

SigniaGlobe Financial Group Inc.

Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

SigniaGlobe Financial Group Inc.

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Independent auditor's report

To the Shareholder of SigniaGlobe Financial Group Inc.

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the balance sheet as at December 31, 2022;
- the statement of changes in equity for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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



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

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

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



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

Other matter

This report is made solely to the Company's shareholder, as a body corporate, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body corporate, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in black ink that reads "PricewaterhouseCoopers SA".

Bridgetown, Barbados
April 26, 2023

SigniaGlobe Financial Group Inc.

Balance Sheet

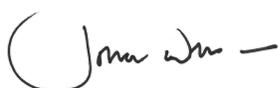
As at December 31, 2022

(Amounts in Barbados dollars)

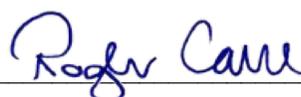
	Notes	December 31, 2022 \$	December 31, 2021 \$
Assets			
Cash resources	4	48,456,778	53,129,198
Due from parent company	5	217,356	56,287
Financial investments	6	10,497,447	10,441,004
Loans and advances to customers	7	339,408,208	329,989,876
Property, plant and equipment	8	5,666,453	5,953,397
Intangible assets	9	1,199,442	1,527,166
Right-of-use assets	10	1,307,922	1,461,795
Operating lease assets	11	263,729	411,002
Other assets	12	3,365,278	6,867,706
Corporation tax receivable		354,375	454,658
Deferred tax asset	13	112,321	104,160
Total assets		410,849,309	410,396,249
Liabilities			
Due to customers	14	337,716,458	341,024,316
Other liabilities	15	7,249,135	6,490,136
Lease liability	10	1,345,210	1,475,508
Asset tax payable	16	449,931	497,889
Shareholder loan	17	7,771,936	8,971,936
Total liabilities		354,532,670	358,459,785
Equity			
Share capital	18	9,210,857	9,210,857
Statutory reserves	19	9,210,857	8,586,399
Retained earnings		37,894,925	34,139,208
		56,316,639	51,936,464
Total liabilities and equity		410,849,309	410,396,249

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

Approved by the Board of Directors on April 24, 2023



Chairman



Director

SigniaGlobe Financial Group Inc.

Statement of Changes in Equity

For the year ended December 31, 2022

(Amounts in Barbados dollars)

	Share capital \$	Statutory reserves \$	Retained earnings \$	Total \$
Balance at December 31, 2020	9,210,857	8,109,525	31,436,923	48,757,305
Total comprehensive income for the year	–	–	3,179,159	3,179,159
Transfer to statutory reserves (note 19)	–	476,874	(476,874)	–
Balance at December 31, 2021	9,210,857	8,586,399	34,139,208	51,936,464
Dividends declared (note 18)	–	–	(1,645,867)	(1,645,867)
Total comprehensive income for the year	–	–	6,026,042	6,026,042
Transfer to statutory reserves (note 19)	–	624,458	(624,458)	–
Balance at December 31, 2022	9,210,857	9,210,857	37,894,925	56,316,639

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

SigniaGlobe Financial Group Inc.

Statement of Comprehensive Income

For the year ended December 31, 2022

(Amounts in Barbados dollars)

	Notes	December 31, 2022 \$	December 31, 2021 \$
Interest income		23,431,461	23,483,022
Interest expense		(5,541,972)	(6,084,730)
Net interest income	20	17,889,489	17,398,292
Impairment losses on loans and advances	7	(3,088,393)	(6,249,369)
Net interest income after impairment charges		14,801,096	11,148,923
Fee and commission income	21	1,215,149	1,119,763
Fee and commission expense	21	(101,321)	(82,971)
Net fee and commission income		1,113,828	1,036,792
Net lease income	22	570,707	922,790
Other operating income	23	1,526,508	831,669
Foreign exchange and brokerage income	24	1,350,359	798,624
Asset tax expense	16	(1,293,140)	(1,314,231)
Operating lease expense	10	(210,522)	(136,682)
Operating expenses	25	(10,685,810)	(9,943,983)
Profit before corporation tax		7,173,026	3,343,903
Taxation	13	(1,146,984)	(164,744)
Profit for the year		6,026,042	3,179,159
Total comprehensive income for the year		6,026,042	3,179,159

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

SigniaGlobe Financial Group Inc.

