | **2022** | **2021** |
| 8,595 | 11,827 | Arrangement fees | 11,827 | 8,595 |
| 22,054 | 13,450 | Investment management fees | 3,637 | 2,652 |
| 1,850 | 1,377 | Other | 2,060 | 625 |
| 32,499 | 26,654 | | 17,524 | 11,872 |

**29. Other income**

| Parent | | | Group | |
|---|---|---|---|---|
| **2021** | **2022** | | **2022** | **2021** |
| 181 | 294 | Administrative fees and commissions | 78,123 | 39,973 |
| 47,300 | 37,797 | Foreign exchange trading and gains | 34,731 | 49,205 |
| – | – | Lease sales and recoveries | 7,671 | 4,484 |
| – | – | Property rental | 51,665 | 51,332 |
| – | – | Trustee and other fiduciary fees | 10,103 | 9,482 |
| – | 871 | Other | 8,241 | 919 |
| 47,481 | 38,962 | | 190,534 | 155,395 |

## 30. Net insurance benefits and claims incurred

There are no insurance benefits and claims incurred by the Parent. The following table represents the insurance benefits and claims incurred by the Group.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | General insurance | | Life insurance | | Total | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Gross insurance contracts benefits and claims incurred | 193,330 | 165,148 | 145,741 | 122,056 | 339,071 | 287,204 |
| Reinsurers' share of gross insurance benefits and claims paid | (29,382) | (14,350) | (10,406) | (5,861) | (39,788) | (20,211) |
| Net change in insurance contract liabilities | – | – | 38,526 | 94,025 | 38,526 | 94,025 |
| | 163,948 | 150,798 | 173,861 | 210,220 | 337,809 | 361,018 |

## 31. Interest expense

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 19,764 | 26,430 | Customers' deposits | 57,679 | 49,108 |
| 147 | 218 | Lease liabilities (Note 15) | 116 | 348 |
| 27,241 | 28,995 | Debt securities in issue | 28,995 | 27,241 |
| 47,152 | 55,643 | | 86,790 | 76,697 |

## 32. Credit loss expense/(recovery)

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 20,230 | (36,031) | Net investment in leased assets | (34,284) | 23,516 |
| 1,051 | 5,471 | Loans and advances | 9,187 | 7,270 |
| 2,076 | 3,178 | Investment securities | 4,428 | (7,393) |
| – | – | Insurance receivables | 377 | 3,393 |
| 23,357 | (27,382) | | (20,292) | 26,786 |

## 33. Marketing and policy expenses

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| – | – | Agents and brokers commissions | 50,131 | 53,514 |
| – | – | Agents allowance and bonus | 5,338 | 4,371 |
| – | – | Agents policy expenses | 728 | 1,028 |
| 121 | – | Asset finance promotional expense | 297 | 366 |
| 2,669 | 3,829 | Advertising costs | 11,461 | 9,940 |
| 2,790 | 3,829 | | 67,955 | 69,219 |

## 34. Personnel expenses

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 39,638 | 42,882 | Salaries and bonus | 138,174 | 122,725 |
| – | – | Health, life and pension benefits | (1,083) | (1,294) |
| 915 | 1,108 | Other staff cost | 4,253 | 3,835 |
| 40,553 | 43,990 | | 141,344 | 125,266 |

## 35. General administrative expenses

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 12,164 | 5,050 | Professional insurance | 8,754 | 15,545 |
| 1,547 | 1,206 | Property related expenses | 12,477 | 19,188 |
| 1,084 | 896 | Subscriptions & donations | 4,833 | 5,367 |
| 791 | 2,508 | Finance charges | 3,298 | 1,849 |
| 209 | 518 | Travel & entertainment | 2,500 | 1,455 |
| 1,155 | 1,302 | "Communications, printing & stationery" | 12,764 | 10,159 |
| 6,725 | 9,836 | General expenses | 48,934 | 32,999 |
| 23,675 | 21,316 | | 93,560 | 86,562 |

## 36. Taxation

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 28,203 | 12,604 | Corporation tax | 17,416 | 41,688 |
| 1,483 | 1,604 | Under/(over) provision to prior year tax charge | 1,963 | (561) |
| (151) | 86 | Withholding tax | 138 | (106) |
| (8,679) | 12,766 | Deferred tax (Note 16) | 4,928 | 9,430 |
| 985 | 833 | Green Fund levy and other taxes | 2,530 | 3,411 |
| 21,841 | 27,893 | | 26,975 | 53,862 |

**Reconciliation between taxation expense and net profit before taxation**

Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 146,222 | 104,176 | Net profit/(loss) before taxation | (34,048) | 360,179 |
| 43,867 | 31,253 | Tax at applicable statutory tax rates | 11,657 | 73,875 |
| | | Tax effect of items that are adjustable in determining taxable profit: | | |
| (7,527) | (10,178) | Tax exempt income | (10,580) | (9,774) |
| 1,721 | 7,214 | Non-deductible expenses | 27,348 | 540 |
| (5,257) | (6,163) | Allowable deductions | (13,710) | (16,564) |
| 1,483 | 1,604 | Adjustment to prior year tax charge | 1,963 | (561) |
| (13,280) | 3,244 | Other temporary differences | 7,629 | 3,041 |
| 834 | 919 | Provision for Green Fund levy and other taxes | 2,668 | 3,305 |
| 21,841 | 27,893 | **Total taxation** | 26,975 | 53,862 |

## 37. Segmental Information

For management purposes the Group is organised into four operating segments based on the following core areas of operation to the Group:

| | |
|---|---|
| Banking services | Asset financing, Commercial banking, Merchant banking, Investment services, Securities trading and Foreign exchange trading. |
| Mutual funds | ANSA Secured Fund, ANSA US$ Secured Fund, ANSA TT$ Income Fund and ANSA US$ Income Fund..<br><br>These Funds are open-ended mutual funds registered in Trinidad & Tobago and established by ANSA Merchant Bank Limited (the 'Bank'). The Bank is the Sponsor, Investment Manager, Administrator and Distributor of these Funds. |
| Life insurance operations | Underwriting the following classes of longer-term insurance business: (i) individual participating and non-participating life insurance, (ii) group life insurance, (iii) individual insurance and (iv) group annuity and pension. |
| General insurance operations | Underwriting the following classes of short-term insurance business: (i) commercial and residential fire, (ii) general accident, (iii) marine, (iv) motor, (v) workmen compensation, (vi) group and individual health and rental of property. |

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the operating statement of income, and is measured consistently with the operating statement of income in the consolidated financial statements.

Interest income is reported net of related expenses as management primarily relies on net interest revenue as a performance measure, rather than the gross income and expense.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third-parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2022 or 2021.

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

| | Banking services | Mutual funds | Life insurance operations | General insurance operations | Elimin-ations | Total |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Total operating income/(expense) | 328,034 | (92) | 135,326 | 351,478 | (93,796) | 720,950 |
| Total operating expense | (64,694) | (9,909) | (186,048) | (170,299) | 6,351 | (424,599) |
| Credit loss recovery/(expense) | 21,038 | (842) | 575 | (479) | – | 20,292 |
| Selling and administration expense | (159,761) | (10,298) | (68,203) | (183,862) | 71,434 | (350,690) |
| Profit/(loss) before taxation | 124,617 | (21,141) | (118,350) | (3,162) | (16,011) | (34,047) |
| Taxation | (30,592) | – | 8,255 | (4,638) | – | (26,975) |
| Profit/(loss) after taxation | 94,025 | (21,141) | (110,095) | (7,800) | (16,011) | (61,022) |
| Total assets | 6,330,744 | 664,818 | 2,806,659 | 1,300,431 | (1,511,856) | 9,590,796 |
| Total liabilities | 4,290,350 | 664,836 | 1,854,191 | 492,288 | (451,920) | 6,849,745 |
| Purchase of property and equipment | 32,104 | – | 585 | 8,924 | – | 41,613 |
| Depreciation and amortisation | (29,743) | – | (1,822) | (6,901) | (2,655) | (41,121) |
| **2021** | | | | | | |
| Total operating income | 382,819 | 43,614 | 436,409 | 405,406 | (112,406) | 1,155,842 |
| Total operating expense | (55,279) | (9,634) | (222,004) | (151,040) | 242 | (437,715) |
| Credit loss recovery/(expense) | (29,656) | 371 | 4,908 | (2,409) | – | (26,786) |
| Selling and administration expense | (151,268) | (20,386) | (61,758) | (169,498) | 71,748 | (331,162) |
| Profit before taxation | 146,616 | 13,965 | 157,555 | 82,459 | (40,416) | 360,179 |
| Taxation | (16,317) | – | (25,787) | (11,758) | – | (53,862) |
| Profit after taxation | 130,299 | 13,965 | 131,768 | 70,701 | (40,416) | 306,317 |
| Total assets | 5,637,295 | 719,834 | 2,858,190 | 1,298,159 | (1,131,444) | 9,382,034 |
| Total liabilities | 3,634,062 | 719,785 | 1,826,928 | 452,393 | (154,171) | 6,478,997 |
| Purchase of property and equipment | 35,767 | – | 353 | 29,512 | – | 65,632 |
| Depreciation and amortisation | (33,264) | – | (1,920) | (6,267) | (1,920) | (43,371) |

**37. Segmental Information** (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's geographic segments.

| | Domestic services | Regional | Inter-national | Elimin-ations | Total |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Total operating income/(expense) | 763,327 | 116,720 | (65,301) | (93,796) | 720,950 |
| Total operating expense | (387,105) | (43,844) | (1) | 6,351 | (424,600) |
| Credit loss recovery | 15,149 | 3,805 | 1,339 | – | 20,292 |
| Selling and administration expense | (347,811) | (74,956) | 643 | 71,434 | (350,690) |
| Profit/(loss) before taxation | 43,559 | 1,724 | (63,320) | (16,011) | (34,047) |
| Taxation | (24,749) | (2,226) | – | – | (26,975) |
| Profit/(loss) after taxation | 18,810 | (501) | (63,320) | (16,011) | (61,022) |
| Total assets | 7,257,271 | 1,387,359 | 2,458,022 | (1,511,856) | 9,590,796 |
| Total liabilities | 6,459,783 | 798,741 | 43,141 | (451,920) | 6,849,745 |
| Purchase of property and equipment | 14,058 | 27,555 | – | – | 41,614 |
| Depreciation and amortisation | (15,886) | (22,580) | – | (2,655) | (41,121) |
| **2021** | | | | | |
| Total operating income | 953,835 | 163,686 | 150,727 | (112,406) | 1,155,842 |
| Total operating expense | (398,437) | (39,469) | (51) | 242 | (437,715) |
| Credit loss (expense)/recovery | (23,913) | (6,988) | 4,115 | – | (26,786) |
| Selling and administration expense | (326,904) | (73,361) | (2,645) | 71,748 | (331,162) |
| Profit before taxation | 204,581 | 43,868 | 152,146 | (40,416) | 360,179 |
| Taxation | (52,427) | (1,435) | – | – | (53,862) |
| Profit after taxation | 152,155 | 42,433 | 152,146 | (40,416) | 306,317 |
| Total assets | 6,840,614 | 1,196,873 | 2,475,991 | (1,131,444) | 9,382,034 |
| Total liabilities | 5,939,488 | 643,588 | 50,092 | (154,171) | 6,478,997 |
| Purchase of property and equipment | 33,335 | 32,297 | – | – | 65,632 |
| Depreciation and amortisation | (14,681) | (26,770) | – | (1,920) | (43,371) |

**38. Related party transactions and balances**

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank is ultimately owned by ANSA McAL Limited, incorporated in Trinidad and Tobago, which owns 82.48% of the stated capital of the Bank.

A number of transactions are entered into with related parties in the normal course of business. These include hire purchase, finance leases, premium financing, deposits, insurance coverage and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.

The related assets, liabilities, income and expense from these transactions are as follows:

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| | | **Loans, investments and other assets** | | |
| 55,897 | 44,596 | ANSA McAL Group | 151,198 | 103,763 |
| 32,353 | 199,549 | Subsidiaries | – | – |
| 310 | 2,066 | Directors and key management personnel | 12,084 | 11,329 |
| 28,891 | 114,353 | Other related parties | 152,620 | 72,346 |
| 117,451 | 360,564 | | 315,902 | 187,438 |
| | | **Deposits and other liabilities** | | |
| 297,723 | 233,782 | ANSA McAL Group | 640,509 | 382,574 |
| 28,281 | 94,028 | Subsidiaries | – | – |
| – | – | Directors and key management personnel | 62,221 | 64,367 |
| – | – | Other related parties | 143,387 | 114,369 |
| 326,004 | 327,810 | | 846,117 | 561,310 |
| | | **Interest and other income** | | |
| 23,601 | 14,281 | ANSA McAL Group | 37,898 | 57,262 |
| 22,185 | 17,210 | Subsidiaries | – | – |
| 22 | 83 | Directors and key management personnel | 698 | 257 |
| 1,837 | 221 | Other related parties | 3,440 | 3,162 |
| 47,645 | 31,795 | | 42,036 | 60,681 |
| | | **Interest and other expense** | | |
| 5,151 | 5,788 | ANSA McAL Group | 14,789 | 27,763 |
| 453 | 596 | Subsidiaries | – | – |
| – | – | Directors and key management personnel | 3,327 | 2,744 |
| – | – | Other related parties | 1,546 | 1,061 |
| 5,604 | 6,384 | | 19,662 | 31,568 |

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

**Key management compensation**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 11,312 | 10,283 | Short-term benefits | 22,861 | 19,783 |
| 116 | 105 | Contribution to defined contribution plans | 176 | 128 |
| 242 | 220 | Post employment benefits | 220 | 242 |
| 11,670 | 10,608 | | 23,257 | 20,153 |

**39. Fair value of financial instruments**

**(i) Carrying amounts and fair values**

The tables in the following pages summarise the carrying amounts and the fair values of the Parent's and the Group's financial assets and liabilities for 2022 and 2021.

**2022**

| Parent Carrying values | Parent Fair values | Parent Unrecognised (loss)/gain | | Group Carrying values | Group Fair values | Group Unrecognised (loss)/gain |
|---|---|---|---|---|---|---|
| | | | **Financial assets** | | | |
| 718,290 | 718,290 | – | Net investment in leased assets and other instalment loans | 987,197 | 987,197 | – |
| 548,919 | 548,919 | – | Loans and advances | 1,555,835 | 1,555,835 | – |
| 1,062,387 | 1,014,414 | (47,973) | Investment securities | 4,161,989 | 4,047,380 | (114,609) |
| 2,329,596 | 2,281,624 | (47,973) | | 6,705,021 | 6,590,412 | (114,609) |
| | | | **Financial liabilities** | | | |
| 1,938,156 | 1,938,156 | – | Customers' deposits and other funding instruments | 3,603,443 | 3,603,443 | – |
| 600,000 | 632,382 | 32,382 | Debt securities in issue | 600,000 | 632,382 | 32,382 |
| 2,538,156 | 2,570,538 | 32,382 | | 4,203,443 | 4,235,825 | 32,382 |

For all other financial instruments, the carrying amount is a reasonable approximation of fair value.

**2021**

| Parent Carrying values | Parent Fair values | Parent Unrecognised gain | | Group Carrying values | Group Fair values | Group Unrecognised gain |
|---|---|---|---|---|---|---|
| | | | **Financial assets** | | | |
| 872,462 | 872,462 | – | Net investment in leased assets and other instalment loans | 1,165,163 | 1,165,163 | – |
| 414,541 | 414,541 | – | Loans and advances | 1,035,788 | 1,035,788 | – |
| 1,035,207 | 1,048,967 | 13,760 | Investment securities | 4,429,880 | 4,496,011 | 66,131 |
| 2,322,210 | 2,335,970 | 13,760 | | 6,630,831 | 6,696,962 | 66,131 |
| | | | **Financial liabilities** | | | |
| 1,960,705 | 1,960,705 | – | Customers' deposits and other funding instruments | 3,383,770 | 3,383,770 | – |
| 600,000 | 617,410 | 17,410 | Debt securities in issue | 600,000 | 617,410 | 17,410 |
| 2,560,705 | 2,578,115 | 17,410 | | 3,983,770 | 4,001,180 | 17,410 |

For all other financial instruments, the carrying amount is a reasonable approximation of fair value.

**(ii) Determination of fair value and fair value hierarchies**

| | Level 1 | Level 2 | Level 3 | POCI | Total |
|---|---|---|---|---|---|
| **2022 - Parent** | | | | | |
| **Investment securities designated at FVSI** | | | | | |
| Equity securities | 22 | – | – | – | 23 |
| Managed Funds | 28,741 | 359,726 | – | – | 388,467 |
| Corporate bonds | – | 98,036 | – | – | 98,036 |
| | 28,764 | 457,761 | – | – | 486,525 |
| **Investment securities measured at amortised cost for which fair values are disclosed** | | | | | |
| Government bonds | 1,417 | 493 | – | – | 1,910 |
| State-owned company securities | – | 55,985 | – | – | 55,985 |
| Corporate bonds | 77,702 | 350,354 | 2 | – | 428,058 |
| | 79,119 | 406,832 | 2 | – | 485,953 |

**39. Fair value of financial instruments** (continued)

**(ii) Determination of fair value and fair value hierarchies** (continued)

| | Level 1 | Level 2 | Level 3 | POCI | Total |
|---|---|---|---|---|---|
| **2022 - Parent** | | | | | |
| **Investment securities measured at FVOCI** | | | | | |
| Equity securities | – | 20,630 | – | – | 20,630 |
| Corporate bonds | 21,306 | – | – | – | 21,306 |
| | 21,306 | 20,630 | – | – | 41,936 |
| **2022 - Group** | | | | | |
| **Investment securities designated at FVSI** | | | | | |
| Equity securities | 667,620 | – | 1,058 | – | 668,678 |
| Managed Funds | 367,753 | 563,219 | – | – | 930,972 |
| Government bonds | 5,319 | 4,814 | – | – | 10,133 |
| State-owned company securities | – | 48,065 | – | – | 48,065 |
| Corporate bonds | 16,896 | 104,708 | – | – | 121,604 |
| | 1,058,589 | 720,806 | 1,058 | – | 1,779,452 |
| **Investment securities measured at amortised cost for which fair values are disclosed** | | | | | |
| Government bonds | 37,467 | 414,238 | 93 | 16,101 | 467,899 |
| State-owned company securities | – | 516,903 | – | – | 516,903 |
| Corporate bonds | 242,524 | 986,525 | 1,640 | – | 1,230,689 |
| | 279,991 | 1,917,666 | 1,733 | 16,101 | 2,215,491 |
| **Investment securities measured at FVOCI** | | | | | |
| Government bonds | – | 5,458 | – | – | 5,458 |
| Corporate bonds | 46,979 | – | – | – | 46,979 |
| | 46,979 | 5,458 | – | – | 52,437 |
| **2021 - Parent** | | | | | |
| **Investment securities designated at FVSI** | | | | | |
| Equity securities | 22 | – | – | – | 22 |
| Managed funds | – | 486,636 | – | – | 486,636 |
| | 22 | 486,636 | – | – | 486,658 |
| **Investment securities measured at amortised cost for which fair values are disclosed** | | | | | |
| Government bonds | 1,425 | 761 | – | – | 2,186 |
| State-owned company securities | – | 74,539 | – | – | 74,539 |
| Corporate bonds | 72,676 | 372,767 | 2 | – | 445,445 |
| | 74,101 | 448,067 | 2 | – | 522,170 |
| **Investment securities measured at FVOCI** | | | | | |
| Equity securities | – | 21,046 | – | – | 21,046 |
| Corporate bonds | 19,093 | – | – | – | 19,093 |
| | 19,093 | 21,046 | – | – | 40,139 |
| **2021 - Group** | | | | | |
| **Investment securities designated at FVSI** | | | | | |
| Equity securities | 712,915 | – | 1,060 | – | 713,975 |
| Managed funds | 563,665 | 568,263 | – | – | 1,131,928 |
| Government bonds | 5,331 | 6,557 | – | – | 11,888 |
| State-owned company securities | – | 50,453 | – | – | 50,453 |
| Corporate bonds | 37,190 | 20,120 | – | – | 57,310 |
| | 1,319,101 | 645,393 | 1,060 | – | 1,965,554 |
| **Investment securities measured at amortised cost for which fair values are disclosed** | | | | | |
| Government bonds | 32,014 | 417,061 | – | 16,209 | 465,284 |
| State-owned company securities | – | 667,721 | – | – | 667,721 |
| Corporate bonds | 257,988 | 1,112,352 | 2,536 | – | 1,372,876 |
| | 290,002 | 2,197,134 | 2,536 | 16,209 | 2,505,881 |
| **Investment securities measured at FVOCI** | | | | | |
| Government bonds | – | 5,483 | – | – | 5,483 |
| Corporate bonds | 19,093 | – | – | – | 19,093 |
| | 19,093 | 5,483 | – | – | 24,576 |

**Description of significant unobservable inputs to valuation:**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of the input to fair value |
|---|---|---|---|---|
| Unquoted securities | Discounted cash flows | Rate of return | 1.06% to 12.00% | 2% increase/(decrease) in the rate of return would result in decrease/ (increase) in fair value by $8,430/($6,061) |

**(iii) Transfers between Level 1 and 2**

At each reporting date the Group assesses the fair value hierarchy of its financial instruments. A transfer between levels will occur when a financial instrument no longer meets the criteria in which the financial instrument is classified.

