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Chartered Accountants
& Business Advisors

PKF LIMITED

**FIDELITY FINANCE AND LEASING
COMPANY LIMITED**

FINANCIAL STATEMENTS

DECEMBER 31, 2023



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FIDELITY FINANCE AND LEASING COMPANY LIMITED

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FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Fidelity Finance and Leasing Company Limited, which comprise the statement of financial position as at 31 December 2023, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of material accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company's 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 financial statements, management utilized the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

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

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



Prakash Dhanrajh, BSc
Director
March 27, 2024



Salahudeen Ali, FCCA, CA, CPA, CGA
Director
March 27, 2024



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Fidelity Finance and Leasing Company Limited

Opinion

We have audited the financial statements of Fidelity Finance and Leasing Company Limited, which comprise the statement of financial position as at December 31, 2023, and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 24 to the financial statements. The State laid several charges on the Company together with other companies and individuals. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

PKF Limited is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s).

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Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Directors: Renée-Lisa Philip Mark K. Superville Jenine Felician-Romain Darcel Corbin



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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 Board of Directors 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, related safeguards.

Barataria
TRINIDAD
March 27, 2024

FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	Notes	2023 \$'000	2022 \$'000
Assets			
Cash and short term investments	4	21,976	13,258
Deposits with Central Bank	5	24,867	20,126
Sundry debtors and prepayments		7,104	3,457
Taxation recoverable		993	887
Investments	6	103,196	79,809
Loans	7	181,754	170,336
Plant and equipment	9	<u>8,145</u>	<u>6,121</u>
Total Assets		<u>348,035</u>	<u>293,994</u>
Liabilities			
Customers' deposits	10	287,949	234,866
Other funding instruments	11	33	32
Deferred tax liability	8	1,037	582
Other creditors and liabilities		<u>7,907</u>	<u>7,804</u>
Total Liabilities		<u>296,926</u>	<u>243,284</u>
Equity			
Stated capital	12	15,000	15,000
Statutory reserve fund	13	5,862	5,627
General reserve	14	795	795
Retained earnings		<u>29,452</u>	<u>29,288</u>
Total Equity		<u>51,109</u>	<u>50,710</u>
Total Liabilities and Equity		<u>348,035</u>	<u>293,994</u>

These financial statements were approved by the Board of Directors and authorised for issue on March 27, 2024 and signed on their behalf by

Director

Director

The notes on pages 8 to 39 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	2023 \$'000	2022 \$'000
Total Revenue		<u><u>21,570</u></u>	<u><u>19,220</u></u>
Interest income			
Loans		14,487	13,083
Investments		<u>5,468</u>	<u>4,563</u>
		19,955	17,646
Interest expense		<u>7,410</u>	<u>5,986</u>
Net interest income		12,545	11,660
Fee and other income		585	609
Income from leases		<u>1,030</u>	<u>965</u>
Operating income		<u>14,160</u>	<u>13,234</u>
General administrative expenses	15	9,914	8,909
Credit loss on financial assets	16	570	(24)
Deposit insurance corporation	17	<u>433</u>	<u>384</u>
Operating expenses		<u>10,917</u>	<u>9,269</u>
Net operating income before taxation		3,243	3,965
Taxation	18	<u>894</u>	<u>875</u>
Net operating income after taxation		<u><u>2,349</u></u>	<u><u>3,090</u></u>

The notes on pages 8 to 39 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2023

	Stated Capital \$'000	Statutory Reserve Fund \$'000	General Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at January 01, 2022	15,000	5,318	795	28,007	49,120
Net operating income after taxation	-	-	-	3,090	3,090
Transfer from retained earnings	-	309	-	(309)	-
Dividends paid 2022 (10¢)	-	-	-	(1,500)	(1,500)
Balance at December 31, 2022	<u>15,000</u>	<u>5,627</u>	<u>795</u>	<u>29,288</u>	<u>50,710</u>
Balance at January 01, 2023	15,000	5,627	795	29,288	50,710
Net operating income after taxation	-	-	-	2,349	2,349
Transfer from retained earnings	-	235	-	(235)	-
Dividends paid 2023 (13¢)	-	-	-	(1,950)	(1,950)
Balance at December 31, 2023	<u>15,000</u>	<u>5,862</u>	<u>795</u>	<u>29,452</u>	<u>51,109</u>