Statement of Cash Flows

For the year ended December 31, 2022

(Amounts in Barbados dollars)

	December 31, 2022 \$	December 31, 2021 \$
Cash flows from operating activities		
Profit before corporation tax	7,173,026	3,343,903
Adjustments for:		
Depreciation of property, plant and equipment and operating lease assets and amortisation of intangible assets	987,344	1,274,671
Depreciation of right-of-use leased assets	153,873	109,516
Impairment losses on loans and advances	3,088,393	6,249,369
Gain on disposal of property, plant and equipment	(46,811)	(29,553)
Interest income	(23,431,461)	(23,483,022)
Fee Income	(808,938)	(816,366)
Interest expense	5,541,972	6,084,730
Gain on sale of operating lease assets	(52,610)	(145,264)
	<u>(7,395,209)</u>	<u>(7,412,016)</u>
Changes in working capital		
Decrease/(increase) in restricted cash	872,711	(710,887)
Increase in due from parent company	(161,069)	(3,964)
Increase in loans and advances to customers	(12,291,840)	(1,870,674)
Net change in operating lease assets	149,155	227,110
Decrease in other assets	3,502,428	1,969,187
Decrease in due to customers	(3,406,386)	(216,045)
(Decrease)/increase in other liabilities	(994,745)	2,095,467
Decrease in asset tax payable	(47,958)	(56,046)
Fees received	843,824	609,252
Taxation paid	(1,054,863)	(251,588)
Interest paid	(5,447,223)	(6,398,993)
Interest received	23,043,885	24,231,578
	<u>(2,387,290)</u>	<u>12,212,381</u>
Net cash (used in)/from operating activities		
	<u>(2,387,290)</u>	<u>12,212,381</u>
Cash flows generated from investing activities		
Purchase of property, plant and equipment	(288,242)	(281,884)
Purchase of intangibles	(36,214)	(348,814)
Proceeds from the sale of property, plant and equipment	49,320	36,709
Purchase of financial investments	–	(1,500,000)
Proceeds from principal payments on financial investments	193,014	1,500,000
	<u>(82,121)</u>	<u>(593,989)</u>
Net cash used in investing activities		
	<u>(82,121)</u>	<u>(593,989)</u>
Carried forward	<u>(2,469,411)</u>	<u>11,618,392</u>

SigniaGlobe Financial Group Inc.

Statement of Cash Flows ...continued

For the year ended December 31, 2022

(Amounts in Barbados dollars)

	December 31, 2022 \$	December 31, 2021 \$
Brought forward	<u>(2,469,411)</u>	11,618,392
Cash flows from financing activities		
Payment of shareholder loan	(1,200,000)	(1,200,000)
Principal payment of lease liabilities	<u>(130,298)</u>	<u>(102,307)</u>
Net cash used in financing activities	<u>(1,330,298)</u>	<u>(1,302,307)</u>
Net (decrease)/increase in cash and cash equivalents	(3,799,709)	10,316,085
Cash and cash equivalents - beginning of year	<u>41,934,074</u>	<u>31,617,989</u>
Cash and cash equivalents - end of year	<u>38,134,365</u>	<u>41,934,074</u>
Represented by:		
Cash at bank (note 4)	36,133,771	38,433,000
Short term deposits (note 4)	<u>2,000,594</u>	<u>3,501,074</u>
	<u>38,134,365</u>	<u>41,934,074</u>

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

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

1 Incorporation, ownership and principal activities

Signia Financial Group Inc. was incorporated under the Laws of Barbados on September 13, 1996. The Company is licenced under the Financial Institutions (Amendment) Act 2018 to carry on business as a finance company. On September 4, 2018 Signia Financial Group Inc. acquired Globe Finance Inc. a company incorporated under the Laws of Barbados, licensed under the Financial Institutions Act and engaged in lending, motor vehicle leasing and deposit taking. The operations of the two businesses were amalgamated and was registered as SigniaGlobe Financial Group Inc. (the Company).