There were no transfers from level 1 to level 2 for the year ended 31 December 2022 (2021: transfers of $20,888 from level 1 to level 2).

**(iv) Movements in Level 3 financial instruments**

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| | | **Assets** | | |
| 16,422 | 2 | Balance at 1 January | 3,596 | 22,407 |
| – | – | Gains recognised | (805) | (2,391) |
| – | – | Transfers out of Level 3 | – | – |
| (16,420) | – | Disposal | – | (16,420) |
| 2 | 2 | | 2,791 | 3,596 |

**40. Risk Management**

**Introduction**

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.

**Risk management structure**

The Board of Directors (the 'Board') is ultimately responsible for identifying and controlling risks; however, there are separate bodies responsible for managing and monitoring risks.

*Board of Directors*

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies, principles and policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank and its subsidiaries in compliance with the policies approved by the Board of Directors.

*Treasury management*

The Bank and its subsidiaries employ Treasury functions which are responsible for managing their assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Bank and its subsidiaries.

**Concentrations of risk**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's procedures include specific monitoring controls to focus on the maintenance of a diversified portfolio.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Group's financial result on movements in certain market risk variables.

**Credit risk management**

The Group takes on exposure to credit risk, which is the potential for loss due to a counter-party or borrower's failure to pay amounts when due. Credit risk arises from traditional lending, underwriting and investing activity, and from settling payments between financial institutions. Impairment provisions are established for losses that have been incurred at the end of the reporting period.

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on an ongoing basis, and limits on the levels of credit risk that the Group can engage in are approved by the Board of Directors.

Exposure to credit risk is further managed through regular analysis of the ability of borrowers to meet capital and interest repayment obligations and by changing these lending limits when appropriate. In addition, collateral, corporate, state and personal guarantees are obtained.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as the primary underwriter. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

In response to COVID-19, the Group undertook a review of its loan portfolios and the ECLs. The review considered the macro-economic outlook, customer credit quality, type and value of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

**Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

The following table shows the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements attached. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

**40. Risk Management** (continued)

| Parent 2021 | Parent 2022 | | Group 2022 | Group 2021 |
|---|---|---|---|---|
| 729,390 | 705,070 | Cash and short-term funds | 1,495,579 | 1,452,588 |
| – | – | Fixed deposits | 8,528 | 8,549 |
| 872,462 | 718,290 | Net investment in leased assets and other instalment loans | 987,197 | 1,165,163 |
| 414,541 | 548,919 | Loans and advances | 1,555,835 | 1,035,788 |
| 1,014,139 | 1,041,735 | Investment securities | 3,493,312 | 3,715,905 |
| 7,766 | 3,021 | Interest receivable | 18,237 | 24,100 |
| – | – | Insurance receivables | 79,487 | 77,899 |
| – | – | Reinsurance assets | 218,682 | 179,803 |
| 3,038,298 | 3,017,035 | **Total** | 7,856,857 | 7,659,795 |
| – | – | Undrawn commitments | 13,902 | 30,568 |
| 20 | – | Contingent liabilities | 1,511 | 1,855 |
| 3,038,318 | 3,017,035 | | 7,872,270 | 7,692,218 |

The main types of collateral obtained are as follows:

- For hire purchase and leases – charges over auto vehicles and industrial and general equipment;
- For reverse repurchase transactions – cash and securities;
- For corporate loans – charges over real estate property, industrial equipment, inventory and trade receivables; and
- For mortgage loans – mortgages over commercial and residential properties.

*Cash and short-term funds and fixed deposits*

These funds are placed with highly rated local banks and Central Banks within the Caribbean region where the Group transacts business. In addition, cash is held by international financial institutions with which the Group has relationships as custodians or fund managers. All custodians and fund managers have been classified with a 'stable' outlook. Management therefore considers the risk of default of these counterparties to be very low.

*Net investment in leased assets*

Since these financial assets are homogeneous in nature, a vintage approach was applied looking at the number of defaults by portfolio over a period of time. Historical PDs were developed and there being little correlation between macro-economic trends, management applied judgemental overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

*Loans and advances*

For the merchant banking portfolio within loans and advances, given the limited historical data, the PD history of the leased assets portfolio was used as a starting point of the calculation.

For certain Stage 2 loans, where management considered the entity's financial position or industry to present higher risks, the PDs were judgementally adjusted to reflect the increased risk.

LGDs were assessed on an individual loan by loan basis due to the portfolio being non-homogeneous. This was based on the security held, factoring in the liquidity, current condition and estimated value of the collateral.

EAD equals the loan balance outstanding plus accrued interest.

*Other financial assets*

For mortgage loans, policy loans, premium receivables and reinsurance receivables, a simplified ECL approach was applied. Historical losses on these respective portfolios were calculated and applied to the current positions, with management applying judgemental overlays based on expectations as required.

*Investment securities*

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

**Analysis of gross carrying amount and the corresponding ECLs are as follows:**

**Stage 1** — Group

| 2022 | Net investment in leased assets | Loans and advances | Investment securities | Premium receivable | Reinsurance receivables | Total |
|---|---|---|---|---|---|---|
| Gross balance | 915,432 | 1,456,491 | 2,378,376 | 73,628 | 14,167 | 4,838,094 |
| ECL | (10,940) | (4,885) | (22,869) | (6,000) | (2,308) | (47,002) |
| | 904,492 | 1,451,606 | 2,355,507 | 67,628 | 11,859 | 4,791,091 |
| **ECL as a % of Gross balance** | 1.20% | 0.34% | 0.96% | 8.15% | 16.29% | 0.97% |
| **2021** | | | | | | |
| Gross balance | 1,071,700 | 946,049 | 2,407,152 | 76,299 | 9,908 | 4,511,108 |
| ECL | (18,111) | (3,255) | (9,483) | (6,000) | (2,308) | (39,157) |
| | 1,053,589 | 942,794 | 2,397,669 | 70,299 | 7,600 | 4,471,951 |
| **ECL as a % of Gross balance** | 1.69% | 0.34% | 0.39% | 7.86% | 23.29% | 0.87% |

The ECL percentage for Net investment in leased assets decreased as a result of lower PDs and LGDs used in the Group's calculation for the current year. The ECL percentage for Investment securities increased as a result of higher PDs utilised due to investment market volatility in the current year. Reinsurance receivables ECL provision decreased as a result of long outstanding receivables recovered. Premium receivable ECL remained on par, however the percentage increased as a result of recoveries during the year leading to a decrease in the balance outstanding. Loans and advances ECL percentage was on par with the prior year.

**Stage 2** — Group

| 2022 | Net investment in leased assets | Loans and advances | Investment securities | Premium receivable | Reinsurance receivables | Total |
|---|---|---|---|---|---|---|
| Gross balance | 33,982 | 27,992 | 11,241 | – | – | 73,215 |
| ECL | (1,119) | (130) | (456) | – | – | (1,705) |
| | 32,863 | 27,862 | 10,785 | – | – | 71,510 |
| **ECL as a % of Gross balance** | 3.29% | 0.46% | 4.05% | 0.00% | 0.00% | 2.33% |
| **2020** | | | | | | |
| Gross balance | 92,417 | 42,300 | 30,145 | – | – | 164,862 |
| ECL | (5,901) | (244) | (657) | – | – | (6,802) |
| | 86,516 | 42,056 | 29,488 | – | – | 158,060 |
| **ECL as a % of Gross balance** | 6.39% | 0.58% | 2.18% | 0.00% | 0.00% | 4.13% |

The decrease in ECL percentage for Stage 2 Loans and advances as well as Net investment in leased assets was mainly driven by a decrease in the gross balance. There was a decrease in the overall gross balances outstanding between current and prior years for Investment securities but, the ECL percentage increased as a result of higher PDs and LGDs utilised in the current year as a result of the volatility of global investment markets.

**Stage 3** — Group

| 2022 | Net investment in leased assets | Loans and advances | Investment securities | Premium receivable | Reinsurance receivables | Total |
|---|---|---|---|---|---|---|
| Gross balance | 81,448 | 101,648 | 8,723 | – | – | 191,819 |
| ECL | (31,606) | (16,025) | (8,723) | – | – | (56,354) |
| | 49,842 | 85,623 | – | – | – | 135,465 |
| **ECL as a % of Gross balance** | 38.81% | 15.77% | 100.00% | 0.00% | 0.00% | 29.38% |
| **2021** | | | | | | |
| Gross balance | 90,107 | 79,551 | 29,093 | – | – | 198,751 |
| ECL | (65,049) | (19,357) | (8,174) | – | – | (92,580) |
| | 25,058 | 60,194 | 20,919 | – | – | 106,171 |
| **ECL as a % of Gross balance** | 72.19% | 24.33% | 28.10% | 0.00% | 0.00% | 46.58% |

The ECL percentages for Stage 3 Net investment in leased assets as well as Loans and advances decreased as a result of improved recoveries coming out of COVID-19. The ECL percentage for Stage 3 Investment securities increased as all Stage 3 investments have been fully provided for.

**Reinsurance assets**

The credit quality of reinsurance assets, can be assessed by reference to external credit ratings agencies, Standard & Poor and A.M. Best. Based on the high ratings, management therefore considers the risk of default of these counterparties to be very low.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group manages its interest rate exposure by offering fixed rates on its funding instruments over the respective term. On the lending side, loans will be granted at fixed rates over specified periods. As interest rates on both deposits and loans remain fixed over their lives, the risk of fluctuations in market conditions is mitigated.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Group Treasury function.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's income and equity with all other variables held constant.

The sensitivity of income is the effect of the assumed changes in interest rates on the income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2022 and 2021.

| Change in basis points | | Sensitivity of income 2022 | Sensitivity of income 2021 |
|---|---|---|---|
| **Parent** | + 100 | 28 | 41 |
| | – 100 | (28) | (41) |
| **Group** | + 100 | 29 | 42 |
| | – 100 | (29) | (42) |

**Currency risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The tables on the following pages indicate the currencies to which the Parent and Group had significant exposure at 31 December 2022 and 2021 on its monetary assets and liabilities. The analysis also calculates the effects of a reasonably possible movement of each currency rate against the Trinidad and Tobago dollar, with other variables held constant.

The tables below indicate the currencies to which the Parent and Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the TTD rate against other currencies, with all other variables held constant.

**40. Risk Management** (continued)

**Currency risk** (continued)

| | TTD | USD | EURO | OTHER | TOTAL |
|---|---|---|---|---|---|
| **Parent - 2022** | | | | | |
| Cash and short-term funds | 398,444 | 292,086 | 8,192 | 6,348 | 705,070 |
| Loans and advances | 213,577 | 335,342 | – | – | 548,919 |
| Investment securities | 113,765 | 948,622 | – | – | 1,062,387 |
| Interest receivable | 1,337 | 1,685 | – | – | 3,022 |
| **Total financial assets** | 727,123 | 1,577,735 | 8,192 | 6,348 | 2,319,398 |
| Customers' deposits and other funding instruments | 1,106,748 | 831,408 | – | – | 1,938,156 |
| Debt securities in issue | 600,000 | – | – | – | 600,000 |
| **Total financial liabilities** | 1,706,748 | 831,408 | – | – | 2,538,156 |
| **Net currency risk exposure** | | 746,327 | 8,192 | 6,348 | |
| Reasonably possible change in currency rate | | 5% | 5% | 5% | |
| **Effect on profit before taxation** | | 37,316 | 410 | 317 | 38,043 |
| **Parent - 2021** | | | | | |
| Cash and short-term funds | 543,391 | 180,479 | 2,492 | 3,028 | 729,390 |
| Loans and advances | 331,716 | 82,825 | – | – | 414,541 |
| Investment securities | 113,539 | 920,927 | – | 741 | 1,035,207 |
| Interest receivable | 4,479 | 3,271 | – | 16 | 7,766 |
| **Total financial assets** | 993,125 | 1,187,502 | 2,492 | 3,785 | 2,186,904 |
| Customers' deposits and other funding instruments | 1,254,613 | 706,092 | – | – | 1,960,705 |
| Debt securities in issue | 600,000 | – | – | – | 600,000 |
| **Total financial liabilities** | 1,854,613 | 706,092 | – | – | 2,560,705 |
| **Net currency risk exposure** | | 481,410 | 2,492 | 3,785 | |
| Reasonably possible change in currency rate | | 5% | 5% | 5% | |
| **Effect on profit before taxation** | | 24,070 | 125 | 189 | 24,384 |

| | TTD | USD | BDS | EURO | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| **Group - 2022** | | | | | | |
| Cash and short-term funds | 880,363 | 417,381 | 142,931 | 8,228 | 46,676 | 1,495,579 |
| Fixed deposits | – | – | 3,686 | – | 4,842 | 8,528 |
| Net investment in leased assets and other instalment loans | 714,073 | – | 273,124 | – | – | 987,197 |
| Loans and advances | 1,077,501 | 338,315 | 140,019 | – | – | 1,555,835 |
| Investment securities | 1,088,229 | 2,839,075 | 51,760 | – | 182,925 | 4,161,989 |
| Interest receivable | 12,343 | 4,530 | 320 | – | 1,044 | 18,237 |
| Insurance receivables | 11,068 | 1,638 | 45,823 | – | 20,958 | 79,487 |
| Other debtors and prepayments | 33,915 | 4,754 | 18,514 | – | – | 57,183 |
| Reinsurance assets | 20,938 | 197,744 | – | – | – | 218,682 |
| **Total financial assets** | 3,838,430 | 3,803,437 | 676,177 | 8,228 | 256,445 | 8,582,717 |
| Customers' deposits and other funding instruments | 2,105,517 | 1,040,604 | 457,322 | – | – | 3,603,443 |
| Debt securities in issue | 600,000 | – | – | – | – | 600,000 |
| **Total financial liabilities** | 2,705,517 | 1,040,604 | 457,322 | – | – | 4,203,443 |
| **Net currency risk exposure** | | 2,762,833 | 218,855 | 8,228 | 256,445 | |
| Reasonably possible change in currency rate | | 5% | 5% | 5% | 5% | |
| **Effect on profit before taxation** | | 138,142 | 10,943 | 411 | 12,822 | 162,318 |
| **Group - 2021** | | | | | | |
| Cash and short-term funds | 980,262 | 340,603 | 76,119 | 2,146 | 53,458 | 1,452,588 |
| Fixed deposits | – | 535 | 3,692 | – | 4,322 | 8,549 |
| Net investment in leased assets and other instalment loans | 868,433 | – | 296,730 | – | – | 1,165,163 |
| Loans and advances | 857,971 | 91,945 | 85,872 | – | – | 1,035,788 |
| Investment securities | 1,884,740 | 2,487,277 | 57,121 | – | 741 | 4,429,880 |
| Interest receivable | 15,478 | 6,833 | 369 | – | 1,420 | 24,100 |
| Insurance receivables | 7,553 | 820 | 45,597 | – | 23,929 | 77,899 |
| Other debtors and prepayments | 107,471 | 8,545 | 14,427 | – | – | 130,443 |
| Reinsurance assets | 17,368 | 162,435 | – | – | – | 179,803 |
| **Total financial assets** | 4,739,276 | 3,098,993 | 579,927 | 2,146 | 83,870 | 8,504,213 |
| Customers' deposits and other funding instruments | 2,110,680 | 874,048 | 399,042 | – | – | 3,383,770 |
| Debt securities in issue | 600,000 | – | – | – | – | 600,000 |
| **Total financial liabilities** | 2,710,680 | 874,048 | 399,042 | – | – | 3,983,770 |

| | TTD | USD | BDS | EURO | OTHER | TOTAL |
|---|---|---|---|---|---|---|
| **Net currency risk exposure** | | 2,224,945 | 180,885 | 2,146 | 83,870 | |
| Reasonably possible change in currency rate | | 5% | 5% | 5% | 5% | |
| **Effect on profit before taxation** | | 111,247 | 9,044 | 107 | 4,194 | 124,592 |

**Liquidity risk**

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial instruments when they fall due under normal and stress circumstances. To mitigate this risk, Management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group sources funds for the provision of liquidity from three main sources; retail and wholesale deposits, funding instruments and the capital markets. A substantial portion of the funding for the Group is provided by core deposits and premium income. The Group maintains a core funding base which can be drawn on to meet immediate liquidity needs. Facilities are also established with correspondent banks, which can provide additional liquidity if conditions demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. The Group employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Group's assets as well as generating sufficient cash from new and renewed customer deposits and insurance policies.

*Analysis of financial liabilities by remaining contractual maturities*

The tables below summarise the maturity profile of the Parent's and Group's financial liabilities as at 31 December 2022 and 2021, based on contractual repayment obligations, over the remaining life of those liabilities.

| | Up to one year | One to five years | Over five years | Total |
|---|---|---|---|---|
| **Parent - 2022** | | | | |
| Customers' deposits and other funding instruments | 1,940,669 | 24,739 | 5,683 | 1,971,091 |
| Debt securities in issue | 38,504 | 161,181 | 609,850 | 809,535 |
| Lease liabilities | 1,972 | 7,017 | – | 8,989 |
| Bank overdraft | 3,840 | – | – | 3,840 |
| | 1,984,985 | 192,937 | 615,533 | 2,793,455 |
| **Parent - 2021** | | | | |
| Customers' deposits and other funding instruments | 1,942,994 | 34,818 | 5,767 | 1,983,579 |
| Debt securities in issue | 621,500 | – | – | 621,500 |
| Lease liabilities | – | 3,860 | – | 3,860 |
| Bank overdraft | 1,907 | – | – | 1,907 |
| | 2,566,401 | 38,678 | 5,767 | 2,610,846 |
| **Group - 2022** | | | | |
| Customers' deposits and other funding instruments | 3,386,331 | 242,411 | 6,472 | 3,635,214 |
| Undrawn commitments | 13,902 | – | – | 13,902 |
| Debt securities in issue | 38,504 | 161,181 | 609,850 | 809,535 |
| Lease liabilities | 3,807 | 13,555 | 3,197 | 20,559 |
| Bank overdraft | 3,840 | – | – | 3,840 |
| Investment contracts | 282,978 | – | – | 282,978 |
| | 3,729,362 | 417,147 | 619,519 | 4,766,028 |
| **Group - 2021** | | | | |
| Customers' deposits and other funding instruments | 2,953,387 | 456,419 | 8,305 | 3,418,111 |
| Undrawn commitments | 30,568 | – | – | 30,568 |
| Debt securities in issue | 621,500 | – | – | 621,500 |
| Lease liabilities | 4,842 | 10,154 | 142 | 15,138 |
| Bank overdraft | 1,907 | – | – | 1,907 |
| Investment contracts | 273,902 | – | – | 273,902 |
| | 3,886,106 | 466,573 | 8,447 | 4,361,126 |

**Equity price risk**

Equity price risk is the risk that the fair values of equities will decrease as the result of a decrease in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on income will arise as a result of the change in fair value of equity instruments categorised as fair value through the statement of income. In the case of the Parent, changes in fair value affect the capital reserve as a component of equity, whereas with respect to the subsidiaries, changes in fair value have an impact on the capital reserve and/or income.