The notes on pages 8 to 39 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
	\$'000	\$'000
Cash Flows from Operating Activities		
Net operating income before taxation	3,243	3,965
Adjustment for items not involving the movement of cash:		
Depreciation	955	1,178
Profit on disposal of plant and equipment	-	(22)
Unrealised losses/(gains)	795	(24)
Operating profit before working capital changes	4,993	5,097
Change in deposits with Central Bank	(4,741)	(1,808)
Change in loans	(11,914)	(4,364)
Change in other assets, sundry debtors and prepayments	(3,648)	(493)
Change in other creditors and accruals	102	(777)
Change in customers' deposits	53,083	26,411
Change in other funding instruments	1	(38)
Cash provided by operations	37,876	24,028
Taxation paid (net)	(544)	(655)
Cash provided by operating activities	37,332	23,373
Cash Flows from Investing Activities		
Proceeds from sale of plant and equipment	201	192
Proceeds from disposals, maturities and repayments of investments	15,920	572
Acquisitions of investments	(39,606)	(16,799)
Additions to plant and equipment	(3,179)	(1,015)
Cash used in investing activities	(26,664)	(17,050)
Cash Flows from Financing Activities		
Dividends paid	(1,950)	(1,500)
Cash used in financing activities	(1,950)	(1,500)
Net change in cash and cash equivalents	8,718	4,823
Cash and short term investments at the beginning of the year	13,258	8,435
Cash and short term investments at the end of the year (Note 4)	21,976	13,258

The notes on pages 8 to 39 form part of these financial statements.

FIDELITY FINANCE AND LEASING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. Incorporation and Principal Activity

The Company was incorporated in the Republic of Trinidad and Tobago on May 21, 1987 and licensed to carry on business from January 3, 1989. The Company is licensed under the provisions of the Financial Institutions Act, 2008 to operate as a non-bank financial institution and to carry on the business of a finance house or finance company, trust company and leasing corporation. The Company is a wholly owned subsidiary of Maritime Life (Caribbean) Limited for which consolidated financial statements are prepared annually. Its registered office is located at 29 Tenth Avenue, Barataria.

2. Summary of Material Accounting Policies

(a) Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in thousands of Trinidad and Tobago dollars. They have been prepared under the historical cost convention. No adjustments are made to take into account the effects of inflation.

The accounting policies used are consistent with those of previous years.

(b) New Accounting Standards and Interpretations -

- i. The Company has applied the following standard that has been issued:

Effective for annual periods beginning on or after 1 January 2023

IAS 1 - Presentation of Financial Statements -

Amendments regarding the disclosure of accounting policies. The Company is now required to disclose its accounting policy information instead of its accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments also indicates that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

FIDELITY FINANCE AND LEASING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. Summary of Material Accounting Policies (Continued)

(b) New Accounting Standards and Interpretations (continued)

- ii. The Company has not applied the following standards, revised standards and interpretations that have been issued and are effective as they:
- do not apply to the activities of the Company; or
 - have no material impact on its financial statements.

Effective for annual periods beginning on or after 1 January 2023

IFRS 4 Insurance Contracts - Amendments regarding IFRS 17 and the extension of the temporary exemption from applying IFRS 9

IFRS 17 Insurance Contracts

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of accounting estimates

IAS 12 Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations

IAS 12 Income Taxes – Amendments to introduce an exception to the requirements in the standard that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes

- iii. The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they:
- do not apply to the activities of the Company;
 - have no material impact on its financial statements; or
 - have not been early adopted by the entity.

Effective for annual periods beginning on or after 1 January 2024

IFRS 16 Leases - Amendments clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale

IAS 1 Presentation of Financial Statements - Amendments regarding non-current liabilities with covenants

IAS 7 Statement of Cash Flows – Amendments to address disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****2. Summary of Material Accounting Policies (Continued)****(b) New Accounting Standards and Interpretations (continued)****Effective for annual periods beginning on or after 1 January 2025**

IAS 21 Effects of Changes in Foreign Exchange rates – Amendments to lack of exchange ability

(c) Comparative figures

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported surplus.

(d) Cash and cash equivalents

Cash and cash equivalents consist of bank balances and highly liquid investments.

(e) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial assets based on the Company's business model and the financial assets contractual terms, measured at amortized cost.

(f) Financial assets

The Company measures investments and loans at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amounts outstanding.

FIDELITY FINANCE AND LEASING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. Summary of Material Accounting Policies (Continued)

(f) Financial assets (cont'd)

The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured in a way that reflects; the time value of money, an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

The Business Model Assessment

The business model reflects how the Company manages groups of financial assets to generate cash flows and achieve its business objective. An assessment is made at a portfolio level and is based on factors such as:

- The stated objectives and policies of the portfolios;
- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

The SPPI Test

The SPPI test requires the Company to assess the contractual terms of the financial assets. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes typically the consideration for the time value of money and credit risk. However, where the contractual term introduces volatilities that are inconsistent with a basic lending arrangement or risk exposures, the related financial assets are to be classified and measured at FVTPL.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****2. Summary of Material Accounting Policies (Continued)****(g) Impairment of financial assets**

Under IFRS 9, the expected credit loss (ECL) model is used. The Company recognizes an allowance for expected credit losses (ECLs) associated with its assets carried at amortized cost at each reporting date.

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit impaired. The Company uses the probability of default (PD) approach when calculating ECLs.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL results from all possible default events over the expected life of the financial instrument. Both 12-month and lifetime ECLs are calculated on either an individual or collective basis, depending on the size and nature of the underlying portfolio of financial assets.