The Company's principal activities are the provision of term finance, motor vehicle leasing and the acceptance of deposits. The Company is also an authorised foreign exchange dealer and licensed stock broker.

The Company is wholly-owned by CSGK Finance Holdings Limited (CSGK), which is a company incorporated under the Laws of Barbados and is a joint venture between Cave Shepherd & Co. Limited a company incorporated under the Laws of Barbados, and First Global Holdings Limited, a subsidiary of Grace Kennedy & Company Limited, a company incorporated in Jamaica.

The Company's principal place of business is 'Shirley House', Hastings Main Road, Christ Church, Barbados.

2 Summary of significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards, ("IFRS"). Significant accounting policies are set out below and have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements comprise the balance sheet, the statement of changes in equity, the statement of comprehensive income, the statement of cash flows and the notes to the financial statements.

These financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets at Fair value through other comprehensive income (FVOCI).

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

a) Basis of preparation ...continued

New standards, amendments and interpretations to published standards that are not yet effective but have been early adopted by the Company

There are no new standards that are not yet effective that have been early adopted by the Company.

New standards, amendments and interpretations to published standards that are not yet effective but will be relevant to the Company

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendments to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction. These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to IFRS 16 - 'Leases on sale and leaseback'. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- Amendments to IAS 1 - 'Non current liabilities with covenants'. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

b) Foreign currency translation

i) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the economic environment in which the Company operates. The financial statements are presented in Barbados Dollars which is the Company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

c) Financial assets

i) Financial assets

Classification and measurement

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

- Amortised cost or
- Fair value through other comprehensive income (FVOCI).

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset.

Business model test:

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets ...continued

i) Financial assets ...continued

Solely Payments of Principal and Interest test (SPPI):

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Based on these factors, the Company classifies its debt instruments into one of the following two measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at Fair value through profit or loss (FVPL), are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. Interest income from these financial assets is recognised in profit or loss using the effective interest rate method.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets ...continued

i) Financial assets ...continued

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Company subsequently measures equity investments at fair value through profit or loss unless the asset is not held for trading purposes and the Company makes an irrevocable election to designate the assets as FVOCI. This election is made on an instrument by instrument basis. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

The Company has elected to irrevocably designate at FVOCI its existing non-trading equity portfolio.

Recognition and measurement

Purchases and sales of financial assets are recognised on settlement date, the date on which the Company settles the purchase or sells the asset. Loans and receivables are reported in the balance sheet as loans and advances to financial institutions or customers or as financial investments. Financial assets are initially recognised at fair value plus transaction costs for all financial assets.

After initial recognition, an expected credit loss (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI).

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets ...continued

i) Financial assets ...continued

Credit risk measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Instruments in Stages 2 have their ECL measured based on expected credit losses on a lifetime basis.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. Instruments in Stages 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

For debt securities, the Company examines the issuer’s capital adequacy, financial performance, and liquidity position, to assess whether the issuer has experienced significant increase in credit risk since the origination of the assets. The Company also considers if there is any negative press or adverse market information that may indicate changes in credit risk.