The effect on income at 31 December 2022 and 2021 due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

| **Market indices** | **Change in equity price** | **Effect on income** | |
|---|---|---|---|
| | **%** | **2022** | **2021** |
| **Parent** | | **+/-** | **+/-** |
| TTSE | +/- 3 | – | 1 |
| **Group** | | | |
| TTSE | +/- 3 | 16,262 | 17,316 |
| S&P 500 | +/- 8 | 7,184 | 10,280 |

**40. Risk Management** (continued)

**Insurance risk**

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency and severity of claims.

The variability of risks is improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

**41. Business combination**

On 28 February 2021, the Bank completed the acquisition of 100% of the financial services business of Bank of Baroda (Trinidad) Limited (BOB) which was rebranded as ANSA Bank Limited (ABL). ABL is a financial services company licensed under the Financial Institutions Act 2008, of Trinidad and Tobago. ABL will facilitate the expansion of the Bank into the commercial banking sector.

This business combination was within the scope of IFRS 3 'Business Combinations'. An analysis of the fair value of the net assets acquired and is shown in the table below:

| | Fair value of assets acquired and liabilities assumed on 28 February 2022 |
|---|---:|
| Cash and short term deposits | 170,110 |
| Financial assets | 102,887 |
| Loans and advances | 134,655 |
| Other assets | 9,249 |
| Total assets | 416,901 |
| Customers' deposits | 348,636 |
| Other liabilities | 6,579 |
| Total liabilities | 355,215 |
| Net assets | 61,686 |
| Fair value adjustments | (7,393) |
| Intangible assets: | |
| Banking license | 62,455 |
| Customer deposits | 18,587 |
| Fair value of net assets acquired | 135,335 |
| Fair value of consideration | 179,190 |
| Purchased goodwill | 43,855 |

The fair value of net assets acquired were based on a valuation of the acquired assets and liabilities at the date of acquisition performed by an independent third party.

From the date of acquisition, ABL contributed $39.5 milion (2021: $15.3 million) towards other income of the Group and recorded a profit before tax of $0.04 million (2021: loss before tax of $18.3 million).

**42. Capital management**

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

When managing capital, which is a broader concept than the 'equity' in the statement of financial position, the objectives of the Parent and its subsidiaries are:

- To comply with the capital requirements set by the regulators of the markets where the parent and its subsidiaries operate;
- To safeguard the parent's and the subsidiaries' ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by Management, employing techniques based on the guidelines developed and implemented by the Central Bank of Trinidad & Tobago for supervisory purposes. The required information is filed with the Central Bank on a monthly basis.

The Central Bank requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $15 million, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 10%.

In each country in which the Group's insurance subsidiaries operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Group is subject to the insurance solvency regulations in all the territories in which it issues insurance contracts. The minimum required capital must be maintained at all times throughout the year.

For 2022 and 2021, the Parent and its subsidiaries complied with all of the externally-imposed capital requirements to which they are subject at the date of this report.

**43. Maturity analysis of assets and liabilities**

The tables below show an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual cash flows.

| **Parent** | 2022 | | | 2021 | | |
|---|---:|---:|---:|---:|---:|---:|
| **Assets** | Less than 12 months | Over 12 months | Total | Less than 12 months | Over 12 months | Total |
| Cash and short-term funds | 705,070 | – | 705,070 | 729,390 | – | 729,390 |
| Net investment in leased assets and other instalment loans | 54,706 | 663,584 | 718,290 | 57,657 | 814,805 | 872,462 |
| Loans and advances | 237,215 | 311,704 | 548,919 | 321,904 | 92,637 | 414,541 |
| Investment securities | 546,113 | 516,274 | 1,062,387 | 655,861 | 379,346 | 1,035,207 |
| Interest receivable | 3,021 | – | 3,021 | 7,766 | – | 7,766 |
| Other debtors and prepayments | 20,578 | – | 20,578 | 108,139 | – | 108,139 |
| Taxation recoverable | 21,532 | – | 21,532 | 6,439 | – | 6,439 |
| Investment in subsidiaries | – | 1,039,510 | 1,039,510 | – | 989,510 | 989,510 |
| Property and equipment | – | 3,008 | 3,008 | – | 3,207 | 3,207 |
| Intangible assets | – | 25,322 | 25,322 | – | 27,418 | 27,418 |
| Right-of-use assets | – | 8,267 | 8,267 | – | 3,397 | 3,397 |
| Deferred tax assets | – | 18,856 | 18,856 | – | 32,563 | 32,563 |
| Employee benefits asset | – | 8,006 | 8,006 | – | 9,396 | 9,396 |
| **Total assets** | 1,588,235 | 2,594,531 | 4,182,766 | 1,857,156 | 2,352,279 | 4,239,435 |
| **Liabilities** | | | | | | |
| Customers' deposits and other funding instruments | 1,910,574 | 27,582 | 1,938,156 | 1,923,333 | 37,372 | 1,960,705 |
| Lease liabilities | 1,700 | 6,565 | 8,265 | – | 3,701 | 3,701 |
| Bank overdraft | 3,840 | – | 3,840 | 1,907 | – | 1,907 |
| Accrued interest and other payables | 83,419 | – | 83,419 | 94,658 | – | 94,658 |
| Debt securities in issue | – | 600,000 | 600,000 | 600,000 | – | 600,000 |
| Deferred tax liabilities | – | 7,799 | 7,799 | – | 8,148 | 8,148 |
| Employee benefits liability | – | 1,019 | 1,019 | – | 918 | 918 |
| **Total liabilities** | 1,999,533 | 642,965 | 2,642,498 | 2,619,898 | 50,139 | 2,670,037 |
| **Group** | | | | | | |
| **Assets** | | | | | | |
| Cash and short-term funds | 1,495,579 | – | 1,495,579 | 1,452,588 | – | 1,452,588 |
| Fixed deposits | 8,528 | – | 8,528 | 8,549 | – | 8,549 |
| Net investment in leased assets and other instalment loans | 59,694 | 927,503 | 987,197 | 70,401 | 1,094,762 | 1,165,163 |
| Loans and advances | 390,239 | 1,165,596 | 1,555,835 | 434,612 | 601,176 | 1,035,788 |
| Investment securities | 1,946,622 | 2,215,367 | 4,161,989 | 2,175,412 | 2,254,468 | 4,429,880 |
| Interest receivable | 18,237 | – | 18,237 | 24,100 | – | 24,100 |
| Insurance receivables | 74,548 | 4,939 | 79,487 | 73,812 | 4,087 | 77,899 |
| Other debtors and prepayments | 54,783 | 2,400 | 57,183 | 130,443 | – | 130,443 |
| Reinsurance assets | 197,744 | 20,938 | 218,682 | 162,435 | 17,368 | 179,803 |
| Taxation recoverable | 27,559 | 164 | 27,723 | 8,209 | 68 | 8,277 |
| Investment properties | – | 147,047 | 147,047 | – | 106,112 | 106,112 |
| Property and equipment | – | 192,002 | 192,002 | – | 201,570 | 201,570 |
| Intangible assets | – | 434,448 | 434,448 | – | 343,430 | 343,430 |
| Right-of-use assets | – | 20,369 | 20,369 | – | 11,619 | 11,619 |
| Deferred tax assets | – | 32,523 | 32,523 | – | 45,905 | 45,905 |
| Employee benefits asset | – | 153,967 | 153,967 | – | 160,908 | 160,908 |
| **Total assets** | 4,273,533 | 5,317,263 | 9,590,796 | 4,540,561 | 4,841,473 | 9,382,034 |
| **Liabilities** | | | | | | |
| Customers' deposits and other funding instruments | 3,356,775 | 246,668 | 3,603,443 | 2,930,507 | 453,263 | 3,383,770 |
| Lease liabilities | 3,366 | 15,787 | 19,153 | 2,487 | 9,279 | 11,766 |
| Bank overdraft | 3,840 | – | 3,840 | 1,907 | – | 1,907 |
| Accrued interest and other payables | 378,075 | 2,718 | 380,793 | 304,525 | 2,902 | 307,427 |
| Debt securities in issue | – | 600,000 | 600,000 | 600,000 | – | 600,000 |
| Deferred tax liabilities | – | 165,116 | 165,116 | – | 185,838 | 185,838 |
| Employee benefits liability | – | 9,250 | 9,250 | – | 8,616 | 8,616 |
| Investment contract liabilities | 282,978 | – | 282,978 | 273,902 | – | 273,902 |
| Insurance contract liabilities | 415,950 | 1,369,222 | 1,785,172 | 373,235 | 1,332,536 | 1,705,771 |
| **Total liabilities** | 4,440,984 | 2,408,761 | 6,849,745 | 4,486,563 | 1,992,434 | 6,478,997 |

**44. Capital commitments**

| Parent | | | Group | |
|---|---|---|---|---|
| **2021** | **2022** | | **2022** | **2021** |
| – | 8,655 | Capital expenditure | 71,910 | 147,469 |

**45. Contingent liabilities**

The Parent's and Group's potential liability, for which there are equal and offsetting claims, against its customers in the event of a call on these commitments is as follows:

| Parent | | Group | |
|---|---|---|---|
| **2021** | **2022** | **2022** | **2021** |
| 20 | – | 1,511 | 1,855 |

**46. Dividends**

| Dividends paid are analysed as follows: | **2022** | **2021** |
|---|---|---|
| Final dividend for 2021 – $1.00 per share (2020: $0.75 per share) | 85,605 | 64,204 |
| Interim dividend for 2022 – $0.20 per share (2021: $0.20 per share) | 17,121 | 17,121 |
| | 102,726 | 81,325 |

On 16 March 2023, the Board of Directors declared a final dividend of $1.00 (2021: $1.00) per share for the year ended 31 December 2022. This dividend amounting to $85,605,263 (2021: $85,605,263) is not recorded as a liability in the statement of financial position as at 31 December 2022.

**47. Events after the reporting period**

Pursuant to an Offer and Take-Over Bid Circular dated December 29, 2022 ("Offer"), Trinidad and Tobago Insurance Limited ("TATIL") acquired and paid for 97.5% of the issued and outstanding ordinary shares of Colonial Fire & General Insurance Company Limited ("Colfire") for the cash price of TTD$20.32 per share. TATIL intends to exercise its right under Sections 202 and 203 of the Companies Act, Chap. 81:01 to acquire compulsorily 2.5% of the ordinary shares in Colfire, which represents the shares held by Colfire shareholders who did not accept the Offer. TATIL shall become the holder of the entire shareholding in Colfire upon conclusion of the compulsory acquisition of the 2.5% ordinary shareholding in Colfire.

ANSA MERCHANT BANK LIMITED

# ANSA SECURED FUND
# FUND FACTS

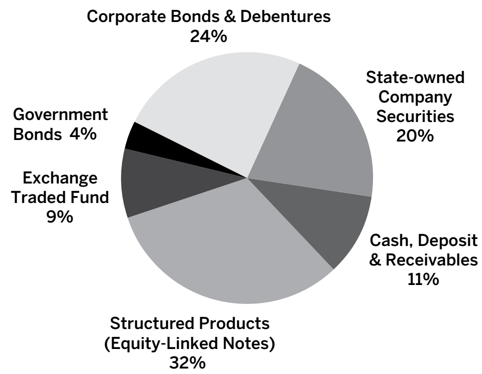
## TOP 10 HOLDINGS - DECEMBER 31, 2022

| SECURITY | % OF PORTFOLIO |
|---|---|
| BARCLAYS BANK PLC EQUITY LINKED NOTE 7.5% DUE 2024 | 22.02% |
| FALLEN ANGEL EXCHANGE TRADED FUND | 8.84% |
| CARIBBEAN AIRLINES INVESTMENT STRIP DUE 2023 | 5.96% |
| GENERAL MOTORS 4% DUE 2025 | 4.77% |
| MASCO CORP (MAS) 7.75% DUE 2029 | 4.75% |
| GUARDIAN HOLDINGS LIMITED 4.83% FRB DUE 2028 | 4.64% |
| CAL FIXED RATE LOAN 5.875% USD64.2M DUE 2029 | 4.51% |
| HSBC BANK PLC 9.00% DUE 2024 | 3.93% |
| AMERICAN ELECTRIC POWER COMPANY 2.031% DUE 2024 | 3.82% |
| WASA ZERO COUPON DUE 2023 | 3.80% |

## CUMULATIVE RETURNS AS AT DECEMBER 31, 2022

| | |
|---|---|
| 12 month | 1.25% |
| 3 Year | 3.80% |
| 5 Year | 6.41% |
| Since Inception | 23.43% |

## ASSET MIX 2022:




## HISTORICAL PERFORMANCE

| | |
|---|---|
| 2013 | 1.81% |
| 2014 | 1.38% |
| 2015 | 1.25% |
| 2016 | 1.25% |
| 2017 | 1.25% |
| 2018 | 1.25% |
| 2019 | 1.25% |
| 2020 | 1.25% |
| 2021 | 1.25% |
| 2022 | 1.25% |

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## INDEPENDENT AUDITOR'S REPORT

**TO THE UNITHOLDERS OF ANSA SECURED FUND**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of ANSA Secured Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in Unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

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

**Responsibilities of Management and Trustee for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Fund'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 Fund'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 Fund 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 the Trustee 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.

EY

Port of Spain,

TRINIDAD:

16 March 2023

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 4 | 13,592 | 4,452 |
| Interest receivable | | 690 | 1,217 |
| Investment securities | 5 | 114,759 | 140,608 |
| **Total assets** | | 129,041 | 146,277 |
| **Liabilities** | | | |
| Management fee payable | | – | 650 |
| Trustee fees payable | | 50 | 55 |
| Distributions payable | | 403 | 456 |
| Other payables | | 421 | 466 |
| **Total liabilities** | | 874 | 1,627 |
| **Net assets** | | **128,167** | **144,650** |
| **Unitholders' Capital** | | | |
| Unitholders' balances | 6 | 127,943 | 144,635 |
| Retained fund surplus | | 224 | 15 |
| | | **128,167** | **144,650** |

The financial statements were approved by the Trustee and authorised for issue on 16 March 2023 and signed on their behalf by:

: Trustee

: Trustee

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Income** | | | |
| Interest and dividend income | 7 | 5,199 | 8,068 |
| Net foreign exchange translation and other gains | | 437 | 231 |
| Impairment write back | | 289 | 191 |
| **Total income** | | 5,925 | 8,490 |
| **Expenses** | | | |
| Net realised and unrealised losses on investment securities | 8 | (3,674) | (27) |
| Management fees | 9 | – | (6,150) |
| Trustee fees | 9 | (205) | (225) |
| Other expenses | | (132) | (312) |
| **Total expenses** | | (4,011) | (6,714) |
| **Total comprehensive income for the year** | | **1,914** | **1,776** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Trinidad and Tobago Dollars)

| | Unitholders' balances | Retained fund surplus | Total |
|---|---|---|---|
| **Balance as at 1 January 2021** | 155,313 | 109 | 155,422 |
| Total comprehensive income for the year | – | 1,776 | 1,776 |
| Redemption of units | (10,678) | – | (10,678) |
| Distribution to Unitholders | – | (1,870) | (1,870) |
| **Balance as at 31 December 2021** | 144,635 | 15 | 144,650 |
| Total comprehensive income for the year | – | 1,914 | 1,914 |
| Redemption of units | (16,692) | – | (16,692) |
| Distribution to Unitholders | – | (1,705) | (1,705) |
| **Balance as at 31 December 2022** | **127,943** | **224** | **128,167** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total comprehensive income for the year | | 1,914 | 1,776 |
| Adjustments: | | | |
| Interest capitalised | | (223) | (49) |
| Amortisation on investment securities | | 159 | (1,219) |
| Losses on sale of investment securities | 8 | 1,621 | 486 |
| Unrealised losses/(gains) on investment securities | 8 | 2,053 | (459) |
| Impairment write back | | (289) | (191) |
| Foreign exchange (gains)/losses | | 391 | 25 |
| Surplus before working capital changes | | 5,626 | 369 |
| Changes in assets/liabilities: | | | |
| Decrease in interest receivable | | 527 | 382 |
| Decrease in payables | | (753) | (632) |
| Net cash flows provided by operating activities | | 5,400 | 119 |
| **Cash flows from investing activities** | | | |
| Purchase of investments | | (18,084) | (76,528) |
| Proceeds from maturity/sale of investments | | 40,221 | 56,217 |
| Net cash flows provided by/(used in) investing activities | | 22,137 | (20,311) |
| **Cash flows from financing activities** | | | |
| Redemption of units | | (16,692) | (10,678) |
| Distribution to Unitholders | | (1,705) | (1,870) |
| Net cash flows used in financing activities | | (18,397) | (12,548) |
| Net increase/(decrease) in cash and cash equivalents | | 9,140 | (32,740) |
| Cash and cash equivalents at the beginning of the year | | 4,452 | 37,192 |
| Cash and cash equivalents at the end of the year | 4 | **13,592** | **4,452** |
| **Supplemental information:** | | | |
| Interest received | | 5,886 | 7,169 |
| Distributions paid | | 1,757 | 1,908 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

**1. Description of the Fund**

The following brief description of the ANSA Secured Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

**General**

The Fund is an open-ended mutual fund registered in Trinidad and Tobago, and established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 28 August 2005. The Bank whose registered address is 11C Maraval Road, Port of Spain, Trinidad and Tobago, is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital values.

It is the objective of the Fund to maintain a price of TT$1,000 per Unit.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund.

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee;

(ii) and sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory or official requirement; or (c) is made to correct a manifest error.

The Bank has guaranteed 100% return of the principal invested in the Fund (not including distributions which have been re-invested in units) subject to a minimum period of investment, and a fixed minimum yield on the units held subject to a defined period of time established at the time of purchase. All initially invested units in the Fund have met the minimum period of investment for the principal guarantee and all units are beyond the definite period of time for the fixed minimum yield and are therefore not subject to the fixed minimum yield.

The Trustee of the Fund is FirstCaribbean International Bank (Trinidad & Tobago) Limited.

As at 30 September 2009, subscriptions to the Fund were suspended as a result of the prevailing market conditions. This was carried out in line with the provisions set out in the prospectus.

**2. Significant accounting policies**

**i) Basis of preparation**

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest (SPPI).

The financial statements are presented in Trinidad and Tobago Dollars (TTD) which is the functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

**2. Significant accounting policies** (continued)

**i) Basis of preparation** (continued)

**Statement of compliance**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Presentation of financial statements**

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

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

**ii) Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2021 except for the adoption of new standards and interpretations noted below.

***New and amended standards and interpretations***

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Fund. These are described in more detail below. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard or amendment is described below:

**IFRS 3 – 'Business Combinations' Amendments – Reference to the Conceptual Framework – Effective 1 January 2022**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The amendments must be applied prospectively. Earlier application is permitted.