IFRS 9 outlines a three-stage model for impairment, which the Company uses to classify its financial assets:

Stage 1

When financial assets are first recognized, are not credit impaired, continue to perform in accordance with its contractual terms and conditions and credit risk is continuously monitored, the Company records an allowance based on 12-month ECLs.

Stage 2

When financial assets are identified as having significant increases in credit risk since origination, but are not yet deemed to be credit impaired, the Company records an allowance based on lifetime ECLs.

Stage 3

When financial assets have objective evidence of impairment at the reporting date i.e. when these financial assets are deemed to be credit impaired, the Company records an allowance based on lifetime ECLs.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

2. Summary of Material Accounting Policies (Continued)

(h) Plant and Equipment

- i) Plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of plant and equipment is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance is recognised in profit or loss as incurred.

The carrying amount of an item of plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item is determined as the difference between the net disposal proceeds and the carrying amount of the item and is recognised in profit or loss when the item is derecognised.

- ii) Plant and equipment are stated at historical cost less accumulated depreciation.
- iii) Plant and equipment are depreciated over their estimated useful lives using the straight line method at the following rates:

Equipment on lease	10%	-	50%
Furniture and equipment	12.5%	-	25%

The depreciation method, useful lives and residual values of plant and equipment are reviewed annually. During the current year no changes were required.

(i) Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given net of transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in profit or loss.

Financial liabilities comprise accounts payable, customer deposits and other funding instruments.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****2. Summary of Material Accounting Policies (Continued)****(j) Provisions**

Provisions are recognised when there is a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(k) Revenue recognition

- i) Interest income is accounted for using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the carrying amount of the financial instrument.

Accrual of interest income ceases when payment on a loan is contractually ninety days in arrears and will only be recognised on a cash basis when the loan status is determined to be current.

ii) **Operating leases**

Rentals under operating leases are recognised on a straight-line basis over the lease term.

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Assets leased under operating leases include motor vehicles and other equipment categorised as equipment on lease and included in plant and equipment. The lease terms range from two to five years.

FIDELITY FINANCE AND LEASING COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

2. Summary of Material Accounting Policies (Continued)

(l) Expenses of management

i) Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for service rendered by the employees and include both short term and post-employment benefits.

Short term benefits comprise wages and salaries, bonuses, national insurance contributions, paid annual vacation and sick leave and other non-monetary benefits including group health and group life coverage. They are recognised as a liability, net of payments made and charged as expenses to profit or loss.

The expected cost of accumulating compensated absences for vacation and sick leave not yet taken is measured as the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

Post-employment benefits: All full time employees of the Company participate in a defined contribution pension plan operated by the parent company. The Company's contribution to this plan for the year is charged to profit or loss.

ii) Other administrative expenses

Other administrative expenses include office, technology, legal and professional fees, advertising and sales promotions and miscellaneous expenses.

(m) Taxation

i) Deferred taxation is provided using the liability method for all temporary differences arising between the carrying amounts and tax bases of assets and liabilities using current corporation tax rates. The principal temporary differences arise from depreciation on plant and equipment. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised.

ii) Corporation tax is charged at a rate of 30% (2022: 30%) of taxable profits.

(n) Administered funds

The assets and liabilities under administration by the Company have not been included in these financial statements. Gross assets under administration at December 31, 2023 amounted to **\$5,719,000** (2022: **\$5,692,000**).

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty**

- (a) The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies.

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in profit or loss in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

(b) **Critical judgements**

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether leases are classified as operating leases or finance leases.
- ii) Which depreciation method for plant and equipment is used.
- iii) Measurement of the expected credit loss allowance.
- iv) Classification and measurement of financial assets.

(c) **Key assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) **Impairment of assets**

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) **Deferred tax assets**

Management uses judgement in determining whether it is probable that future taxable profits will be available against which deductible temporary differences can be utilised before deferred tax assets arising there from are recognised.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****3. Critical Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty (Continued)****(c) Key assumptions (continued)****iii) Plant and equipment**

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and the useful lives and residual values of these assets.

iv) Measurement of the expected credit loss allowance

The measurement of impairment losses under IFRS 9 requires the use of complex models and requires significant assumptions. A number of significant accounting judgements and estimates were required for the ECL model, these include:

- The Company's internal credit rating model, as this was used in calculating PD;
- The estimation of the present value of collateral values when determining impairment losses;
- Determining criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulae.

v) Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and business model assessment. The Company determines the business model at a level that reflects how financial assets are managed together to achieve the business objectives. An assessment is made at a portfolio level and is based on factors such as:

- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

4. Cash and Short Term Investments

	2023 \$'000	2022 \$'000
Cash at bank	<u>21,976</u>	<u>13,258</u>

5. Deposits with Central Bank

The Financial Institutions Act, 2008 requires that every non-bank financial institution hold and maintain an account with the Central Bank of Trinidad and Tobago to be called a reserve account which, at present, is to be equivalent to 9% of the total liabilities to depositors of the institution. This reserve account is non-interest bearing.