For loans and receivables, delinquency status is utilised as the main indicator for changes in credit risk. Credit management actions are triggered by movement in days past due. Accounts that are 30 days past due are considered to have experienced significant increase in credit risk. This criteria is also a backstop prescribed by IFRS 9. Other qualitative factors are considered, which include but are not limited to:

- Early signs of cashflow/liquidity problems
- In short-term forbearance
- Known adverse change in financial conditions
- Known adverse changes in business or economic conditions in which the borrower operates

For debt securities, default is defined as the miss of contractual payment of principal or interests. For loans and receivables, the Company defines default based on the following criteria:

Quantitative criteria

- The borrower is more than 90 days past due on its contractual payments

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets ...continued

i) Financial assets ...continued

Credit risk measurement ...continued

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. Examples of these instances are:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenants

The criteria above are consistent with the definition of default used for internal credit risk management purposes.

Impairment measurement

The Company assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and the exposure arising from loan commitments. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; 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 estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD is generated based on historical default data of each portfolio.

EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD is assessed based on contractual terms of the debt instrument.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets ...continued

i) Financial assets ...continued

Impairment measurement ...continued

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, availability of collateral or other credit support, and historical recovery information.

ECL is determined by projecting the PD, LGD and EAD for future periods and for each individual exposure or collective segment. These three components are multiplied together and adjusted for forward looking information. For expected credit loss provisions modelled on a collective basis, a group of exposures is assessed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Modification of loans

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Company assesses whether or not the new terms are substantially different to the original terms. The Company does this by considering among others the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk.

If the terms are substantially different, the Company derecognizes the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

c) Financial assets ...continued

i) Financial assets ...continued

Write-offs

Write-offs are made when a loan is deemed uncollectible or is forgiven. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan.

Recoveries in part or in full of amounts previously written-off are credited to provision for credit losses in arriving at net profit or loss.

Forward-looking information

When incorporating forward looking information, such as macroeconomic forecasts, into determination of expected credit losses, the Company considers the relevance of the information for each specific group of financial instruments. The macroeconomic indicators assessed include, but are not limited to, GDP growth, unemployment rate and inflation rate.

In addition to the base economic scenario, the Company also incorporated upside and downside scenarios. The economic scenarios have been translated to percentage variances on the default rates utilised. The best-case economic scenario is represented by a 10% decline in default rates across all categories, while the worst case is represented by a 10% increase in these rates. The attributes of scenarios are reassessed at each reporting date and are designed to account for the current economic conditions.

The final default rates utilized in the model are calculated as a probability-weighted average of the rates determined in each scenario. The scenario weightings are strategically determined after consideration of the take account of the range of possible outcomes each chosen scenario is representative of.

The table below shows the variance in the ECL as at December 31, 2022 that would result from these possible changes in economic outlooks from the actual assumptions used in the Company's economic variable assumptions:

	Default Rate Variance	Variance to Actual (Probability Weighted)
Base Case	0%	(46,743)
Worst Case	+10%	109,067
Best Case	-10%	(202,553)

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

d) Financial liabilities

Financial liabilities are initially measured at fair value and then subsequently at amortised cost, and are primarily deposits from customers or banks. Trade payables and other liabilities are initially recognised at fair value and subsequently carried at amortised cost.

The company derecognises a financial liability when its contractual obligations are discharged.

e) Current and deferred tax

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

The principal temporary differences arise from depreciation of property, plant and equipment and operating lease assets and the collective allowance for impairment losses.

Income tax payable on profits, based on the applicable tax law is recognised as an expense in the period in which the profits arise. The tax effects of tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available to utilise against these losses.

f) Tax on assets

The Company is subject to a tax of 0.35% of its average domestic assets, which was enacted through the Tax on Assets Act 2017. Tax on assets expense is recognised in the statement of comprehensive income monthly based on the average of the domestic assets for three months. The tax on assets liability is settled quarterly. Where the final asset tax outcome is different from the amount initially recorded, such differences are recognised in the statement of comprehensive income.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

g) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation is provided on the straight-line method at the following annual rates considered appropriate to write off the cost of the assets over their estimated useful lives as follows:

Buildings	- 2%
Leasehold improvements	- 20% or over the term of the lease
Computers	- 14% - 33%
Furniture and equipment	- 10% - 50%
Motor vehicles	- 20%
Leased vehicles and equipment	- Over the term of the lease agreement