These amendments had no impact on the Fund.

**IAS 16 – 'Property, Plant and Equipment' Amendments – Proceeds before Intended Use – Effective 1 January 2022**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

These amendments had no impact on the Fund.

**IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets' Amendments – Onerous Contracts – Costs of Fulfilling a Contract – Effective 1 January 2022**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

These amendments had no impact on the Fund.

***Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements'– Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – Effective 1 January 2023
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Amendments to IAS 8 – Definition of Accounting Estimates – Effective 1 January 2023
- IAS 12 'Income Taxes'– Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Effective 1 January 2023
- IFRS 17 'Insurance Contracts' – Effective 1 January 2023
- IAS 1 'Presentation of Financial Statements' – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current – Effective 1 January 2024
- IFRS 16 'Leases' – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback – Effective 1 January 2024

**Improvements to International Financial Reporting Standards**

The annual improvement process of the International Accounting Standards Board deals with non-urgent, but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after 1 January 2022, but have resulted in no material change to the Fund's financial statements.

| IFRS | Subject of Amendment |
|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter |
| IFRS 9 | Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities |
| IAS 41 | Agriculture – Taxation in fair value measurements |

**iii) Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

**iv) Financial instruments**

**Financial assets**

***a. Initial recognition and subsequent measurement***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Amortised cost and effective interest method*

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding ("the SPPI test").

*Financial assets at fair value through statement of income (FVSI)*

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as FVSI.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of comprehensive income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - Revenue and is included in the net gain or loss described above.

*Foreign exchange gains and losses*

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

***b. Impairment of financial assets***

The Fund records an allowance for expected credit losses (ECLs) for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12

2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

**Financial assets** (continued)

b. ***Impairment of financial assets*** (continued)

months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

*Significant increase in credit risk*

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list, to non investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

*Definition of default and cure*

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

*Calculation of Expected Credit Losses (ECLs)*

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

*Probability of Default (PD):*

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

*Exposure at Default (EAD):*

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

*Loss Given Default (LGD):*

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

*Forward-looking information*

In its ECL models, the Fund relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

*Stage 1*

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

*Stage 2*

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

*Stage 3*

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the LTECLs for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

c. ***Derecognition of financial assets***

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

**Financial liabilities**

a. ***Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Fund's financial liabilities include fees payable, distributions payable, amounts due to related parties and other payables.

b. ***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

v) **Fair valuation of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business at the end of the reporting period for listed instruments.

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Fund would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

*Short-term financial assets and liabilities*

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fee payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

*Investment securities*

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration using the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

*Determination of fair value and fair values hierarchy*

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

**2. Significant accounting policies** (continued)

**v) Fair valuation of financial instruments** (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**vi) Revenue recognition**

Revenue for the Fund is generated from interest as well as dividend income on investments held on behalf of the unitholders.

*The effective interest rate method*

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

*Investment income*

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVSI is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through statement of income, respectively.

*Dividend income*

Dividend income is recognised when the Fund's right to receive payment is established.

*Other income and expenditure*

Other income and expenditure are brought into account on the accruals basis.

**vii) Subscriptions and redemptions**

Subscriptions and redemptions are accounted for on the accruals basis. Subscriptions and redemptions to the Fund are made by investors at a price of $1,000 per unit. Units may be subscribed at a minimum initial value of $50,000 and thereafter, the minimum amount of an additional investment is $5,000 in value, except in the instance of reinvestment of distributions. There are no limits as to the number of units that can be redeemed at any one time.

**viii) Expenses**

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and distribution fees. Audit fees are included within other expenses.

**ix) Distributions to Unitholders**

Distributions to Unitholders are recognised when they are ratified by the Trustee and are paid out quarterly.

**x) Taxation**

With respect to dividends which are derived locally, no income tax is payable by residents of Trinidad and Tobago.

**xi) Functional and presentation currency**

The Fund's functional currency is the Trinidad and Tobago Dollar (TTD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in TTD. Therefore, the TTD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the TTD.

**xii) Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago Dollars at rates of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

**xiii) Unitholders' Capital**

*Classification of redeemable shares*

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable Unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

**3. Significant accounting judgements and estimates**

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties include:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

**i) Judgement**

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

*Impairment of financial instruments*

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macro-economic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models

**ii) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

*Valuation of investments*

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

## 4. Cash and cash equivalents

| | 2022 | 2021 |
|---|---|---|
| Cash at bank | 13,376 | 1,446 |
| Short-term funds | 216 | 3,006 |
| | **13,592** | **4,452** |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rate.

## 5. Investment securities

| | 2022 | 2021 |
|---|---|---|
| Investment securities designated at fair value through statement of income | 11,366 | 26,006 |
| Investment securities designated at amortised cost | 103,393 | 114,602 |
| **Total investment securities** | **114,759** | **140,608** |
| **Investment securities designated at fair value through statement of income** | | |
| Managed Funds | 11,366 | 26,006 |
| | **11,366** | **26,006** |
| **Investment securities designated at amortised cost** | | |
| Government securities | 4,761 | 7,277 |
| State-owned company securities | 26,232 | 37,539 |
| Corporate bonds and debentures | 72,400 | 69,786 |
| | **103,393** | **114,602** |

***Impairment allowance for investment securities***

The following table shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

**Investment securities designated at amortised cost**

| | Stage 1 | Stage 2 | Total |
|---|---|---|---|
| Gross carrying amount as at 31 December 2022 | 103,653 | – | 103,653 |
| ECL allowance as at 31 December 2022 | (260) | – | (260) |
| **Net exposure as at 31 December 2022** | **103,393** | **–** | **103,393** |
| ECL allowance as at 1 January 2022 | (344) | (205) | (549) |
| ECL on new instruments issued during the year | (2) | – | (2) |
| Credit loss income | 86 | 205 | 291 |
| **At 31 December 2022** | **(260)** | **–** | **(260)** |
| Gross carrying amount as at 31 December 2021 | 106,898 | 8,253 | 115,151 |
| ECL allowance as at 31 December 2021 | (344) | (205) | (549) |
| **Net exposure as at 31 December 2021** | **106,554** | **8,048** | **114,602** |
| ECL allowance as at 1 January 2021 | (710) | (278) | (988) |
| Translation adjustments | 1 | – | 1 |
| ECL on new instruments issued during the year | (25) | – | (25) |
| Credit loss income | 390 | 73 | 463 |
| **At 31 December 2021** | **(344)** | **(205)** | **(549)** |

## 6. Unitholders' balances

| | 2022 | 2021 |
|---|---|---|
| Authorised: | | |
| Unlimited number of units | | |
| *Reconciliation of Unitholders' balances:* | | |
| Units outstanding at the beginning of the year | 144,635 | 155,313 |
| Units redeemed | (16,692) | (10,678) |
| **Units outstanding at the end of the year** | **127,943** | **144,635** |
| Guaranteed net asset value per unit | 1,000 | 1,000 |
| **Total Unitholders' balances** | **127,943** | **144,635** |

## 7. Interest and dividend income

| | 2022 | 2021 |
|---|---|---|
| Interest income from financial assets designated at amortised cost | 4,421 | 7,503 |
| Dividend income | 778 | 565 |
| | **5,199** | **8,068** |

## 8. Net realised and unrealised (losses)/gains on investment securities

| | 2022 | 2021 |
|---|---|---|
| Realised losses on sale of investment securities | (1,621) | (486) |
| Unrealised (losses)/gains on investments held at year end designated at fair value through statement of income | (2,053) | 459 |
| | **(3,674)** | **(27)** |

## 9. Fees

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter, pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 5.50% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.20% on the average net asset value and such fee shall be subject to a minimum annual fee of $10,000, exclusive of VAT.

| | 2022 | 2021 |
|---|---|---|
| Management fees | – | 6,150 |
| Trustee fees | 205 | 225 |
| | **205** | **6,375** |

## 10. Fair value of financial instruments

### (i) Carrying amounts and fair values

The following table summarizes the carrying amounts and fair values of the Fund's financial assets and liabilities as at 31 December.

| | Carrying values | Fair values | Unrecognised (loss)/gain |
|---|---|---|---|
| **2022** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 13,592 | 13,592 | – |
| Investment securities | 114,759 | 108,688 | (6,071) |
| Interest receivable | 690 | 690 | – |
| **Total financial assets** | **129,041** | **122,970** | **(6,071)** |
| **Financial liabilities** | | | |
| Trustee fees payable | 50 | 50 | – |
| Distributions payable | 403 | 403 | – |
| Other payables | 421 | 421 | – |
| **Total financial liabilities** | **874** | **874** | **–** |
| **2021** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 4,452 | 4,452 | – |
| Investment securities | 140,608 | 144,254 | 3,646 |
| Interest receivable | 1,217 | 1,217 | – |
| **Total financial assets** | **146,277** | **149,923** | **3,646** |
| **Financial liabilities** | | | |
| Management fee payable | 650 | 650 | – |
| Trustee fees payable | 55 | 55 | – |
| Distributions payable | 456 | 456 | – |
| Other payables | 466 | 466 | – |
| **Total financial liabilities** | **1,627** | **1,627** | **–** |

### ii) Determination of fair value and fair values hierarchy

| 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | | |
| Government securities | 1,069 | 3,822 | – | 4,891 |
| State-owned company securities | – | 26,418 | – | 26,418 |
| Corporate bonds and debentures | 21,990 | 43,840 | 183 | 66,013 |
| | **23,059** | **74,080** | **183** | **97,322** |
| **Investment securities designated at fair value through statement of income** | | | | |
| Managed Funds | 11,366 | – | – | 11,366 |
| | **11,366** | **–** | **–** | **11,366** |
| **2021** | | | | |
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | | |
| Government securities | – | 7,500 | – | 7,500 |
| State-owned company securities | – | 39,028 | – | 39,028 |
| Corporate bonds and debentures | 18,194 | 53,241 | 285 | 71,720 |
| | **18,194** | **99,769** | **285** | **118,248** |
| **Investment securities measured at fair value through statement of income** | | | | |
| Managed Funds | 26,006 | – | – | 26,006 |
| | **26,006** | **–** | **–** | **26,006** |

**Description of significant unobservable inputs to valuation:**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of the input to fair value |
|---|---|---|---|---|
| Unquoted securities | Discounted cash flows | Rate of return | 8% to 12% | 2% increase/ (decrease) in the rate of return would result in decrease/(increase) in fair value by $28/($28) |

### iii) Transfers between Level 1 and 2

For the years ended 31 December 2022 and 31 December 2021, there were no transfer of assets between Level 1 and Level 2.

### iv) Movements in Level 3 financial instruments

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 285 | 547 |
| Losses recognised | (102) | (262) |
| Balance at 31 December | **183** | **285** |

## 11. Risk management

### Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk.

### Role of the Trustee

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

### Risk management structure

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

### Treasury management

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

### Concentrations of risk

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

### Credit risk management

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk is limited to the value of its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

### Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

The following table shows the maximum exposure to credit risk which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines collateral and valuation parameters are implemented regarding the acceptability of types of collateral and valuation parameters.

| | Gross maximum exposure 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | 13,592 | 4,452 |
| Interest receivable | 690 | 1,217 |
| Investment securities | 114,759 | 140,608 |
| | **129,041** | **146,277** |

### Cash and cash equivalents

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be very low.

### Credit quality

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

### Investment debt securities

The credit quality of investment debt securities has been analysed into the following categories:

| | |
|---|---|
| High grade | These comprise of regional sovereign debt securities issued directly or through state-intermediary bodies where there has been no history of default. |
| Standard | These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies. |
| Sub-standard | These securities are greater than 90 days in arrears, display indicators of impairment or have been restructured in the past financial year. |
| Impaired | These securities are non-performing. |

| | High grade | Standard | Total |
|---|---|---|---|
| **2022** | | | |
| Investment securities designated at amortised cost | 30,993 | 72,400 | 103,393 |
| Investment securities designated at fair value through statement of income | 11,366 | – | 11,366 |
| | **42,359** | **72,400** | **114,759** |
| **2021** | | | |
| Investment securities designated at amortised cost | 32,660 | 81,942 | 114,602 |
| Investment securities designated at fair value through statement of income | 26,006 | – | 26,006 |
| | **58,666** | **81,942** | **140,608** |

There are no investment debt securities classified as sub-standard or impaired for the years ended 31 December 2022 and 31 December 2021.

### Currency risk

The Fund takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its statement of financial position and cash flows. The Bank in its capacity as Investment Manager sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Fund's exposure to foreign currency exchange rate risk at 31 December, arising primarily from monetary financial assets denominated in United States Dollars (USD). The Fund had no financial liabilities denominated in currencies other than the reporting currency.

The final line of the table, illustrates the effect of a reasonably possible movement of the USD against the TTD, with all other variables held constant on the statement of comprehensive income.

| **Financial assets** | **USD 2022** | **USD 2021** |
|---|---|---|
| Cash and cash equivalents | 894 | 3,544 |
| Interest receivable | 544 | 609 |
| Investment securities | 92,915 | 101,118 |
| **Net currency risk exposure** | **94,353** | **105,271** |
| Reasonably possible change in currency rate | 5% | 5% |
| **Effect on income for the year** | **4,718** | **5,264** |

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

There was no impact of interest rate risk to the Fund as no floating rate non-trading financial assets and financial liabilities were held in 2022 and 2021.

### Liquidity risk

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

| | Up to one year | Over one year | Total |
|---|---|---|---|
| **2022** | | | |
| **Financial liabilities** | | | |
| Trustee fees payable | 50 | – | 50 |
| Distributions payable | 403 | – | 403 |
| Other payables | 421 | – | 421 |
| **Total financial liabilities** | **874** | **–** | **874** |
| **2021** | | | |
| **Financial liabilities** | | | |
| Management fee payable | 650 | – | 650 |
| Trustee fees payable | 55 | – | 55 |
| Distributions payable | 456 | – | 456 |
| Other payables | 466 | – | 466 |
| **Total financial liabilities** | **1,627** | **–** | **1,627** |

### Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio.

There was no impact of equity price risk to the Fund as no equities were held in 2022 and 2021.

**12. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Less than 12 months** | **Over 12 months** | **Total** | **Less than 12 months** | **Over 12 months** | **Total** |
| **Assets** | | | | | | |
| Cash and cash equivalents | 13,592 | – | 13,592 | 4,452 | – | 4,452 |
| Investment securities | 32,368 | 82,391 | 114,759 | 27,810 | 112,798 | 140,608 |
| Interest receivable | 690 | – | 690 | 1,217 | – | 1,217 |
| **Total assets** | **46,650** | **82,391** | **129,041** | **33,479** | **112,798** | **146,277** |
| **Liabilities** | | | | | | |
| Management fee payable | – | – | – | 650 | – | 650 |
| Trustee fees payable | 50 | – | 50 | 55 | – | 55 |
| Distributions payable | 403 | – | 403 | 456 | – | 456 |
| Other payables | 421 | – | 421 | 466 | – | 466 |
| **Total liabilities** | **874** | **–** | **874** | **1,627** | **–** | **1,627** |

**13. Related party transactions and balances**

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses from these transactions are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Other related parties | **–** | **184** |
| **Liabilities** | | |
| Sponsor company | **–** | **650** |
| **Unitholders' balances** | | |
| Sponsor company | 1,295 | 1,295 |
| Other related parties | 63,091 | 65,578 |
| | **64,386** | **66,873** |
| **Income** | | |
| Other related parties | **–** | **15** |
| **Expenses** | | |
| Sponsor company | **–** | **6,150** |
| **Distributions** | | |
| Sponsor company | 16 | 16 |
| Other related parties | 788 | 824 |
| | **804** | **840** |

**14. Fund management**

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short-term borrowings or disposal of investment securities where necessary.

The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

**15. Commitments and contingencies**

The Fund has no capital commitments nor any contingencies for the years ended 31 December 2022 and 31 December 2021.

As Sponsor, ANSA Merchant Bank Limited will guarantee a 100% return of the principal invested in Units of the Fund by investors subject to a minimum period of investment provided that and so long as ANSA Merchant Bank Limited is the Investment Manager.

ansa MERCHANT BANK LIMITED

# ANSA US$ SECURED FUND

# FUND FACTS

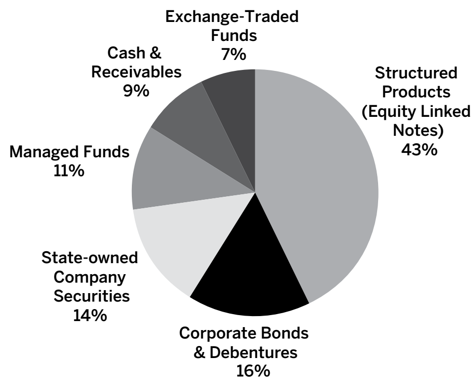
## TOP 10 HOLDINGS - DECEMBER 31, 2022

| SECURITY | % OF PORTFOLIO |
|---|---|
| CITIGROUP GLOBAL MARKET FUND 9.1% DUE 2024 | 25.59% |
| MORGAN STANLEY EQUITY LINKED NOTE 8.25% DUE 2026 | 20.62% |
| CAL FIXED RATE LOAN 5.875% USD64.2M DUE 2029 | 10.31% |
| BARCLAYS BANK PLC EQUITY LINKED NOTE 7.5% DUE 2024 | 9.62% |
| GENERAL MOTORS 4% DUE 2025 | 8.52% |
| CARIBBEAN AIRLINES INVESTMENT STRIP DUE 2023 | 8.11% |
| AES GENER SA 5.00% DUE 2025 | 6.87% |
| AMERICAN ELECTRIC POWER COMPANY 2.031% DUE 2024 | 6.87% |
| HSBC BANK PLC 9.00% DUE 2024 | 1.72% |
| PIMCO INVESTMENT GRADE CREDIT FUND | 1.40% |

## CUMULATIVE RETURNS AS AT DECEMBER 31, 2022

| | |
|---|---|
| 12 month | 1.00% |
| 3 Year | 3.03% |
| 5 Year | 5.10% |
| Since Inception | 20.30% |

## ASSET MIX 2022:




## HISTORICAL PERFORMANCE

| | |
|---|---|
| 2013 | 1.56% |
| 2014 | 1.13% |
| 2015 | 1.00% |
| 2016 | 1.00% |
| 2017 | 1.00% |
| 2018 | 1.00% |
| 2019 | 1.00% |
| 2020 | 1.00% |
| 2021 | 1.00% |
| 2022 | 1.00% |

EY Building a better working world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## INDEPENDENT AUDITOR'S REPORT

**TO THE UNITHOLDERS OF ANSA US$ SECURED FUND**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of ANSA US$ Secured Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive (loss)/ income, statement of changes in Unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

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

**Responsibilities of Management and Trustee for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Fund'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 Fund'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 Fund 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 the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Port of Spain,

TRINIDAD:

16 March 2023

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 4 | 899 | 302 |
| Investment securities | 5 | 8,887 | 11,287 |
| Interest receivable | | 40 | 66 |
| **Total assets** | | 9,826 | 11,655 |
| **Liabilities** | | | |
| Management fee payable | | – | 100 |
| Trustee fees payable | | 4 | 4 |
| Distributions payable | | 78 | 81 |
| Other payables | | 3 | 8 |
| **Total liabilities** | | 85 | 193 |
| **Net assets** | | **9,741** | **11,462** |
| **Unitholders' Capital** | | | |
| Unitholders' balances | 6 | 9,845 | 11,385 |
| Retained fund (deficit)/surplus | | (104) | 77 |
| | | **9,741** | **11,462** |

The financial statements were approved by the Trustee and authorised for issue on 16 March 2023 and signed on their behalf by:

: Trustee

: Trustee

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Income** | | | |
| Interest and dividend income | 7 | 466 | 582 |
| Other gains | | 2 | 1 |
| Impairment write back/(expense) | | 7 | (6) |
| **Total income** | | 475 | 577 |
| **Expenses** | | | |
| Net realised and unrealised (losses)/gains on investment securities | 8 | (536) | 69 |
| Management fees | 9 | – | (500) |
| Trustee fees | 9 | (16) | (18) |
| Other expenses | | (7) | (26) |
| **Total expenses** | | (559) | (475) |
| **Total comprehensive (loss)/income for the year** | | **(84)** | **102** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Unitholders' balances | Retained fund surplus/(deficit) | Total |
|---|---|---|---|
| **Balance as at 1 January 2021** | 13,325 | 80 | 13,405 |
| Total comprehensive income for the year | – | 102 | 102 |
| Redemption of units | (1,940) | – | (1,940) |
| Distribution to Unitholders | – | (105) | (105) |
| **Balance as at 31 December 2021** | 11,385 | 77 | 11,462 |
| Total comprehensive loss for the year | – | (84) | (84) |
| Redemption of units | (1,540) | – | (1,540) |
| Distribution to Unitholders | – | (97) | (97) |
| **Balance as at 31 December 2022** | **9,845** | **(104)** | **9,741** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total comprehensive (loss)/income for the year | | (84) | 102 |
| Adjustments: | | | |
| Interest capitalised | | (19) | (10) |
| Impairment (write back)/expense | | (7) | 6 |
| Amortisation on investment securities | | 18 | 36 |
| Unrealised losses on investment securities | 8 | 398 | (40) |
| Losses/(gains) on sale of investment securities | 8 | 138 | (29) |
| Surplus before working capital changes | | 444 | 65 |
| Changes in assets/liabilities: | | | |
| Decrease in interest receivable | | 26 | 24 |
| (Decrease)/increase in payables | | (108) | 93 |
| Net cash flows provided by operating activities | | 362 | 182 |
| **Cash flows from investing activities** | | | |
| Purchase of investments | | (1,098) | (6,852) |
| Proceeds from maturity/sale of investments | | 2,970 | 3,258 |
| Net cash flows provided by/(used in) investing activities | | 1,872 | (3,594) |
| **Cash flows from financing activities** | | | |
| Redemption of units | | (1,540) | (1,940) |
| Distribution to Unitholders | | (97) | (105) |
| Net cash flows used in financing activities | | (1,637) | (2,045) |
| Net increase/(decrease) in cash and cash equivalents | | 597 | (5,457) |
| Cash and cash equivalents at the beginning of the year | | 302 | 5,759 |
| Cash and cash equivalents at the end of the year | 4 | **899** | **302** |
| **Supplemental information:** | | | |
| Interest received | | 510 | 633 |
| Distributions paid | | 100 | 112 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in thousands of Trinidad and Tobago dollars)

### 1. Description of the Fund

The following brief description of the ANSA US$ Secured Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

**General**

The Fund is an open-ended mutual fund registered in Trinidad and Tobago, established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 1 September 2007. The Bank whose registered address is 11c Maraval Road, Port of Spain, Trinidad and Tobago is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital values.

It is the objective of the Fund to maintain a price of US$200 per Unit.

The Fund's capital is made up of two classes of Units. Class A Units which will be issued to investors pursuant to the terms of the Prospectus and the Trust Deed and the Class B Units which will be issued to the Fund Sponsor (ANSA Merchant Bank Limited).

The Class B Unitholder is not entitled to receive any dividends and has no rights to the Fund's assets upon termination of the Fund, save and except for its original investment and any accretion thereto.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund. Voting by Class A Unitholders takes place at meetings which may be convened annually by the Trustee or which may be called by the Trustee at the request of a Unitholder or Unitholders holding not less than 25% of the outstanding units of the Fund.

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee; and

(ii) sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory or official requirement; or (c) is made to correct a manifest error.

The Bank has guaranteed 100% return of the principal invested in the Fund (not including distributions which have been re-invested in units) subject to a minimum period of investment, and a fixed minimum yield on the units held subject to a defined period of time established at the time of purchase. All initially invested units in the Fund have met the minimum period of investment for the principal guarantee and all units are beyond the definite period of time for the fixed minimum yield and are therefore not subject to the fixed minimum yield.

The Trustee of the Fund is FirstCaribbean International Bank (Trinidad & Tobago) Limited.

As at 30 June 2009, subscriptions to the Fund were suspended as a result of the prevailing market conditions. This was carried out in line with the provisions set out in the prospectus.

**2. Significant accounting policies**

**i) Basis of preparation**

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest (SPPI).

The financial statements are presented in United States Dollars (USD) which is the functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

**Statement of compliance**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Presentation of financial statements**

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

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

**ii) Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2021 except for the adoption of new standards and interpretations noted below.

***New and amended standards and interpretations***

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Fund. These are described in more detail below. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard or amendment is described below:

**IFRS 3 – 'Business Combinations' Amendments – Reference to the Conceptual Framework – Effective 1 January 2022**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The amendments must be applied prospectively. Earlier application is permitted.

These amendments had no impact on the Fund.

**IAS 16 – 'Property, Plant and Equipment' Amendments – Proceeds before Intended Use – Effective 1 January 2022**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

These amendments had no impact on the Fund.

**IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets' Amendments – Onerous Contracts – Costs of Fulfilling a Contract – Effective 1 January 2022**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

These amendments had no impact on the Fund.

***Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' – Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – Effective 1 January 2023
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Amendments to IAS 8 – Definition of Accounting Estimates – Effective 1 January 2023
- IAS 12 'Income Taxes' – Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Effective 1 January 2023
- IFRS 17 'Insurance Contracts' – Effective 1 January 2023
- IAS 1 'Presentation of Financial Statements' – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current – Effective 1 January 2024
- IFRS 16 'Leases' – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback – Effective 1 January 2024

**Improvements to International Financial Reporting Standards**

The annual improvement process of the International Accounting Standards Board deals with non-urgent, but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after 1 January 2022, but have resulted in no material change to the Fund's financial statements.

| IFRS | Subject of Amendment |
|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter |
| IFRS 9 | Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities |
| IFRS 41 | Agriculture – Taxation in fair value measurements |

**iii) Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short- term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

**iv) Financial instruments**

**Financial assets**

***a. Initial recognition and subsequent measurement***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Amortised cost and effective interest method*

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding ("the SPPI test").

*Financial assets at fair value through statement of income (FVSI)*

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as at FVSI.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of comprehensive income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - Revenue and is included in the net gain or loss described above.

*Foreign exchange gains and losses*

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

***b. Impairment of financial assets***

The Fund records an allowance for expected credit losses (ECLs) for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

**2. Significant accounting policies** (continued)

**iv) Financial instruments** (continued)

**Financial assets** (continued)

***b. Impairment of financial assets*** (continued)

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

*Significant increase in credit risk*

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list, to non- investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

*Definition of default and cure*

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

*Calculation of Expected Credit Losses (ECLs)*

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

*Probability of Default (PD):*

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

*Exposure at Default (EAD):*

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

*Loss Given Default (LGD):*

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

*Forward-looking information*

In its ECL models, the Fund relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

*Stage 1*

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

*Stage 2*

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

*Stage 3*

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the LTECLs for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

***c. Derecognition of financial assets***

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

**Financial liabilities**

***a. Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Fund's financial liabilities include fees payable, distributions payable, amounts due to related parties and other payables.

***b. Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**v) Fair valuation of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business at the end of the reporting period for listed instruments.

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Fund would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

*Short-term financial assets and liabilities*

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fee payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

*Investment securities*

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration using the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

**2. Significant accounting policies** (continued)

**v) Fair valuation of financial instruments** (continued)

*Determination of fair value and fair values hierarchy*

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**vi) Revenue recognition**

Revenue for the Fund is generated from interest as well as dividend income on investments held on behalf of the unitholders.

*The effective interest rate method*

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

*Investment income*

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVSI is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through statement of income, respectively.

*Dividend income*

Dividend income is recognised when the Fund's right to receive payment is established.

*Other income and expenditure*

Other income and expenditure are brought into account on the accruals basis.

**vii) Subscriptions and redemptions**

Subscriptions and redemptions are accounted for on the accruals basis. Subscriptions and redemptions to the Fund are made by investors at a price of $200 per unit. Units may be subscribed at a minimum initial value of $5,000 and thereafter, the minimum amount of an additional investment is $500 in value, except in the instance of reinvestment of distributions. There are no limits as to the number of units that can be redeemed at any one time.

**viii) Expenses**

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and distribution fees. Audit fees are included within other expenses.

**ix) Distributions to Unitholders**

Distributions to Unitholders are recognised when they are ratified by the Trustee and are paid out quarterly.

**x) Taxation**

With respect to dividends which are derived locally, no income tax is payable by residents of Trinidad and Tobago.

**xi) Functional and presentation currency**

The Fund's functional currency is the United States Dollar (USD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in USD. Therefore, the USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the USD.

**xii) Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are expressed in United States dollars at rates of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

**xiii) Unitholders' Capital**

*Classification of redeemable shares*

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable Unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

**3. Significant accounting judgements and estimates**

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties includes:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

**i) Judgement**

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

*Impairment of financial assets*

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macro-economic scenarios and economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models

**ii) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

*Valuation of investments*

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

(EXPRESSED IN UNITED STATES DOLLARS)

**4. Cash and cash equivalents**

| | 2022 | 2021 |
|---|---|---|
| Cash at bank | 625 | 110 |
| Short-term funds | 274 | 192 |
| | **899** | **302** |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rate.

**5. Investment securities**

| | 2022 | 2021 |
|---|---|---|
| Investment securities designated at fair value through statement of income | 1,794 | 3,637 |
| Investment securities designated at amortised cost | 7,093 | 7,650 |
| **Total investment securities** | **8,887** | **11,287** |
| **Investment securities designated at fair value through statement of income** | | |
| Managed Funds | 1,794 | 3,637 |
| | **1,794** | **3,637** |
| **Investment securities designated at amortised cost** | | |
| State-owned company securities | 1,339 | 1,327 |
| Corporate bonds and debentures | 5,754 | 6,323 |
| | **7,093** | **7,650** |

***Impairment allowance for investment securities***

The table below shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

**Investment securities measured at amortised cost**

| | Stage 1 | Stage 2 | Total |
|---|---|---|---|
| Gross carrying amount as at 31 December 2022 | 7,144 | – | 7,144 |
| ECL allowance as at 31 December 2022 | (51) | – | (51) |
| **Net exposure as at 31 December 2022** | **7,093** | **–** | **7,093** |
| ECL allowance as at 1 January 2022 | (39) | (19) | (58) |
| Other credit loss movements, repayments etc. | 5 | 28 | 33 |
| Credit loss expense | (17) | (9) | (26) |
| **At 31 December 2022** | **(51)** | **–** | **(51)** |
| Gross carrying amount as at 31 December 2021 | 7,618 | 90 | 7,708 |
| ECL allowance as at 31 December 2021 | (39) | (19) | (58) |
| **Net exposure as at 31 December 2021** | **7,579** | **71** | **7,650** |
| ECL allowance as at 1 January 2021 | (29) | (19) | (48) |
| Other credit loss movements, repayments etc. | (15) | 15 | – |
| Credit loss income/(expense) | 5 | (15) | (10) |
| **At 31 December 2021** | **(39)** | **(19)** | **(58)** |

**6. Unitholders' balances**

| | 2022 | 2021 |
|---|---|---|
| Authorised: | | |
| Unlimited number of units | | |
| *Reconciliation of Unitholders' balances:* | | |
| Units outstanding at the beginning of the year | 56,926 | 66,627 |
| Units redeemed | (7,701) | (9,701) |
| **Units outstanding at the end of the year** | **49,225** | **56,926** |
| Guaranteed net asset value per unit | 200 | 200 |
| **Total Unitholders' balances** | **9,845** | **11,385** |

**7. Interest and Dividend income**

| | 2022 | 2021 |
|---|---|---|
| Interest income from financial assets measured amortised cost | 379 | 500 |
| Dividend income | 87 | 82 |
| | **466** | **582** |

**8. Net realised and unrealised (losses)/gains on investment securities**

| | 2022 | 2021 |
|---|---|---|
| Realised (losses)/gains on sale of investment securities | (138) | 29 |
| Unrealised (losses)/gains on investments held at year end designated at fair value through statement of income | (398) | 40 |
| | (536) | 69 |

**9. Fees**

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter, pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 5.50% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.15% on the average net asset value and such fee shall be subject to a minimum annual fee of TT$10,000, exclusive of VAT.

| | 2022 | 2021 |
|---|---|---|
| Management fees | – | 500 |
| Trustee fees | 16 | 18 |
| | **16** | **518** |

**10. Fair value of financial instruments**

**(i) Carrying amounts and fair values**

The following table summarizes the carrying amounts and fair values of the Fund's financial assets and liabilities as at 31 December.

| | Carrying values | Fair values | Unrecognised (loss)/gain |
|---|---|---|---|
| **2022** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 899 | 899 | – |
| Investment securities | 8,887 | 8,560 | (327) |
| Interest receivable | 40 | 40 | – |
| **Total financial assets** | **9,826** | **9,499** | **(327)** |
| **Financial liabilities** | | | |
| Trustee fees payable | 4 | 4 | – |
| Distributions payable | 78 | 78 | – |
| Other payables | 3 | 3 | – |
| **Total financial liabilities** | **85** | **85** | **–** |
| **2021** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 302 | 302 | – |
| Investment securities | 11,287 | 11,796 | 509 |
| Interest receivable | 66 | 66 | – |
| **Total financial assets** | **11,655** | **12,164** | **509** |
| **Financial liabilities** | | | |
| Management fee payable | 100 | 100 | – |
| Trustee fees payable | 4 | 4 | – |
| Distributions payable | 81 | 81 | – |
| Other payables | 8 | 8 | – |
| **Total financial liabilities** | **193** | **193** | **–** |

**(ii) Determination of fair value and fair value hierarchies**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | | |
| State-owned company securities | – | 1,318 | – | 1,318 |
| Corporate bonds and debentures | 1,553 | 3,679 | 216 | 5,448 |
| | **1,553** | **4,997** | **216** | **6,766** |
| **Investment securities designated at fair value through statement of income** | | | | |
| Managed Funds | 699 | 1,095 | – | 1,794 |
| | **699** | **1,095** | **–** | **1,794** |
| **2021** | | | | |
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | | |
| State-owned company securities | – | 1,393 | – | 1,393 |
| Corporate bonds and debentures | 2,156 | 4,277 | 333 | 6,766 |
| | **2,156** | **5,670** | **333** | **8,159** |
| **Investment securities designated at fair value through statement of income** | | | | |
| Managed Funds | 2,303 | 1,334 | – | 3,637 |
| | **2,303** | **1,334** | **–** | **3,637** |

**Description of significant unobservable inputs to valuation:**

| | Valuation technique | Significant unobservable inputs | Range (weighted average) | Sensitivity of the input to fair value |
|---|---|---|---|---|
| Unquoted securities | Discounted cashflows | Rate of return | 5.5% to 12.00% | 2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by 229/($229) |

**(iii) Transfers between Level 1 and 2**

For the years ended 31 December 2022 and 31 December 2021, there were no transfer of assets between Level 1 and Level 2.

**(iv) Movements in Level 3 financial instruments**

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 333 | 648 |
| Losses recognised | (117) | (315) |
| Balance at 31 December | **216** | **333** |

**11. Risk management**

**Introduction**

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. It is exposed to credit risk, liquidity risk and market risk.

**Role of the Trustee**

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

**11. Risk management** (continued)

**Risk management structure**

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

**Treasury management**

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

**Concentrations of risk**

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

**Credit risk management**

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk largely arises from its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

**Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

The following table shows the maximum exposure to credit risk which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

| | Gross maximum exposure | |
|---|---|---|
| | **2022** | **2021** |
| Cash and cash equivalents | 899 | 302 |
| Interest receivable | 40 | 66 |
| Investment securities | 8,887 | 11,287 |
| | **9,826** | **11,655** |

**Cash and cash equivalents**

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be low.

**Credit quality**

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

**Investment debt securities**

The credit quality of investment securities has been analysed into the following categories:

| | |
|---|---|
| High grade | These include regional sovereign debt securities issued directly or through state-intermediary bodies where there has been no history of default. |
| Standard | These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies. |
| Sub- standard | These securities are greater than 90 days in arrears display indicators of impairment or have been restructured in the past financial year. |
| Impaired | These securities are non-performing. |

| | High grade | Standard | Total |
|---|---|---|---|
| **2022** | | | |
| Investment securities designated at at amortised cost | 1,339 | 5,754 | 7,093 |
| Investment securities designated at fair value through statement of income | 1,794 | – | 1,794 |
| | **3,133** | **5,754** | **8,887** |
| **2021** | | | |
| Investment securities designated at amortised cost | 755 | 6,895 | 7,650 |
| Investment securities designated at fair value through statement of income | 3,637 | – | 3,637 |
| | **4,392** | **6,895** | **11,287** |

There were no investment debt securities classified as sub-standard or impaired for the years ended 31 December 2022 and 31 December 2021.

**Currency risk**

As at 31 December 2022 and 31 December 2021, all of the Fund's assets and liabilities are denominated in United States Dollars and therefore the Fund has no exposure to foreign currency risk.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

There was no impact of interest rate risk to the Fund as no floating rate non-trading financial assets and financial liabilities were held in 2022 and 2021.

**Liquidity risk**

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

| | Up to one year | Over one year | Total |
|---|---|---|---|
| **2022** | | | |
| **Financial liabilities** | | | |
| Trustee fees payable | 4 | – | 4 |
| Distributions payable | 78 | – | 78 |
| Other payables | 3 | – | 3 |
| **Total financial liabilities** | **85** | **–** | **85** |
| **2021** | | | |
| **Financial liabilities** | | | |
| Management fees payable | 100 | – | 100 |
| Trustee fees payable | 4 | – | 4 |
| Distributions payable | 81 | – | 81 |
| Other payables | 8 | – | 8 |
| **Total financial liabilities** | **193** | **–** | **193** |

**Equity price risk**

Equity price risk is the risk that the fair value of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio.

There was no impact of equity price risk to the Fund as no equities were held in 2022 and 2021.

**12. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | Over 12 months | Total | Less than 12 months | Over 12 months | Total |
| **Assets** | | | | | | |
| Cash and cash equivalents | 899 | – | 899 | 302 | – | 302 |
| Investment securities | 2,380 | 6,507 | 8,887 | 3,713 | 7,574 | 11,287 |
| Interest receivable | 40 | – | 40 | 66 | – | 66 |
| **Total assets** | **3,319** | **6,507** | **9,826** | **4,081** | **7,574** | **11,655** |
| **Liabilities** | | | | | | |
| Management fee payable | – | – | – | 100 | – | 100 |
| Trustee fees payable | 4 | – | 4 | 4 | – | 4 |
| Distributions payable | 78 | – | 78 | 81 | – | 81 |
| Other payables | 3 | – | 3 | 8 | – | 8 |
| **Total liabilities** | **85** | **–** | **85** | **193** | **–** | **193** |

**13. Related party transactions and balances**

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses from these transactions are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Other related parties | – | 91 |
| **Liabilities** | | |
| Sponsor company | – | 100 |
| **Unitholders' balances** | | |
| Sponsor company | 1,000 | 1,000 |
| Directors and key management personnel | – | 23 |
| Other related parties | 694 | 694 |
| | **1,694** | **1,717** |
| **Income** | | |
| Other related parties | – | 1 |
| **Expenses** | | |
| Sponsor company | – | 500 |
| **Distributions** | | |
| Other related parties | 7 | 7 |

**14. Fund management**

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short-term borrowings or disposal of investment securities where necessary.