6. Investments

	2023 \$'000	2022 \$'000
(a) Debt instruments at amortized cost	103,648	80,187
Allowance for expected credit losses	<u>(452)</u>	<u>(378)</u>
	<u>103,196</u>	<u>79,809</u>
<u>Concentration</u>		
Government/government guaranteed bonds	43,609	33,558
State enterprises bonds	26,666	15,217
Financial institutions bonds	19,009	21,508
Other corporate bonds	<u>13,912</u>	<u>9,526</u>
	<u>103,196</u>	<u>79,809</u>
(b) Movement in allowance for expected credit losses		
Allowance at beginning of the year	378	349
Provision for the year (Note 16)	<u>74</u>	<u>29</u>
Allowance at end of year	<u>452</u>	<u>378</u>
(c) Fair value - by level of hierarchy		
Level 1	14,822	-
Level 2	<u>93,710</u>	<u>84,081</u>
	<u>108,532</u>	<u>84,081</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

7. Loans

	2023 \$'000	2022 \$'000
(a) Loans		
Amortised loans	112,404	90,127
Hire purchase agreements	68,577	79,482
Instalment loans	<u>2,963</u>	<u>2,743</u>
	183,944	172,352
Less: Expected credit loss allowance	<u>(4,286)</u>	<u>(3,790)</u>
	179,658	168,562
Accrued interest	<u>2,096</u>	<u>1,774</u>
	<u>181,754</u>	<u>170,336</u>
(b) Sectoral analysis of loans		
Consumer	79,889	76,136
Industrial	<u>99,769</u>	<u>92,426</u>
	<u>179,658</u>	<u>168,562</u>
(c) Movement in allowance for expected credit losses		
Provision at beginning of the year	3,790	3,843
Provision for the year (Note 16)	<u>496</u>	<u>(53)</u>
Provision at end of the year	<u>4,286</u>	<u>3,790</u>
(d) Credit quality (Net of expected credit loss allowances) (Note 21(b)(ix))		
Stage 1	163,996	149,478
Stage 2	8,180	11,549
Stage 3	<u>7,482</u>	<u>7,535</u>
	<u>179,658</u>	<u>168,562</u>
(e) Undrawn loan commitments	<u>18,709</u>	<u>21,806</u>
(f) Fair Value - by level of hierarchy		
Level 3	<u>179,658</u>	<u>168,562</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

8. Deferred Tax Liability

	2023 \$'000	2022 \$'000
(a) Tax attributable to plant and equipment	<u>1,037</u>	<u>582</u>
(b) Balance brought forward	582	501
Provision for the year (Note 18(a))	<u>455</u>	<u>81</u>
Balance carried forward	<u>1,037</u>	<u>582</u>

9. Plant and Equipment

	Equipment on Lease \$'000	Furniture/ Equipment \$'000	Total 2023 \$'000	2022 \$'000
Cost				
At beginning of year	15,986	3,568	19,554	19,358
Additions	3,173	6	3,179	1,015
Disposals	<u>(1,174)</u>	<u>(71)</u>	<u>(1,245)</u>	<u>(819)</u>
At end of year	<u>17,985</u>	<u>3,503</u>	<u>21,488</u>	<u>19,554</u>
Depreciation				
At beginning of year	10,276	3,157	13,433	12,903
Charge for the year	810	145	955	1,178
Disposals	<u>(974)</u>	<u>(71)</u>	<u>(1,045)</u>	<u>(648)</u>
At end of year	<u>10,112</u>	<u>3,231</u>	<u>13,343</u>	<u>13,433</u>
Net book value	<u>7,873</u>	<u>272</u>	<u>8,145</u>	<u>6,121</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

10. Customers' Deposits

	2023	2022
	\$'000	\$'000
(a) Customers' deposits		
Customers' deposits	283,568	231,200
Interest payable	<u>4,381</u>	<u>3,666</u>
	<u>287,949</u>	<u>234,866</u>
(b) Customers' deposits - sectoral analysis		
Corporate and commercial sector	59,519	48,063
Other financial institutions	5,855	5,739
Personal	<u>218,194</u>	<u>177,398</u>
	<u>283,568</u>	<u>231,200</u>

11. Other Funding Instruments

	2023	2022
	\$'000	\$'000
(a) Other funding instruments		
Secured investment certificates	17	17
Interest payable	<u>16</u>	<u>15</u>
	<u>33</u>	<u>32</u>
(b) Other funding instruments - sectoral analysis		
Personal	<u>17</u>	<u>17</u>

12. Stated Capital

	2023	2022
	\$'000	\$'000
Authorised		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
15,000,000 ordinary shares of no par value	<u>15,000</u>	<u>15,000</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

13. Statutory Reserve Fund

The Financial Institutions Act, 2008 requires that 10% of the net profit after deduction of taxes each year be transferred to a statutory reserve fund until the balance standing to the credit of this reserve is equal to the paid up capital of the Company.

14. General Reserve

The general reserve represents appropriations of retained earnings for any possible unforeseen losses on the loan portfolio for which alternative specific provision is not made. The reserve has been calculated using a percentage of the outstanding loan portfolio at the year-end, in accordance with the guidelines issued by the Central Bank of Trinidad and Tobago.

15. General Administrative Expenses

	2023	2022
	\$'000	\$'000
Employee benefits	4,177	3,844
Depreciation	955	1,178
Other administrative expenses	<u>4,782</u>	<u>3,887</u>
	<u>9,914</u>	<u>8,909</u>
 Pension fund contributions included in employee benefits	 <u>143</u>	 <u>133</u>

16. Credit Loss on Financial Assets

	2023	2022
	\$'000	\$'000
Debt instruments at amortized cost (Note 6)	74	29
Loans and Advances		
Provision for the year (Note 7)	<u>496</u>	<u>(53)</u>
	<u>570</u>	<u>(24)</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

17. Deposit Insurance Contributions

Statutory regulations governing the operation of financial institutions stipulate that an annual premium be paid to the Deposit Insurance Fund of 0.2% of average deposit liabilities outstanding at the end of each quarter of the preceding year.

18. Taxation

	2023 \$'000	2022 \$'000
(a) Current year	439	794
Deferred Taxation (Note 8)	<u>455</u>	<u>81</u>
	<u>894</u>	<u>875</u>
(b) Reconciliation		
Net operating income before taxation	<u>3,243</u>	<u>3,965</u>
Tax calculated at applicable statutory rates	973	1,190
Tax exempt income	(360)	(320)
Temporary differences	138	7
Other	<u>77</u>	<u>(61)</u>
	828	816
Green Fund Levy	<u>66</u>	<u>59</u>
	<u>894</u>	<u>875</u>

19. Operating Leases

The future income due from non-cancellable operating leases is as follows:

	2023 \$'000	2022 \$'000
Up to one year	1,321	941
Two to five years	<u>4,132</u>	<u>1,278</u>
	<u>5,453</u>	<u>2,219</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

20. Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Related parties include: persons, or a close member of that person's family, who has control, joint control, or significant influence over the Company, including members of the key management personnel; the parent company; all fellow subsidiaries; any associated companies and joint venture partners; and the parent company's post employment benefit plan for the employees of the company.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates.

Balances and transactions with related parties during the year were as follows:

	2023	2022
	\$'000	\$'000
(a) Parent Company		
Balance due to	15	39
Customers' deposits	1,000	2,300
Interest expense	44	27
Dividends paid	1,950	1,500
(b) Fellow subsidiaries		
Balance due from (net)	5,891	992
Customers' deposits	1,039	618
Interest expense	23	15
Other expenses	31	11
(c) Post employment benefit plan		
Pension fund contributions	143	133
(d) Key management personnel		
Customers' loans	137	177
Interest income	9	13
Customers' deposits	54	31
Interest expense	2	1
(e) Key management compensation		
Short-term benefits	869	834
Post employment benefits	26	25
	<u>895</u>	<u>859</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****21. Financial Risk****(a) Enterprise risk management**

The Company's overall strategy is to move away from traditional risk management to enterprise risk management (ERM), whereby the company assesses, controls, exploits, finances and monitors risks from all sources affecting it for the purpose of increasing stakeholder value, and also within the context of the Group as a whole. This holistic approach allows the Company to mitigate risk and create value. In essence, the Company can increase stakeholder value while maintaining an acceptable level of risk to stakeholders. As a part of the ERM strategy the Company identifies and evaluates all risks in the context of one another as opposed to distinct risks.

The Company is exposed to financial risk including credit risk, liquidity risk and interest rate risk. In particular, the key financial risk is that proceeds from its financial assets are not sufficient to fund obligations arising from financial liabilities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk arises primarily from traditional lending activities and investments in bonds.

i) Bonds

The Company invests in bonds issued only by governments, financial institutions and corporations with acceptable credit ratings. The Company actively reviews all bond-issuing entities in which investments are being considered. The Company also limits the size of any given bond issue compared to size of its investment portfolio.

ii) Loans

The Company relies heavily on a written Credit Advances Policy Manual, which sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Company's lending philosophy, provide policy guidelines to team members involved in lending, establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration, as well as create the foundation for a sound credit portfolio.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. Financial Risk (Continued)

(b) Credit risk (continued)

ii) Loans (continued)

All team members involved with the lending activity are required to be familiar with the contents of the Credit Advances Policy Manual and are required to adhere to the policies therein. Serious breaches result in disciplinary measures being taken. It is the responsibility of the General Manager to ensure that policies are adhered to.