The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

**15. Commitments and contingencies**

The Fund has no capital commitments nor any contingencies for the years ended 31 December 2022 and 31 December 2021.

As Sponsor, ANSA Merchant Bank Limited will guarantee a 100% return of the principal invested in Units of the Fund by investors subject to a minimum period of investment provided that and so long as ANSA Merchant Bank Limited is the Investment Manager.

# ANSA TT$ INCOME FUND

# FUND FACTS

MERCHANT BANK LIMITED

TT$ INCOME FUND

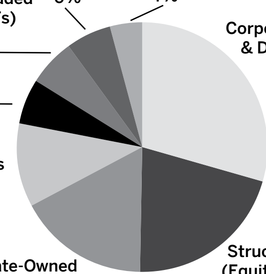
## TOP 10 HOLDINGS - DECEMBER 31, 2022

| SECURITY | % OF PORTFOLIO |
|---|---|
| BARCLAYS BANK PLC EQUITY LINKED NOTE 7.5% DUE 2024 | 6.80% |
| MORGAN STANLEY 8.25% EQUITY LINKED NOTE DUE 2029 | 6.26% |
| CITIGROUP GLOBAL MARKET FUND 9.1% DUE 2024 | 6.25% |
| WASA ZERO COUPON DUE 2023 | 6.21% |
| PIMCO INVESTMENT GRADE CREDIT FUND | 5.67% |
| GUARDIAN HOLDINGS LIMITED 4.83% DUE 2028 | 4.44% |
| TRINIDAD AND TOBAGO NATURAL GAS LIMITED EQUITY SHARES | 3.72% |
| NIPDEC FRB 5.15% DUE 2025 | 3.56% |
| FIRST CITIZENS BANK LIMITED FRB 4.25% DUE 2023 | 3.31% |
| CLICO INVESTMENT FUND SHARES | 3.02% |

## CUMULATIVE RETURNS AS AT DECEMBER 31, 2022

| | |
|---|---|
| 12 month | -0.88% |
| 3 Year | 5.14% |
| 5 Year | 12.18% |
| Since Inception | 34.56% |

## ASSET MIX 2022:




## HISTORICAL PERFORMANCE

| | |
|---|---|
| 2013 | 4.98% |
| 2014 | 1.23% |
| 2015 | -0.71% |
| 2016 | 2.59% |
| 2017 | 3.76% |
| 2018 | 2.11% |
| 2019 | 4.70% |
| 2020 | 1.77% |
| 2021 | 4.21% |
| 2022 | -0.88% |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## INDEPENDENT AUDITOR'S REPORT

**TO THE UNITHOLDERS OF ANSA TT$ INCOME FUND**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of ANSA TT$ Income Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive (loss)/ income, statement of changes in Unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

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

**Responsibilities of Management and Trustee for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Fund'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 Fund'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 Fund 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 the Trustee 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.

EY

Port of Spain,

TRINIDAD:

16 March 2023

# ANSA TT$ INCOME FUND

**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(Expressed in Thousands of Trinidad and Tobago Dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 4 | 16,499 | 14,242 |
| Interest receivable | | 2,111 | 2,672 |
| Investment securities | 5 | 387,663 | 399,370 |
| Other receivables | | – | 903 |
| **Total assets** | | 406,273 | 417,187 |
| **Liabilities** | | | |
| Management fee payable | | 562 | 730 |
| Trustee fees payable | | 156 | 151 |
| Distributions payable | | 108 | 157 |
| Other payables | | 35 | 10,066 |
| **Total liabilities** | | 861 | 11,104 |
| **Net assets** | | **405,412** | **406,083** |
| **Unitholders' Capital** | | | |
| Unitholders' balances at par | 6 | 370,515 | 355,875 |
| Capital (deficit)/reserve | | (151) | 19 |
| Retained fund surplus | | 35,048 | 50,189 |
| | | **405,412** | **406,083** |

The financial statements were approved by the Trustee and authorised for issue on 16 March 2023 and signed on their behalf by:

: Trustee

: Trustee

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Trinidad and Tobago Dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Income** | | | |
| Interest and dividend income | 7 | 15,319 | 17,541 |
| **Total income** | | 15,319 | 17,541 |
| **Expenses** | | | |
| Net realised and unrealised (losses)/gains on investment securities | 8 | (15,884) | 9,944 |
| Net foreign exchange translation and other (losses)/gains | | (686) | 233 |
| Impairment (expense)/write back | | (855) | 168 |
| Management fees | 9 | (7,165) | (7,067) |
| Trustee fees | 9 | (634) | (591) |
| Other expenses | | (159) | (391) |
| **Total expenses** | | (25,383) | 2,296 |
| **Total (expense)/income for the year** | | **(10,064)** | **19,837** |
| **Other comprehensive loss that may be reclassified subsequently to profit and loss** | | | |
| *Debt instruments at fair value through other comprehensive income* | | | |
| Net change in fair value during the year | | (170) | (44) |
| Changes in allowance for expected credit losses | | 69 | (129) |
| | | (101) | (173) |
| **Total comprehensive (loss)/income for the year** | | **(10,165)** | **19,664** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Trinidad and Tobago Dollars)

| | Note | Unitholders' balances at par | Retained fund surplus | Capital reserve/(deficit) | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | | 346,038 | 36,098 | 63 | 382,199 |
| Issue of units | 6 | 40,863 | – | – | 40,863 |
| Redemption of units | 6 | (29,827) | – | – | (29,827) |
| Distribution to Unitholders | | – | (6,816) | – | (6,816) |
| Unitholders' transfer of gains | 6 | (1,199) | 1,199 | – | – |
| Revaluation of FVOCI investments | | – | (129) | (44) | (173) |
| Total income for the year | | – | 19,837 | – | 19,837 |
| **Balance as at 31 December 2021** | | 355,875 | 50,189 | 19 | 406,083 |
| Issue of units | 6 | 87,832 | – | – | 87,832 |
| Redemption of units | 6 | (70,977) | – | – | (70,977) |
| Distribution to Unitholders | | – | (7,361) | – | (7,361) |
| Unitholders' transfer of gains | 6 | (2,215) | 2,215 | – | – |
| Revaluation of FVOCI investments | | – | 69 | (170) | (101) |
| Total loss for the year | | – | (10,064) | – | (10,064) |
| **Balance as at 31 December 2022** | | **370,515** | **35,048** | **(151)** | **405,412** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Trinidad and Tobago Dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total (expense)/income for the year | | (10,064) | 19,837 |
| Adjustments: | | | |
| Interest capitalised | | (294) | (86) |
| Impairment expense/(write back) | | 855 | (168) |
| Amortisation on investment securities | | 753 | 530 |
| Unrealised losses/(gains) on investment securities | 8 | 14,353 | (9,087) |
| Losses/(gains) on sale of investment securities | 8 | 1,531 | (857) |
| Foreign exchange losses/(gains) | | 105 | (694) |
| Surplus before working capital changes | | 7,239 | 9,475 |
| Changes in assets/liabilities: | | | |
| Decrease/(increase) in interest and other receivables | | 1,464 | (605) |
| (Decrease)/increase in payables | | (10,243) | 9,539 |
| Net cash flows (used in)/provided by operating activities | | (1,540) | 18,409 |
| **Cash flows from investing activities** | | | |
| Purchase of investments | | (95,724) | (158,527) |
| Proceeds from maturity/sale of investments | | 90,027 | 103,574 |
| Net cash flows used in investing activities | | (5,697) | (54,953) |
| **Cash flows from financing activities** | | | |
| Issue of units | 6 | 87,832 | 40,863 |
| Redemption of units | 6 | (70,977) | (29,827) |
| Distribution to Unitholders | | (7,361) | (6,816) |
| Net cash flows provided by financing activities | | 9,494 | 4,220 |
| Net increase/(decrease) in cash and cash equivalents | | 2,257 | (32,324) |
| Cash and cash equivalents at the beginning of the year | | 14,242 | 46,566 |
| Cash and cash equivalents at the end of the year | 4 | **16,499** | **14,242** |
| **Supplemental information:** | | | |
| Interest and dividend received | | 16,556 | 17,808 |
| Distributions paid | | 7,313 | 6,810 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of Trinidad and Tobago Dollars)

### 1. Description of the Fund

The following brief description of the ANSA TT$ Income Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

**General**

The Fund is an open-ended mutual fund registered in Trinidad and Tobago, and established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 23 November 2010. The Bank whose registered address is 11C Maraval Road, Port of Spain, Trinidad & Tobago, is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital values.

The Fund may invest in securities and contracts, including sovereign debt, issued in countries other than Trinidad and Tobago, which are expected to provide high income yield and not expected to cause deterioration in capital values.

The Fund's capital is made up of two classes of Units. Class A Units which are issued to investors pursuant to the terms of the Prospectus and the Trust Deed and Class B Units which were issued to the Fund Sponsor (ANSA Merchant Bank Limited).

The Class B Unitholder is not entitled to receive any dividends and has no rights to the Fund's assets upon termination of the Fund, save and except for its original investment and any accretion thereto.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund. Voting by Class A Unitholders takes place at meetings which may be convened annually by the Trustee or which may be called by the Trustee at the request of the Class B Unitholder or a Unitholder(s) holding not less than 25% of the outstanding units of the Fund.

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee; and

(ii) sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory of official requirement; or (c) is made to correct a manifest error.

The Trustee of the Fund is First Citizens Trustee Services Limited.

## 2. Significant accounting policies

### i) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest (SPPI).

The financial statements are presented in Trinidad and Tobago Dollars (TTD) which is the functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

**Statement of compliance**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Presentation of financial statements**

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

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

### ii) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2021 except for the adoption of new standards and interpretations noted below.

***New and amended standards and interpretations***

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Fund. These are described in more detail below. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard or amendment is described below:

**IFRS 3 – 'Business Combinations' Amendments – Reference to the Conceptual Framework – Effective 1 January 2022**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The amendments must be applied prospectively. Earlier application is permitted.

These amendments had no impact on the Fund.

**IAS 16 – 'Property, Plant and Equipment' Amendments – Proceeds before Intended Use – Effective 1 January 2022**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

These amendments had no impact on the Fund.

**IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets' Amendments – Onerous Contracts – Costs of Fulfilling a Contract – Effective 1 January 2022**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

These amendments had no impact on the Fund.

***Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements'– Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – Effective 1 January 2023
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Amendments to IAS 8 – Definition of Accounting Estimates – Effective 1 January 2023
- IAS 12 'Income Taxes'– Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Effective 1 January 2023
- IFRS 17 'Insurance Contracts' – Effective 1 January 2023
- IAS 1 'Presentation of Financial Statements' – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current – Effective 1 January 2024
- IFRS 16 'Leases' – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback – Effective 1 January 2024

**Improvements to International Financial Reporting Standards**

The annual improvement process of the International Accounting Standards Board deals with non-urgent, but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after 1 January 2022, but have resulted in no material change to the Fund's financial statements.

| IFRS | Subject of Amendment |
|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter |
| IFRS 9 | Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities |
| IAS 41 | Agriculture – Taxation in fair value measurements |

### iii) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

### iv) Financial instruments

**Financial assets**

***a. Initial recognition and subsequent measurement***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Amortised cost and effective interest method*

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding ("the SPPI test").

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

*Equity instruments at fair value through other comprehensive income (FVOCI)*

On initial recognition, the Fund can make an irrevocable election (on an instrument-by- instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of re-sale in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the statement of income on disposal of the investments.

*Debt instruments at fair value through other comprehensive income (FVOCI)*

The Fund applies the category under IFRS 9 of debt instruments measured at fair value through other comprehensive income when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- the contractual cash flows of an asset give rise to payments on specified dates that are SPPI on the principal amount outstanding ("the SPPI test").

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The Fund does not have any equity instruments that are carried at FVOCI on initial application of IFRS 9 – Financial Instruments.

*Financial assets at fair value through statement of income (FVSI)*

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon

**2. Significant accounting policies** (continued)

**iv) Financial instruments** (continued)

**Financial assets** (continued)

***a. Initial recognition and subsequent measurement*** (continued)

*Financial assets at fair value through statement of income (FVSI) (continued)*

initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as at FVSI.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of comprehensive income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - Revenue and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income;
- for equity instruments that are designated as at FVOCI, any foreign exchange component is recognised in other comprehensive income;
- for debt instruments that are designated as at FVOCI, any foreign exchange component is recognised in the statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

***b. Impairment of financial assets***

The Fund records an allowance for expected credit losses (ECLs) for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

*Significant increase in credit risk*

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list, to non investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

*Definition of default and cure*

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

*Calculation of Expected Credit Losses (ECLs)*

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

*Probability of Default (PD):*

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

*Exposure at Default (EAD):*

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

*Loss Given Default (LGD):*

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

*Forward-looking information*

In its ECL models, the Fund relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

*Stage 1*

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

*Stage 2*

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

*Stage 3*

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the LTECLs for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

***c. Derecognition of financial assets***

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

**Financial liabilities**

***a. Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Fund's financial liabilities include fees payable, distributions payable, amounts due to related parties and other payables.

***b. Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and

2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

**Financial liabilities** (continued)

***b. Derecognition of financial liabilities*** (continued)

the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

v) **Fair valuation of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business at the end of the reporting period for listed instruments.

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Fund would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

*Short-term financial assets and liabilities*

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fee payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

*Investment securities*

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration employing the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

*Determination of fair value and fair values hierarchy*

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

vi) **Revenue recognition**

Revenue for the Fund is generated from interest as well as dividend income on investments held on behalf of the unitholders.

*The effective interest rate method*

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

*Investment income*

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVSI is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through statement of income, respectively.

*Dividend income*

Dividend income is recognised when the Fund's right to receive payment is established.

*Other income and expenditure*

Other income and expenditure are brought into account on the accruals basis.

vii) **Subscriptions and redemptions**

Subscriptions and redemptions are accounted for at the Net Asset Value calculated on the business day prior to the date of the subscription or redemption. Units may be subscribed at a minimum initial value of $25,000 and thereafter, the minimum amount of an additional investment is $5,000 in value, except in the instance of reinvestment of distributions.

viii) **Expenses**

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and distribution fees. Audit fees are included within other expenses.

ix) **Distributions to Unitholders**

Distributions to Unitholders are recognised when they are ratified by the Trustee and are paid out quarterly.

x) **Taxation**

With respect to dividends which are derived locally, no income tax is payable by residents of Trinidad and Tobago.

xi) **Functional and presentation currency**

The Fund's functional currency is the Trinidad and Tobago Dollar (TTD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in TTD. Therefore, the TTD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the TTD.

xii) **Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago Dollars at rates of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

xiii) **Unitholders' Capital**

Unitholders' subscriptions and redemptions measured at par value are recognised in the 'Unitholders' balance' line in the statement of financial position. The differences between the net asset value (NAV) of the Fund and its par value is recorded in the 'retained fund'.

*Classification of redeemable shares*

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable Unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

## 3. Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties include:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

### i) Judgement

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

*Impairment of financial instruments*

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macro-economic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models

### ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

*Valuation of investments*

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

## 4. Cash and cash equivalents

| | 2022 | 2021 |
|---|---|---|
| Cash at bank | 13,333 | 9,362 |
| Short-term funds | 3,166 | 4,880 |
| | **16,499** | **14,242** |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rate.

## 5. Investment securities

| | 2022 | 2021 |
|---|---|---|
| Investment securities designated at fair value through statement of income | 161,121 | 222,276 |
| Investment securities designated at amortised cost | 204,013 | 171,611 |
| Investment securities designated at fair value through other comprehensive income | 22,529 | 5,483 |
| **Total investment securities** | **387,663** | **399,370** |
| **Investment securities designated at fair value through statement of income** | | |
| Equity securities | 43,310 | 46,316 |
| Managed Funds | 45,629 | 54,711 |
| Government securities | 10,133 | 11,888 |
| State-owned company securities | 45,407 | 47,490 |
| Corporate bonds and debentures | 16,642 | 61,871 |
| | **161,121** | **222,276** |
| **Investment securities designated at amortised cost** | | |
| Government securities | 13,044 | 9,411 |
| State-owned company securities | 54,564 | 42,789 |
| Corporate bonds and debentures | 136,405 | 119,411 |
| | **204,013** | **171,611** |
| **Investment securities designated at fair value through other comprehensive income** | | |
| Government securities | 5,458 | 5,483 |
| Corporate bonds and debentures | 17,071 | – |
| | **22,529** | **5,483** |

***Impairment allowance for investment securities***

The table below shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

**Investment securities designated at amortised cost**

| | Stage 1 | Stage 2 | Total |
|---|---|---|---|
| Gross carrying amount as at 31 December 2022 | 205,185 | – | 205,185 |
| ECL allowance as at 31 December 2022 | (1,172) | – | (1,172) |
| **Net exposure as at 31 December 2022** | **204,013** | **–** | **204,013** |
| ECL allowance as at 1 January 2022 | (400) | (47) | (447) |
| Translation adjustments | 2 | – | 2 |
| ECL on new instruments issued during the year | (5) | – | (5) |
| Credit loss (expense)/income | (769) | 47 | (722) |
| **At 31 December 2022** | **(1,172)** | **–** | **(1,172)** |
| Gross carrying amount as at 31 December 2021 | 171,505 | 553 | 172,058 |
| ECL allowance as at 31 December 2021 | (400) | (47) | (447) |
| **Net exposure as at 31 December 2021** | **171,105** | **506** | **171,611** |
| ECL allowance as at 1 January 2021 | (533) | (45) | (578) |
| Translation adjustments | 1 | – | 1 |
| Other credit loss movements, repayments, etc. | 64 | – | 64 |
| Credit loss income/(expense) | 68 | (2) | 66 |
| **At 31 December 2021** | **(400)** | **(47)** | **(447)** |

**Investment securities designated and measured at FVOCI**

| | Stage 1 | Stage 2 | Total |
|---|---|---|---|
| Gross carrying amount as at 31 December 2022 | 22,529 | – | 22,529 |
| ECL allowance as at 31 December 2022 | (103) | – | (103) |
| **Net exposure as at 31 December 2022** | **22,426** | **–** | **22,426** |
| ECL allowance as at 1 January 2022 | (35) | – | (35) |
| ECL on new instruments issued during the year | (70) | – | (70) |
| Other credit loss movements, repayments etc. | 2 | – | 2 |
| **At 31 December 2022** | **(103)** | **–** | **(103)** |
| Gross carrying amount as at 31 December 2021 | 5,483 | – | 5,483 |
| ECL allowance as at 31 December 2021 | (35) | – | (35) |
| **Net exposure as at 31 December 2021** | **5,448** | **–** | **5,448** |
| ECL allowance as at 1 January 2021 | (36) | – | (36) |
| Other credit loss movements, repayments etc. | 1 | – | 1 |
| **At 31 December 2021** | **(35)** | **–** | **(35)** |

## 6. Unitholders' balances at par

| | Units | $ |
|---|---|---|
| **2022** | | |
| Authorised: | | |
| Unlimited number of units | | |
| *Reconciliation of Unitholders' balances:* | | |
| Units outstanding at the beginning of the year | 711,751 | 355,875 |
| Units issued | 156,718 | 87,832 |
| Units redeemed | (127,438) | (70,977) |
| Value of units above par issued and redeemed in the year | – | (2,215) |
| **Units outstanding at the end of the year (value of units at par)** | **741,031** | **370,515** |
| Unitholders' earnings above par | | 39,586 |
| **Unitholders' balance** | | 410,101 |
| **Net asset value per unit on Unitholders' balance** | | 553.42 |
| Other Unitholder movements | | (4,689) |
| **Total net asset value of fund** | | 405,412 |
| **Adjusted net asset value per unit** | | 547.09 |
| **2021** | | |
| Authorised: | | |
| Unlimited number of units | | |
| *Reconciliation of Unitholders' balances:* | | |
| Units outstanding at the beginning of the year | 692,077 | 346,038 |
| Units issued | 72,956 | 40,863 |
| Units redeemed | (53,282) | (29,827) |
| Value of units above par issued and redeemed in the year | – | (1,199) |
| **Units outstanding at the end of the year (value of units at par)** | **711,751** | 355,875 |
| Unitholders' earnings above par | | 48,643 |
| **Unitholders' balance** | | 404,518 |
| **Net asset value per unit on Unitholders' balance** | | 568.34 |
| Other Unitholder movements | | 1,565 |
| **Total net asset value of fund** | | 406,083 |
| **Adjusted net asset value per unit** | | 570.54 |