The Company's loan portfolio is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

iii) Concentration

The Company has set an upper limit of total assets that can be invested with any one company or group of related companies so as to avoid any significant concentration of credit risk.

iv) Global economic developments and government policies

The Company actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

v) Maximum exposure to credit risk

The Company's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is as follows:

	2023	2022
	\$'000	\$'000
Maximum exposure to credit risk	<u>337,428</u>	<u>287,873</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****21. Financial Risk (Continued)****(b) Credit risk (continued)****vi) Credit Risk Ratings and Probability of Default (PD) estimations**

The Company uses internal credit risk ratings, which reflect its assessment of the individual counterparties risk profile. The Company has two internal rating models one tailored to companies and the other to individuals. Borrower and loan specific information collected at the time of the application (such as asset value, sales turnover, credit history, security structure, geographical location) is fed into the model. Each exposure is allocated a credit risk rating on initial recognition based on the information inputted into the model.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk-rating band. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – eg. audited financial statements, management accounts. Examples of areas of particular focus are; gross profit margin, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, key management changes, etc.;
- Actual and expected significant changes in the financial, economic, political, regulatory and technological environment of the borrower and/or in its business activities;
- Payment records inclusive of overdue status (where applicable); and
- Utilization of approved credit facilities.

The Company's credit risk ratings are the primary input into the determination of PDs for exposures. The Company looked at performance and number of defaults over a period of time analysed by credit risk grading. Historical PDs were developed using statistical models, which analysed the data collected, generating estimates of the Probability of Default of exposures.

For debt securities in our investment portfolios, external credit rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realized default over the prior 12 months as published by the rating agency.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****21. Financial Risk (Continued)****(b) Credit risk (continued)****vii) Significant increase in credit risk**

In order to determine whether a financial asset or portfolio of financial assets are subject to 12 month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. Whether the risk of default on a financial instrument has increased significantly, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment.

viii) Default and credit impaired assets

The Company considers a financial asset defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when it meets one or more of the following criteria:

- The borrower is more than 180 days past due on its contractual obligations;
- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as collateral realization;
- It is probable that there would be a modification to the original agreement due to the borrower's inability to pay its credit obligations; and
- The exposure has been classified as Accounts in Liquidation as per the Company's classification process.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****21. Financial Risk (Continued)****(b) Credit risk (continued)****ix) The Calculation of ECL**

The Company measures expected credit losses (ECLs) in a way that reflects; the time value of money, an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company calculates ECLs as the discounted product of the Probability of Default (PD) and the Loss Given Default (LGD). These are defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or the remaining lifetime of the obligation; and
- The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is the difference between the contractual cash flows that are due to the Company and the present value of any collateral held adjusted for realization expenses.

The discount rate used in the ECL calculation is the original effective interest rate.

For financial assets classified in Stage 1, the 12 month ECL allowance is calculated based on the expectation of default occurring in the 12 months following the reporting date. These expected 12-month PDs are multiplied by the expected LGDs as defined above to derive a 12-month allowance.

For financial assets in Stage 2, having shown a significant increase in credit risk, the Company records an allowance for the lifetime ECLs. The calculations are similar to those explained above.

For financial assets considered credit impaired, the Company recognizes the lifetime ECLs, similar to that for those in Stage 2, with the PD set at 100%.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. Financial Risk (Continued)

(b) Credit risk (continued)

ix) The Calculation of ECL (continued)

The following table sets out our 2023 ECL calculation of loans and advances at amortized cost, displayed by Stages. Unless otherwise stated, the amounts shown represent gross carrying amounts.

December 31, 2023	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Loans and Advances to Customers				
Instalment Loans	2,752	146	65	2,963
Amortized Loans	102,130	3,028	7,246	112,404
Hire Purchase Loans	62,078	5,150	913	68,141
Accounts in Liquidation	<u>-</u>	<u>-</u>	<u>436</u>	<u>436</u>
Gross Loans	166,960	8,324	8,660	183,944
Loss Allowance	<u>(2,964)</u>	<u>(144)</u>	<u>(1,178)</u>	<u>(4,286)</u>
Carrying Balance	<u>163,996</u>	<u>8,180</u>	<u>7,482</u>	<u>179,658</u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. Financial Risk (Continued)

(b) Credit risk (continued)

ix) The Calculation of ECL (continued)

December 31, 2022	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Loans and Advances to Customers				
Instalment Loans	2,461	146	94	2,701
Amortized Loans	77,787	5,534	6,806	90,127
Hire Purchase Loans	71,482	6,032	2,010	79,524
Accounts in Liquidation	-	-	-	-
Gross Loans	151,730	11,712	8,910	172,352
Loss Allowance	<u>(2,252)</u>	<u>(163)</u>	<u>(1,375)</u>	<u>(3,790)</u>
Carrying Balance	<u>149,478</u>	<u>11,549</u>	<u>7,535</u>	<u>168,562</u>

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company is exposed to daily calls on its available cash resources to settle financial and other liabilities.

i) Risk management

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

To manage and reduce liquidity risk the Company's asset liability committee actively meets to match cash inflows with liability requirements.

ii) Liquidity gap

The Company's exposure to liquidity risk is summarised in the table below which analyses assets and liabilities based on the remaining period at the reporting date to the contractual maturity date.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. Financial Risk (Continued)(c) **Liquidity risk (continued)**ii) **Liquidity gap (continued)**