## 7. Interest and dividend income

| | 2022 | 2021 |
|---|---|---|
| Interest income from investments designated at fair value through statement of income | 4,799 | 5,305 |
| Interest income from financial assets designated at amortised cost | 7,957 | 10,426 |
| Dividend income | 2,563 | 1,810 |
| | **15,319** | **17,541** |

## 8. Net realised and unrealised (losses)/gains on investment securities

| | 2022 | 2021 |
|---|---|---|
| Realised (losses)/gains on sale of investment securities | (1,531) | 857 |
| Unrealised (losses)/gains on investments held at year end designated at fair value through statement of income | (14,353) | 9,087 |
| | **(15,884)** | **9,944** |

## 9. Fees

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter, pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 4.25% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.15% on the average net asset value and such fee shall be subject to a minimum annual fee of $75,000, exclusive of VAT.

| | 2022 | 2021 |
|---|---|---|
| Management fees | 7,165 | 7,067 |
| Trustee fees | 634 | 591 |
| | **7,799** | **7,658** |

## 10. Fair value of financial instruments

### (i) Carrying amounts and fair values

The following table summarises the carrying amounts and the fair values of the Fund's financial assets and liabilities as at 31 December.

| | Carrying values | Fair values | Unrecognised (loss)/gain |
|---|---|---|---|
| **2022** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 16,499 | 16,499 | – |
| Investment securities | 387,663 | 374,732 | (12,931) |
| Interest receivable | 2,111 | 2,111 | – |
| **Total financial assets** | **406,273** | **393,342** | **(12,931)** |
| **Financial liabilities** | | | |
| Management fee payable | 562 | 562 | – |
| Trustee fees payable | 156 | 156 | – |
| Distributions payable | 108 | 108 | – |
| Other payables | 35 | 35 | – |
| **Total financial liabilities** | **861** | **861** | **–** |
| **2021** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 14,242 | 14,242 | – |
| Investment securities | 399,370 | 399,810 | 440 |
| Interest receivable | 2,672 | 2,672 | – |
| Other receivables | 903 | 903 | – |
| **Total financial assets** | **417,187** | **417,627** | **440** |
| **Financial liabilities** | | | |
| Management fee payable | 730 | 730 | – |
| Trustee fees payable | 151 | 151 | – |
| Distributions payable | 157 | 157 | – |
| Other payables | 10,066 | 10,066 | – |
| **Total financial liabilities** | **11,104** | **11,104** | **–** |

### (ii) Determination of fair value and fair value hierarchies

| 2022 | Level 1 | Level 2 | Total |
|---|---|---|---|
| **Investment securities designated at fair value through statement of income** | | | |
| Equity securities | 43,310 | – | 43,310 |
| Managed Funds | 22,568 | 23,061 | 45,629 |
| Government securities | 5,319 | 4,814 | 10,133 |
| State-owned company securities | – | 45,407 | 45,407 |
| Corporate bonds and debentures | 13,306 | 3,336 | 16,642 |
| | **84,503** | **76,618** | **161,121** |
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | |
| Government securities | 2,940 | 10,023 | 12,963 |
| State-owned company securities | – | 55,085 | 55,085 |
| Corporate bonds and debentures | 11,858 | 111,176 | 123,034 |
| | **14,798** | **176,284** | **191,082** |
| **Investment securities designated at fair value through other comprehensive income** | | | |
| Government securities | – | 5,458 | 5,458 |
| Corporate bonds and debentures | 17,071 | – | 17,071 |
| | **17,071** | **5,458** | **22,529** |

| 2021 | Level 1 | Level 2 | Total |
|---|---|---|---|
| **Investment securities designated at fair value through statement of income** | | | |
| Equity securities | 46,316 | – | 46,316 |
| Managed Funds | 27,426 | 27,285 | 54,711 |
| Government securities | 5,331 | 6,557 | 11,888 |
| State-owned company securities | – | 47,490 | 47,490 |
| Corporate bonds and debentures | 58,247 | 3,624 | 61,871 |
| | **137,320** | **84,956** | **222,276** |
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | |
| Government securities | – | 8,804 | 8,804 |
| State-owned company securities | – | 43,400 | 43,400 |
| Corporate bonds and debentures | 15,870 | 103,977 | 119,847 |
| | **15,870** | **156,181** | **172,051** |
| **Investment securities designated at fair value through other comprehensive income** | | | |
| Government securities | – | 5,483 | 5,483 |
| | **–** | **5,483** | **5,483** |

### (iii) Transfers between Level 1 and 2

For the years ended 31 December 2022 and 31 December 2021, there were no transfer of assets between Level 1 and Level 2.

### (iv) Movements in Level 3 financial instruments

For the years ended 31 December 2022 and 31 December 2021, there were no Level 3 financial instruments.

## 11. Risk management

### Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk.

### Role of the Trustee

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

### Risk management structure

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

### Treasury management

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

### Concentrations of risk

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

### Credit risk management

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk is limited to the value of its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

### Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

The following table shows the maximum exposure to credit risk which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

| | Gross maximum exposure 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | 16,499 | 14,242 |
| Interest receivable | 2,111 | 2,672 |
| Investment securities | 344,353 | 353,054 |
| Other receivables | – | 903 |
| | 362,963 | 370,871 |

**11. Risk management** (continued)

**Cash and cash equivalents**

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be very low.

**Credit quality**

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

**Investment debt securities**

The credit quality of investment debt securities has been analysed into the following categories:

| | |
|---|---|
| High grade | These comprise of regional sovereign debt securities issued directly or through state-intermediary bodies where there have been no history of default. |
| Standard | These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies. |
| Sub-standard | These securities are greater than 90 days in arrears, display indicators of impairment or have been restructured in the past financial year. |
| Impaired | These securities are non-performing. |

| 2022 | High grade | Standard | Total |
|---|---|---|---|
| Investment securities designated at fair value through statement of income | 101,169 | 16,642 | 117,811 |
| Investment securities designated at amortised cost | 67,608 | 136,405 | 204,013 |
| Investment securities designated at fair value through other comprehensive income | 5,458 | 17,071 | 22,529 |
| | **174,235** | **170,118** | **344,353** |
| **2021** | | | |
| Investment securities designated at fair value through statement of income | 123,050 | 52,910 | 175,960 |
| Investment securities designated at amortised cost | 66,300 | 105,311 | 171,611 |
| Investment securities designated at fair value through other comprehensive income | 5,483 | – | 5,483 |
| | **194,833** | **158,221** | **353,054** |

There were no investment debt securities classified as sub-standard or impaired for the years ended 31 December 2022 and 31 December 2021.

**Currency risk**

The Fund takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its statements of financial position and cash flows. The Bank in its capacity as Investment Manager sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Fund's exposure to foreign currency exchange rate risk at 31 December, arising primarily from monetary financial assets denominated in US Dollars. The Fund had no financial liabilities denominated in currencies other than the reporting currency.

The final line of the table, illustrates the effect of a reasonably possible movement of the USD against the TTD, with all other variables held constant on the statement of comprehensive income.

| | USD 2022 | USD 2021 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 3,166 | 4,880 |
| Investment securities | 225,716 | 225,818 |
| Interest receivables | 1,166 | 1,271 |
| Other receivables | – | 903 |
| **Net currency risk exposure** | **230,048** | **232,872** |
| Reasonably possible change in currency rate | 5% | 5% |
| **Effect on income for the year** | **11,502** | **11,644** |

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

There was no impact of interest rate risk to the fund as no floating rate non-trading financial assets and liabilities were held in 2021 and 2022.

**Liquidity risk**

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

| 2022 | Up to one year | Over one year | Total |
|---|---|---|---|
| **Financial liabilities** | | | |
| Management fee payable | 562 | – | 562 |
| Trustee fees payable | 156 | – | 156 |
| Distributions payable | 108 | – | 108 |
| Other payables | 35 | – | 35 |
| **Total financial liabilities** | **861** | **–** | **861** |
| **2021** | | | |
| **Financial liabilities** | | | |
| Management fee payable | 730 | – | 730 |
| Trustee fees payable | 151 | – | 151 |
| Distributions payable | 157 | – | 157 |
| Other payables | 10,066 | – | 10,066 |
| **Total financial liabilities** | **11,104** | **–** | **11,104** |

**Equity price risk**

Equity price risk is the risk that the fair value of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio. The effect on equity due to a reasonably possible change in equity indices is as follows:

| Market indices | Change in equity price | Effect on income 2022 +/- | 2021 +/- |
|---|---|---|---|
| TTSE | + / - 3% | 1,299 | 1,389 |

**12. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | Over 12 months | Total | Less than 12 months | Over 12 months | Total |
| **Assets** | | | | | | |
| Cash and cash equivalents | 16,499 | – | 16,499 | 14,242 | – | 14,242 |
| Investment securities | 158,770 | 228,893 | 387,663 | 131,270 | 268,100 | 399,370 |
| Interest receivable | 2,111 | – | 2,111 | 2,672 | – | 2,672 |
| Other receivables | – | – | – | 903 | – | 903 |
| **Total assets** | **177,380** | **228,893** | **406,273** | **149,087** | **268,100** | **417,187** |
| **Liabilities** | | | | | | |
| Management fee payable | 562 | – | 562 | 730 | – | 730 |
| Trustee fees payable | 156 | – | 156 | 151 | – | 151 |
| Distributions payable | 108 | – | 108 | 157 | – | 157 |
| Other payables | 35 | – | 35 | 10,066 | – | 10,066 |
| **Total liabilities** | **861** | **–** | **861** | **11,104** | **–** | **11,104** |

**13. Related party transactions and balances**

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses from these transactions are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Sponsor company | – | 16,000 |
| Other related parties | – | 553 |
| | **–** | **16,553** |
| **Liabilities** | | |
| Sponsor company | **562** | **730** |
| **Income** | | |
| Sponsor company | 122 | 78 |
| Other related parties | – | 46 |
| | **122** | **124** |
| **Expenses** | | |
| Sponsor company | **7,165** | **7,067** |
| **Unitholders' balances** | | |
| Sponsor company | 6,096 | 6,414 |
| Directors and key management personnel | 61,742 | 63,879 |
| Other related parties | 34,284 | 29,795 |
| | **102,122** | **100,088** |
| **Distributions** | | |
| Directors | 1,093 | 1,089 |
| Other related parties | 593 | 508 |
| | **1,686** | **1,597** |

**14. Fund management**

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest the proceeds from the issue of units in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short-term borrowings or disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Manager, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

**15. Commitments and contingencies**

The Fund has no capital commitments nor any contingencies for the years ended 31 December 2022 and 31 December 2021.

# ANSA US$ INCOME FUND

# FUND FACTS

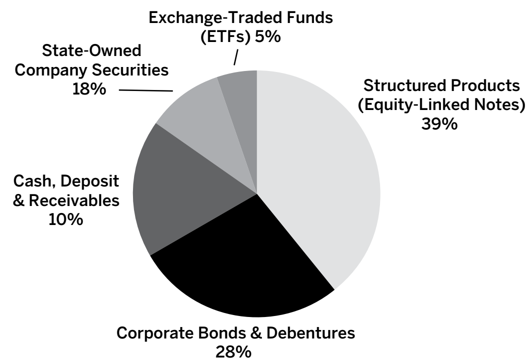
## TOP 10 HOLDINGS - DECEMBER 31, 2022

| SECURITY | % OF PORTFOLIO |
|---|---|
| CITIGROUP GLOBAL MARKET FUND 9.1% DUE 2024 | 13.98% |
| CARIBBEAN AIRLINES INVESTMENT STRIP DUE 2023 | 13.86% |
| CREDIT SUISSE LONDON EQUITY LINKED NOTE 8.15 DUE 2026 | 11.71% |
| GENERAL MOTORS 4% DUE 2025 | 8.45% |
| BARCLAYS BANK PLC EQUITY LINKED NOTE 7.5% DUE 2024 | 5.32% |
| BARCLAYS BANK PLC EQUITY LINKED NOTE 10.3% DUE 2027 | 5.32% |
| UBS AG 5.125% FRB DUE 2024 | 5.27% |
| AMERICAN ELECTRIC POWER COMPANY 2.031% DUE 2024 | 5.13% |
| CAL FIXED RATE LOAN 5.875% USD64.2M DUE 2029 | 4.20% |
| ING BANK NETHERLANDS 5.80% FRB DUE 2023 | 3.20% |

## CUMULATIVE RETURNS AS AT DECEMBER 31, 2022

| | |
|---|---|
| 12 month | -1.56% |
| 3 Year | 5.09% |
| 5 Year | 10.88% |
| Since Inception | 25.28% |

## ASSET MIX 2022:




## HISTORICAL PERFORMANCE

| | |
|---|---|
| 2013 | -2.41% |
| 2014 | 0.93% |
| 2015 | -0.11% |
| 2016 | 2.60% |
| 2017 | 3.85% |
| 2018 | 0.20% |
| 2019 | 5.47% |
| 2020 | 3.36% |
| 2021 | 3.31% |
| 2022 | -1.56% |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## INDEPENDENT AUDITOR'S REPORT

**TO THE UNITHOLDERS OF ANSA US$ INCOME FUND**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of ANSA US$ Income Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive (loss)/ income, statement of changes in Unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

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

**Responsibilities of Management and Trustee for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Fund'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 Fund'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 Fund 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 the Trustee 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.

EY

Port of Spain,

TRINIDAD:

16 March 2023

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 4 | 970 | 2,622 |
| Interest receivable | | 51 | 73 |
| Investment securities | 5 | 8,368 | 8,776 |
| **Total assets** | | 9,389 | 11,471 |
| **Liabilities** | | | |
| Management fee payable | | 12 | 14 |
| Trustee fees payable | | 4 | 4 |
| Distributions payable | | 3 | 6 |
| Other payables | | 4 | 10 |
| **Total liabilities** | | 23 | 34 |
| **Net assets** | | **9,366** | **11,437** |
| **Unitholders' Capital** | | | |
| Unitholders' balances at par | 6 | 8,998 | 10,580 |
| Capital deficit` | | (11) | – |
| Retained fund surplus | | 379 | 857 |
| | | **9,366** | **11,437** |

The financial statements were approved by the Trustee and authorised for issue on 16 March 2023 and signed on their behalf by:

: Trustee

: Trustee

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Note | Unitholders' balances at par | Retained fund surplus | Capital deficit | Total |
|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | | 9,594 | 639 | (14) | 10,219 |
| Issue of units | 6 | 2,105 | – | – | 2,105 |
| Redemption of units | 6 | (1,044) | – | – | (1,044) |
| Distribution to Unitholders | | – | (150) | – | (150) |
| Unitholders' transfer of gains | 6 | (75) | 75 | – | – |
| Revaluation of FVOCI investments | | – | (12) | 14 | 2 |
| Total income for the year | | – | 305 | – | 305 |
| **Balance as at 31 December 2021** | | 10,580 | 857 | – | 11,437 |
| Issue of units | 6 | 1,331 | – | – | 1,331 |
| Redemption of units | 6 | (2,996) | – | – | (2,996) |
| Distribution to Unitholders | | – | (145) | – | (145) |
| Unitholders' transfer of gains | 6 | 83 | (83) | – | – |
| Revaluation of FVOCI investments | | – | 5 | (11) | (6) |
| Total loss for the year | | – | (255) | – | (255) |
| **Balance as at 31 December 2022** | | **8,998** | **379** | **(11)** | **9,366** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Income** | | | |
| Interest and dividend income | 7 | 401 | 537 |
| **Total income** | | 401 | 537 |
| **Expenses** | | | |
| Net realised and unrealised losses on investment securities | 8 | (451) | (62) |
| Impairment (expense)/write back | | (48) | 8 |
| Net foreign exchange translation and other losses | | (1) | – |
| Management fees | 9 | (117) | (143) |
| Trustee fees | 9 | (16) | (16) |
| Other expenses | | (23) | (19) |
| **Total expenses** | | (656) | (232) |
| **Total (expense)/income for the year** | | **(255)** | **305** |
| **Other comprehensive (loss)/income that may be reclassified subsequently to profit and loss** | | | |
| *Debt instruments at fair value through other comprehensive income* | | | |
| Net change in fair value during the year | | (11) | 14 |
| Changes in allowance for expected credit losses | | 5 | (12) |
| | | (6) | 2 |
| **Total comprehensive (loss)/income for the year** | | **(261)** | **307** |

The accompanying notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total (expense)/income for the year | | (255) | 305 |
| Adjustments: | | | |
| Interest capitalised | | (49) | (9) |
| Impairment expense/(write back) | | 48 | (8) |
| Amortisation on investment securities | | 7 | 7 |
| Unrealised losses on investment securities | 8 | 222 | 82 |
| Losses/(gains) on sale of investment securities | 8 | 229 | (20) |
| Surplus before working capital changes | | 202 | 357 |
| Changes in assets/liabilities: | | | |
| Decrease in interest receivable | | 22 | 23 |
| (Decrease)/increase in payables | | (11) | 9 |
| Net cash flows provided by operating activities | | 213 | 389 |
| **Cash flows from investing activities** | | | |
| Purchase of investments | | (2,725) | (5,222) |
| Proceeds from maturity/sale of investments | | 2,670 | 5,089 |
| Net cash flows used in investing activities | | (55) | (133) |
| **Cash flows from financing activities** | | | |
| Issue of units | 6 | 1,331 | 2,105 |
| Redemption of units | 6 | (2,996) | (1,044) |
| Distribution to Unitholders | | (145) | (150) |
| Net cash flows (used in)/provided by financing activities | | (1,810) | 911 |
| Net (decrease)/increase in cash and cash equivalents | | (1,652) | 1,167 |
| Cash and cash equivalents at the beginning of the year | | 2,622 | 1,455 |
| Cash and cash equivalents at the end of the year | 4 | **970** | **2,622** |
| **Supplemental information:** | | | |
| Interest received | | 391 | 472 |
| Distributions paid | | 148 | 150 |

The accompanying notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Thousands of United States dollars)

### 1. Description of the Fund

The following brief description of the ANSA US$ Income Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Rules of the Fund for more complete information.

**General**

The Fund is an open-ended mutual fund registered in Trinidad and Tobago, and established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 23 November 2010. The Bank whose registered office is 11C Maraval Road, Port of Spain, Trinidad and Tobago, is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital values.

The Fund may invest in securities and contracts, including sovereign debt, issued in countries other than Trinidad and Tobago, which are expected to provide high income yield and not expected to cause deterioration in capital values.

The Fund's capital is made up of two classes of Units. Class A Units which are issued to investors pursuant to the terms of the Prospectus and the Trust Deed and Class B Units which were issued to the Fund Sponsor (ANSA Merchant Bank Limited).

The Class B Unitholder is not entitled to receive any dividends and has no rights to the Fund's assets upon termination of the Fund, save and except for its original investment and any accretion thereto.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund. Voting by Class A Unitholders takes place at meetings which may be convened annually by the Trustee or which may be called by the Trustee at the request of the Class B Unitholder or a Unitholder(s) holding not less than 25% of the outstanding units of the Fund.