December 31, 2023	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
Assets					
Cash and short term investments	21,976	-	-	-	21,976
Deposits with Central Bank	24,867	-	-	-	24,867
Investments	8,382	8,744	86,070	-	103,196
Loans	118,769	56,107	6,878	-	181,754
Other assets	<u>8,097</u>	<u>-</u>	<u>-</u>	<u>8,145</u>	<u>16,242</u>
	<u>182,091</u>	<u>64,851</u>	<u>92,948</u>	<u>8,145</u>	<u>348,035</u>
Liabilities					
Customers' deposits	117,695	170,254	-	-	287,949
Other funding instruments	33	-	-	-	33
Other liabilities	<u>6,614</u>	<u>1,293</u>	<u>-</u>	<u>1,037</u>	<u>8,944</u>
	<u>124,342</u>	<u>171,547</u>	<u>-</u>	<u>1,037</u>	<u>296,926</u>
Net Liquidity Gap	<u>57,749</u>	<u>(106,696)</u>	<u>92,948</u>	<u>7,108</u>	<u>51,109</u>
Cumulative Gap	<u>57,749</u>	<u>(48,947)</u>	<u>44,001</u>	<u>51,109</u>	

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. Financial Risk (Continued)(c) Liquidity risk (continued)ii) Liquidity gap (continued)

December 31, 2022	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Undated \$'000	Total \$'000
Assets					
Cash and short term investments	13,258	-	-	-	13,258
Deposits with Central Bank	20,126	-	-	-	20,126
Investments	893	13,534	65,382	-	79,809
Loans	119,834	49,362	1,140	-	170,336
Other assets	<u>4,344</u>	<u>-</u>	<u>-</u>	<u>6,121</u>	<u>10,465</u>
	<u>158,455</u>	<u>62,896</u>	<u>66,522</u>	<u>6,121</u>	<u>293,994</u>
Liabilities					
Customers' deposits	110,748	124,118	-	-	234,866
Other funding instruments	32	-	-	-	32
Other liabilities	<u>6,654</u>	<u>1,150</u>	<u>-</u>	<u>582</u>	<u>8,386</u>
	<u>117,434</u>	<u>125,268</u>	<u>-</u>	<u>582</u>	<u>243,284</u>
Net Liquidity Gap	<u>41,021</u>	<u>(62,372)</u>	<u>66,522</u>	<u>5,539</u>	<u>50,710</u>
Cumulative Gap	<u>41,021</u>	<u>(21,351)</u>	<u>45,171</u>	<u>50,710</u>	

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****21. Financial Risk (Continued)****(d) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans, customer deposits and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

i) Bonds

The Company invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the floating rate bonds are not very sensitive to changes in interest rates. The market values of the fixed rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market value will not impact profit or loss.

The Company actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

ii) Loans

The Company generally invests in fixed rate loans for terms not exceeding five years. These are funded mainly by borrowings in the form of customer deposits and other funding instruments which bear interest at market rates.

iii) Interest rate sensitivity gap

The Company's exposure to interest rate risk is summarised in the table below which analyses assets and liabilities at their carrying amounts categorised by the earlier of contractual re-pricing or maturity dates.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. Financial Risk (Continued)

(d) Interest rate risk (continued)

iii) Interest rate sensitivity gap (continued)

December 31, 2023	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
Assets					
Cash and short term investments	21,976	-	-	-	21,976
Deposits with Central Bank	-	-	-	24,867	24,867
Investments	9,748	5,750	87,698	-	103,196
Loans	118,769	56,107	6,878	-	181,754
Other assets	-	-	-	16,242	16,242
	<u>150,493</u>	<u>61,857</u>	<u>94,576</u>	<u>41,109</u>	<u>348,035</u>
Liabilities					
Customers' deposits	116,472	167,096	-	4,381	287,949
Other funding instruments	17	-	-	16	33
Other liabilities	3,475	1,609	-	3,860	8,944
	<u>119,964</u>	<u>168,705</u>	<u>-</u>	<u>8,257</u>	<u>296,926</u>
Net Interest Rate Gap	<u>30,529</u>	<u>(106,848)</u>	<u>94,576</u>	<u>32,852</u>	<u>51,109</u>
Cumulative Gap	<u>30,529</u>	<u>(76,319)</u>	<u>18,257</u>	<u>51,109</u>	

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

21. Financial Risk (Continued)

(d) Interest rate risk (continued)

iii) Interest rate sensitivity gap (continued)

December 31, 2022	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
Assets					
Cash and short term investments	13,258	-	-	-	13,258
Deposits with Central Bank	-	-	-	20,126	20,126
Investments	2,498	10,523	66,788	-	79,809
Loans	119,834	49,362	1,140	-	170,336
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,465</u>	<u>10,465</u>
	<u>135,590</u>	<u>59,885</u>	<u>67,928</u>	<u>30,591</u>	<u>293,994</u>
Liabilities					
Customers' deposits	109,463	121,737	-	3,666	234,866
Other funding instruments	17	-	-	15	32
Other liabilities	<u>3,350</u>	<u>1,250</u>	<u>-</u>	<u>3,786</u>	<u>8,386</u>
	<u>112,830</u>	<u>122,987</u>	<u>-</u>	<u>7,467</u>	<u>243,284</u>
Net Interest Rate Gap	<u>22,760</u>	<u>(63,102)</u>	<u>67,928</u>	<u>23,124</u>	<u>50,710</u>
Cumulative Gap	<u>22,760</u>	<u>(40,342)</u>	<u>27,586</u>	<u>50,710</u>	