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee; and

(ii) sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory of official requirement; or (c) is made to correct a manifest error.

The Trustee of the Fund is First Citizens Trustee Services Limited.

### 2. Significant accounting policies

#### i) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest (SPPI).

The financial statements are presented in United States Dollars (USD) which is the functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

**Statement of compliance**

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

**Presentation of financial statements**

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

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

#### ii) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2021 except for the adoption of new standards and interpretations noted below.

***New and amended standards and interpretations***

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the financial statements of the Fund. These are described in more detail below. The Fund has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard or amendment is described below:

**IFRS 3 – 'Business Combinations' Amendments – Reference to the Conceptual Framework – Effective 1 January 2022**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately.

The amendments must be applied prospectively. Earlier application is permitted.

These amendments had no impact on the Fund.

**IAS 16 – 'Property, Plant and Equipment' Amendments – Proceeds before Intended Use – Effective 1 January 2022**

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

These amendments had no impact on the Fund.

**IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets' Amendments – Onerous Contracts – Costs of Fulfilling a Contract – Effective 1 January 2022**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

These amendments had no impact on the Fund.

***Standards issued but not yet effective***

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgements' – Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – Effective 1 January 2023
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Amendment to IAS 8 – Definition of Accounting Estimates – Effective 1 January 2023
- IAS 12 'Income Taxes' – Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Effective 1 January 2023
- IFRS 17 'Insurance Contracts' – Effective 1 January 2023
- IAS 1 'Presentation of Financial Statements' – Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current – Effective 1 January 2024
- IFRS 16 'Leases' – Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback – Effective 1 January 2024

**Improvements to International Financial Reporting Standards**

The annual improvement process of the International Accounting Standards Board deals with non-urgent, but necessary clarifications and amendments to IFRS. The following amendments are applicable to periods beginning on or after 1 January 2022, but have resulted in no material change to the Fund's financial statements.

| IFRS | Subject of Amendment |
|---|---|
| IFRS 1 - | First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter |
| IFRS 9 - | Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities |
| IFRS 41 - | Agriculture – Taxation in fair value measurements |

#### iii) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

#### iv) Financial instruments

**Financial assets**

***a. Initial recognition and subsequent measurement***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Amortised cost and effective interest method*

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding ("the SPPI test").

**2. Significant accounting policies** (continued)

**iv) Financial instruments** (continued)

**Financial assets** (continued)

***a. Initial recognition and subsequent measurement*** (continued)

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

*Equity instruments at fair value through other comprehensive income (FVOCI)*

On initial recognition, the Fund can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of re-sale in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the statement of income on disposal of the investments.

*Debt instruments at fair value through other comprehensive income (FVOCI)*

The Fund applies the category under IFRS 9 of debt instruments measured at fair value through other comprehensive income when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- the contractual cash flows of an asset give rise to payments on specified dates that are SPPI on the principal amount outstanding ("the SPPI test").

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The Fund does not have any equity instruments that are carried at FVOCI on initial application of IFRS 9 – *Financial Instruments.*

*Financial assets at fair value through statement of income (FVSI)*

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as at FVSI.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of comprehensive income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - Revenue and is included in the net gain or loss described above.

*Foreign exchange gains and losses*

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income;
- for equity instruments that are designated as at FVOCI, any foreign exchange component is recognised in other comprehensive income;
- for debt instruments that are designated as at FVOCI, any foreign exchange component is recognised in the statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

***b. Impairment of financial assets***

The Fund records an allowance for expected credit losses (ECLs) for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

*Significant increase in credit risk*

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list, to non-investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

*Definition of default and cure*

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

*Calculation of Expected Credit Losses (ECLs)*

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

*Probability of Default (PD):*

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

*Exposure at Default (EAD):*

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

*Loss Given Default (LGD):*

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

*Forward-looking information*

In its ECL models, the Fund relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

*Stage 1*

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

*Stage 2*

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

*Stage 3*

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the LTECLs for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

**2. Significant accounting policies** (continued)

**iv) Financial instruments** (continued)

**Financial assets** (continued)

***b. Impairment of financial assets*** (continued)

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

***c. Derecognition of financial assets***

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of comprehensive income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

**Financial liabilities**

***a. Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs..

The Fund's financial liabilities include fees payable, distributions payable, amounts due to related parties and other payables.

***b. Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**v) Fair valuation of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business at the end of the reporting period for listed instruments.

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Fund would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

*Short-term financial assets and liabilities*

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fee payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

*Investment securities*

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration employing the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

*Determination of fair value and fair value hierarchies*

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.t

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**vi) Revenue recognition**

Revenue for the Fund is generated from interest as well as dividend income on investments held on behalf of the unitholders.

*The effective interest rate method*

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

*Investment income*

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVSI is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through statement of income, respectively.

*Dividend income*

Dividend income is recognised when the Fund's right to receive payment is established.

*Other income and expenditure*

Other income and expenditure are brought into account on the accruals basis.

**vii) Subscriptions and redemptions**

Subscriptions and redemptions are accounted for at the Net Asset Value calculated on the business day prior to the date of the subscription or redemption. Units may be subscribed at a minimum initial value of $3,000 and thereafter, the minimum amount of an additional investment is $500 in value, except in the instance of reinvestment of distributions. There are no limits as to the number of units that can be redeemed at any one time.

**viii) Expenses**

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and trustee fees. Audit fees are included within other expenses.

**ix) Distributions to Unitholders**

Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.

**x) Taxation**

With respect to dividends which are derived locally, no income tax is payable by residents of Trinidad and Tobago.

**xi) Functional and presentation currency**

The Fund's functional currency is the United States Dollar (USD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in USD. Therefore, the USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the USD.

**2. Significant accounting policies** (continued)

**xii) Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are expressed in United States dollars at rates of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction.. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

**xiii) Unitholders' capital**

Unitholders' subscriptions and redemptions measured at par value are recognised in the 'Unitholders' balance' line in the statement of financial position. The differences between the net assets (NAV) of the Fund and its par value is recorded in the 'retained fund'.

*Classification of redeemable shares*

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the statement of income, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable Unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

**3. Significant accounting judgements and estimates**

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties include:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

**i) Judgement**

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

*Impairment of financial instruments*

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

**ii) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

*Valuation of investments*

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

**4. Cash and cash equivalents**

| | 2022 | 2021 |
|---|---|---|
| Cash at bank | 723 | 1,169 |
| Short-term funds | 247 | 1,453 |
| | **970** | **2,622** |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates.

**5. Investment securities**

| | 2022 | 2021 |
|---|---|---|
| Investment securities designated at fair value through statement of income | 1,935 | 3,145 |
| Investment securities designated at amortised cost | 5,157 | 5,631 |
| Investment securities designated at fair value through other comprehensive income | 1,276 | – |
| **Total investment securities** | **8,368** | **8,776** |
| **Investment securities designated at fair value through statement of income** | | |
| Managed Funds | 514 | 1,015 |
| State-owned company securities | 394 | 438 |
| Corporate bonds and debentures | 1,027 | 1,692 |
| | **1,935** | **3,145** |
| **Investment securities designated at amortised cost** | | |
| State-owned company securities | 1,285 | 1,261 |
| Corporate bonds and debentures | 3,872 | 4,370 |
| | **5,157** | **5,631** |
| **Investment securities designated at fair value through other comprehensive income** | | |
| Corporate bonds and debentures | 1,276 | – |
| | **1,276** | **–** |

***Impairment allowance for investment securities***

The table below shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

**Investment securities designated at amortised cost**

| | Stage 1 | Stage 2 | Total |
|---|---|---|---|
| Gross carrying amount as at 31 December 2022 | 5,217 | – | 5,217 |
| ECL allowance as at 31 December 2022 | (60) | – | (60) |
| **Net exposure as at 31 December 2022** | **5,157** | **–** | **5,157** |
| ECL allowance as at 1 January 2022 | (24) | (3) | (27) |
| Other credit loss movements, repayments etc. | 1 | 4 | 5 |
| Credit loss expense | (37) | (1) | (38) |
| **At 31 December 2022** | **(60)** | **–** | **(60)** |
| Gross carrying amount as at 31 December 2021 | 5,613 | 45 | 5,658 |
| ECL allowance as at 31 December 2021 | (24) | (3) | (27) |
| **Net exposure as at 31 December 2021** | **5,589** | **42** | **5,631** |
| ECL allowance as at 1 January 2021 | (13) | (4) | (17) |
| Other credit loss movements, repayments etc. | (40) | (2) | (42) |
| Credit loss income | 29 | 3 | 32 |
| **At 31 December 2021** | **(24)** | **(3)** | **(27)** |

**Investment securities designated at FVOCI**

| | Stage 1 | Stage 2 | Total |
|---|---|---|---|
| Gross carrying amount as at 31 December 2022 | 1,276 | – | 1,276 |
| ECL allowance as at 31 December 2022 | (5) | – | (5) |
| **Net exposure as at 31 December 2022** | **1,271** | **–** | **1,271** |
| ECL allowance as at 1 January 2022 | – | – | – |
| ECL on new instruments issued during the year | (5) | – | (5) |
| **At 31 December 2022** | **(5)** | **–** | **(5)** |
| Gross carrying amount as at 31 December 2021 | – | – | – |
| ECL allowance as at 31 December 2021 | – | – | – |
| **Net exposure as at 31 December 2021** | – | – | – |
| ECL allowance as at 1 January 2021 | (10) | – | (10) |
| Other credit loss movements, repayments etc. | 10 | – | 10 |
| **At 31 December 2021** | – | – | – |

**6. Unitholders' balances at par**

| **2022** | **Units** | **$** |
|---|---|---|
| Authorised: | | |
| Unlimited number of units | | |
| *Reconciliation of Unitholders' balances:* | | |
| Units outstanding at the beginning of the year | 105,807 | 10,580 |
| Units issued | 12,522 | 1,331 |
| Units redeemed | (28,343) | (2,996) |
| Value of unit above par issued and redeemed in the year | – | 83 |
| **Units outstanding at the end of the year (value of units at par)** | **89,986** | **8,998** |
| Unitholders' earnings above par | | 425 |
| **Unitholders' balance** | | 9,423 |
| **Net asset value per unit on Unitholders' balance** | | 104.72 |
| Other Unitholder movements | | (57) |
| **Total net asset value of fund** | | 9,366 |
| **Adjusted net asset value per unit** | | 104.08 |

(EXPRESSED IN UNITED STATES DOLLARS)

**6. Unitholders' balances at par** (continued)

| 2021 | Units | $ |
|---|---|---|
| Authorised: | | |
| Unlimited number of units | | |
| *Reconciliation of Unitholders' balances:* | | |
| Units outstanding at the beginning of the year | 95,942 | 9,594 |
| Units issued | 19,550 | 2,105 |
| Units redeemed | (9,685) | (1,044) |
| Value of unit below par issued and redeemed in the year | – | (75) |
| **Units outstanding at the end of the year (value of units at par)** | **105,807** | **10,580** |
| Unitholders' earnings above par | | 850 |
| **Unitholders' balance** | | 11,430 |
| **Net asset value per unit on Unitholders' balance** | | 108.03 |
| Other Unitholder movements | | 7 |
| **Total net asset value of fund** | | 11,437 |
| **Adjusted net asset value per unit** | | 108.09 |

**7. Interest and Dividend income**

| | 2022 | 2021 |
|---|---|---|
| Interest income from investments designated at fair value through statement of income | 105 | 160 |
| Interest income from financial assets designated at amortised cost | 229 | 350 |
| Dividend income | 67 | 27 |
| | **401** | **537** |

**8. Net realised and unrealised losses on investment securities**

| | 2022 | 2021 |
|---|---|---|
| Realised (losses)/gains on sale of investment securities | (229) | 20 |
| Unrealised (losses)/gains on investments held at year end designated at fair value through statement of income | (222) | (82) |
| | **(451)** | **(62)** |

**9. Fees**

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter, pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 4.25% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.15% on the average net asset value and such fee shall be, subject to a minimum annual fee of $12,000, exclusive of VAT.

| | 2022 | 2021 |
|---|---|---|
| Management fees | 117 | 143 |
| Trustee fees | 16 | 16 |
| | **133** | **159** |

**10. Fair value of financial instruments**

**(i) Carrying amounts and fair values**

The following table summarises the carrying amounts and the fair values of the Fund's financial assets and liabilities as at 31 December.

| 2022 | Carrying values | Fair values | Unrecognised (loss)/gain |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 970 | 970 | – |
| Investment securities | 8,368 | 7,676 | (692) |
| Interest receivable | 51 | 51 | – |
| **Total financial assets** | **9,389** | **8,697** | **(692)** |
| **Financial liabilities** | | | |
| Management fee payable | 12 | 12 | – |
| Trustee fees payable | 4 | 4 | – |
| Distributions payable | 3 | 3 | – |
| Other payables | 4 | 4 | – |
| **Total financial liabilities** | **23** | **23** | **–** |
| **2021** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | 2,622 | 2,622 | – |
| Investment securities | 8,776 | 8,841 | 65 |
| Interest receivable | 73 | 73 | – |
| **Total financial assets** | **11,471** | **11,536** | **65** |
| **Financial liabilities** | | | |
| Management fee payable | 14 | 14 | – |
| Trustee fees payable | 4 | 4 | – |
| Distributions payable | 6 | 6 | – |
| Other payables | 10 | 10 | – |
| **Total financial liabilities** | **34** | **34** | **–** |

**(ii) Determination of fair value and fair value hierarchies**

| 2022 | Level 1 | Level 2 | Total |
|---|---|---|---|
| **Investment securities designated at fair value through statement of income** | | | |
| Managed Funds | 514 | – | 514 |
| State-owned company securities | – | 394 | 394 |
| Corporate bonds and debentures | 532 | 495 | 1,027 |
| | **1,046** | **889** | **1,935** |
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | |
| State-owned company securities | – | 1,301 | 1,301 |
| Corporate bonds and debentures | 248 | 2,916 | 3,164 |
| | **248** | **4,217** | **4,465** |
| **Investment securities designated at fair value through other comprehensive income** | | | |
| Corporate bonds and debentures | **1,276** | **–** | **1,276** |
| **2021** | | | |
| **Investment securities designated at fair value through statement of income** | | | |
| Managed Funds | 1,015 | – | 1,015 |
| State-owned company securities | – | 438 | 438 |
| Corporate bonds and debentures | 1,156 | 536 | 1,692 |
| | **2,171** | **974** | **3,145** |
| **Investment securities designated at amortised cost for which fair values are disclosed** | | | |
| State-owned company securities | – | 1,264 | 1,264 |
| Corporate bonds and debentures | 1,223 | 3,209 | 4,432 |
| | **1,223** | **4,473** | **5,696** |

**(iii) Transfers between Level 1 and Level 2**

For the years ended 31 December 2022 and 31 December 2021, there were no transfer of assets between Level 1 and Level 2.

**(iv) Movements in Level 3 financial assets**

For the years ended 31 December 2022 and 31 December 2021, there were no Level 3 financial instruments.

**11. Risk management**

**Introduction**

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk.

**Role of the Trustee**

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

**Risk management structure**

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

**Treasury management**

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

**Concentrations of risk**

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

**Credit risk management**

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk largely arises from its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

**Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

**11. Risk management** (continued)

**Maximum exposure to credit risk without taking account of any collateral and other credit enhancements** (continued)

The following table shows the maximum exposure to credit risk which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

| | Gross maximum exposure 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | 970 | 2,622 |
| Interest receivable | 51 | 73 |
| Investment securities | 8,368 | 7,761 |
| | **9,389** | **11,471** |

**Cash and cash equivalents**

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be very low.

**Credit quality**

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

**Investment debt securities**

The credit quality of investment debt securities has been analysed into the following categories:

High grade — These comprise of regional sovereign debt securities issued directly or through state-intermediary bodies where there have been no history of default.

Standard — These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Fund of companies.

Sub-standard — These securities are greater than 90 days in arrears display indicators of impairment or have been restructured in the past financial year.

Impaired — These securities are non-performing.

| | High grade | Standard | Total |
|---|---|---|---|
| **2022** | | | |
| Investments designated at fair value through statement of income | 908 | 1,027 | 1,935 |
| Investments designated at amortised cost | 1,285 | 3,872 | 5,157 |
| Investments designated at fair value through other comprehensive income | – | 1,276 | 1,276 |
| | **2,193** | **6,175** | **8,368** |
| **2021** | | | |
| Investments designated at fair value through statement of income | 1,015 | 2,130 | 3,145 |
| Investments designated at amortised cost | 1,261 | 4,370 | 5,631 |
| | **2,276** | **6,500** | **8,776** |

There were no investment debt securities classified as sub-standard or impaired for the years ended 31 December 2022 and 31 December 2021.

**Currency risk**

As at 31 December 2022 and 31 December 2021, all of the Fund's assets and liabilities are denominated in United States Dollars and therefore the Fund has no exposure to foreign currency risk.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

There was no impact of interest rate risk to the Fund as no floating rate non-trading financial assets and liabilities were held in 2021 and 2022.

**Liquidity risk**

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

| | Up to one year | Over one year | Total |
|---|---|---|---|
| **2022** | | | |
| **Financial liabilities** | | | |
| Management fee payable | 12 | – | 12 |
| Trustee fees payable | 4 | – | 4 |
| Distributions payable | 3 | – | 3 |
| Other payables | 4 | – | 4 |
| **Total financial liabilities** | **23** | **–** | **23** |

| | Up to one year | Over one year | Total |
|---|---|---|---|
| **2021** | | | |
| **Financial liabilities** | | | |
| Management fee payable | 14 | – | 14 |
| Trustee fees payable | 4 | – | 4 |
| Distributions payable | 6 | – | 6 |
| Other payables | 10 | – | 10 |
| **Total financial liabilities** | **34** | **–** | **34** |

**Equity price risk**

Equity price risk is the risk that the fair value of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio.

There was no impact of equity price risk to the Fund as no equities were held in 2022 and 2021.

**12. Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | Over 12 months | Total | Less than 12 months | Over 12 months | Total |
| **Assets** | | | | | | |
| Cash and cash equivalents | 970 | – | 970 | 2,622 | – | 2,622 |
| Investment securities | 2,334 | 6,034 | 8,368 | 1,360 | 7,416 | 8,776 |
| Interest receivable | 51 | – | 51 | 73 | – | 73 |
| **Total assets** | **3,355** | **6,034** | **9,389** | **4,055** | **7,416** | **11,471** |
| **Liabilities** | | | | | | |
| Management fee payable | 12 | – | 12 | 14 | – | 14 |
| Trustee fees payable | 4 | – | 4 | 4 | – | 4 |
| Distributions payable | 3 | – | 3 | 6 | – | 6 |
| Other payables | 4 | – | 4 | 10 | – | 10 |
| **Total liabilities** | **23** | **–** | **23** | **34** | **–** | **34** |

**13. Related party transactions and balances**

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses for these transactions are as follows:

| | 2022 | 2021 |
|---|---|---|
| **Assets** | | |
| Other related parties | **–** | **45** |
| **Liabilities** | | |
| Sponsor company | **–** | **14** |
| **Unitholders' balances** | | |
| Sponsor company | 1,047 | 1,080 |
| Directors and key management personnel | 71 | 72 |
| Other related parties | 13 | – |
| | **1,131** | **1,152** |
| **Income** | | |
| Other related parties | **–** | **4** |
| **Expense** | | |
| Sponsor company | **117** | **143** |
| **Distributions** | | |
| Directors and key management personnel | **1** | **1** |

**14. Fund management**

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest the proceeds from the issue of units in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short-term borrowings or disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Manager, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

**15. Commitments and contingencies**

The Fund has no capital commitments nor any contingencies for the years ended 31 December 2022 and 31 December 2021.