(e) Currency risk

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

The Company's net exposure to currency risk is as follows:

	2023 \$'000	2022 \$'000
United States Dollars	<u><u>15,938</u></u>	<u><u>665</u></u>

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****21. Financial Risk (Continued)****(f) Climate-related risks**

Climate-related risks are potential negative impacts on the Company arising from climate change. Climate-related risks have an impact on the principal risk categories (i.e. credit, liquidity, interest rate, foreign currency and other risks).

The Company distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels.

Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy eg. Changes to law and regulations, litigations due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

Management does not consider there to be any material impact to the financial statements in relation to this risk.

22. Fair Value Measurement

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 existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The Company measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

FIDELITY FINANCE AND LEASING COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2023****22. Fair Value Measurement (Continued)**

The following methods have been used to estimate the fair values of various classes of financial instruments:

i) Current assets and current liabilities

The carrying amounts of current assets and current liabilities are a reasonable approximation of the fair values because of their short-term nature.

ii) Quoted securities

The fair values of quoted securities are determined on the basis of quoted market prices available at December 31, 2023.

iii) Unquoted securities

The fair values of unquoted securities are determined using various valuation techniques. Unquoted securities are stated at cost less accumulated impairment provisions.

iv) Loans and receivables

Loans and receivables are stated net of specific provisions for impairment losses. These assets result from transactions under typical market conditions and their values are not adversely affected by unusual terms. The inherent rates of interest in the portfolio approximate market conditions and yield discounted cash flow values, which are substantially in accordance with financial statement amounts.

23. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Company's overall strategy remains unchanged from 2022.

The capital structure of the Company consists of equity attributable to shareholders, which comprises issued capital, reserves and retained earnings.

Management uses the guidelines developed by the Basel Committee as implemented by the Central Bank of Trinidad and Tobago (the Central Bank), the supervisory authority in the country, in the daily monitoring of its capital resources. These ratios are reported monthly to the Central Bank.

The Central Bank requires each financial institution to:

- (a) hold a minimum of \$15,000,000 in share capital.
- (b) maintain a ratio of qualifying capital to risk-weighted assets at or above 10%.

FIDELITY FINANCE AND LEASING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

23. Capital Risk Management (Continued)

The table below summarizes the composition of regulatory capital and the capital adequacy ratios of the Company for the years ended 31 December.

	2023	2022
	\$'000	\$'000
Total risk adjusted assets	<u>191,227</u>	<u>174,177</u>
Total core capital	46,312	47,423
Allowable supplementary capital	<u>399</u>	<u>1,740</u>
Qualifying capital	<u>46,711</u>	<u>49,163</u>
Capital ratios		
- Core capital to total risk adjusted assets	24.22%	27.23%
- Total qualifying capital to total risk adjusted assets	24.43%	28.23%

24. Contingent Liabilities

- (a) During the period March to June 2002 a number of charges were preferred against the Company and others. These charges refer to offences, which are alleged to have taken place between 1st July 1996 and 21st December 2000. On 7th January 2008 the presiding Magistrate, Chief Magistrate Sherman McNichols committed all the defendants to stand trial after he had initially discharged them some six months earlier. This decision was appealed, and it was eventually heard by the judicial Committee of the Privy Council on 16th March 2022. On 27th June 2022, the Judicial Committee of the Privy Council delivered its judgment in the matter and in doing so they quashed the decision of the Chief Magistrate to commit the defendants to trial on the grounds of apparent bias. The Court in doing so found that the Chief Magistrate had been hopelessly compromised by the Attorney General, John Jeremie.
- (b) On 20th May 2004 the Company along with others were charged with the offence of conspiring with other persons to obtain contracts and payments contrary section 34 of the Larceny Act, Chapter 11:12. The Company's attorneys have always advised that this is not an offence known in law. On 23rd February 2005, four additional charges were preferred against the Company and others. Those charges each alleged a conspiracy to defraud contrary to common law. In April 2011, approximately seven years after the initial charge was preferred against the Company, the Prosecution informed the Court that they would not be proceeding with this and other charges. On 14th July 2017, after hearing all of the Prosecution's evidence, the Magistrate discharged the Company in respect of all the remaining charges on the basis that there was no evidence to disclose a prima facie case against the Company. It is important to emphasize that the Prosecution did not seek to challenge the Magistrate's decision to discharge the Company.
- (c) No provision has been made in these financial statements in respect to any of the alleged charges. Legal fees in connection with these matters are expensed as incurred.