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

h) Intangible assets

Intangible assets acquired in a business combination are recognised at their estimated fair values at the acquisition date. The intangible assets have a finite useful life and are carried at estimated realisable value less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the intangible assets which is 15 years for the Globe Finance Brand and 8 years for Core Deposits.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

At each reporting date, as well as whenever a trigger event has been observed for impairment testing intangible assets acquired in a business combination are tested for impairment. Brands and trade marks are tested by comparing the present value of the expected future cash flows with the carrying value of its net assets. Core Deposits are assessed for impairment by comparing the retention rate of deposits over the prior reporting period.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

i) Leases

i) *The Company is the lessor*

Finance Leases

Leases in which a significant portion of the risks and rewards of ownership are passed on to the lessee are classified as finance leases. When assets are held subject to a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease. Assets leased as operating leases are depreciated over their expected useful lives. Rental income is recognised on a straight-line basis over the lease term.

ii) *The Company is the lessee*

The Company leases various offices and equipment, rental contracts are typically made for fixed periods of 1 year to 5 years.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to lease liabilities is 4%. The incremental borrowing rate utilised represents the interest rate the Company would have to pay to borrow over a similar term.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability and
- any initial direct costs

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

i) Leases ...continued

ii) *The Company is the lessee ...continued*

Right-of-use assets are depreciated on a straight-line basis over the lease term.

Payments associated with the short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets is comprised of copiers and printers.

j) Repossessed property

In certain circumstances, property is repossessed following the foreclosure on loans or leases that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

k) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and balances with three months or less maturity from the date of acquisition, including, amounts due from other banks.

l) Shareholder loan

Shareholder loans are recognised initially at fair value, net of transaction costs incurred. Shareholder loans are subsequently carried at amortised cost.

m) Share capital

i) *Share issue costs*

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax from the proceeds.

ii) *Dividends*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's directors.

n) Statutory reserves

In accordance with Section 33 of the Financial Institutions (Amendment) Act, 2018, 15% of the Company's annual net income is appropriated to a reserve fund until the balance of such fund equals the Company's share capital.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

o) Fees and commission income

Fees and commissions primarily relate to transaction service fees and commissions, securities brokerage commissions and foreign exchange fees.

Commissions and fees related to securities brokerage commissions, transaction service fees/commissions and foreign exchange fees related to the provision of specific transaction type services are recognised when the service is fulfilled.

When service fees and other costs are incurred in relation to commissions and fees earned, these costs are recorded on a gross basis.

p) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing financial instruments using the effective interest method. Income from leasing of motor vehicles and from term deposits and investments is recognised using the effective interest method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- i) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- ii) Financial assets that are not 'POCI' but have subsequently become credit impaired, for which interest revenue is calculated by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the expected credit loss provision).

q) Employee retirement benefits

The Company's employees are members of the Cave Shepherd & Co. Limited Group Defined Contribution Pension Plan. The plan is administered by Trustees and investments are held by an independent Custodial Trustee. Contributions to the plan are based on pensionable salary and are recognised as an employee benefit expense when they are due.

r) Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; if it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Company recognises no provisions for future operating losses.

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

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

2 Summary of significant accounting policies ...continued

s) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquiree comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the company

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

3 Critical accounting estimates, and judgements in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires significant assumptions about future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring the ECL are detailed in note 2(c). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate assumptions for the measurement of ECL including PD, EAD and LGD;
- Developing a range of unbiased future economic scenarios and relative weightings; and
- Establishing groups of similar financial assets for the purpose of measuring ECL.

Information about the judgements and estimates made by the Company in the above areas is set out in note 2(c).

The Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans and advances. This evidence typically presents itself as adverse changes in scheduled payments from borrowers.

The overall macroeconomic conditions as reported by the Central Bank of Barbados are also considered in formulating default rates. Various metrics such as economic growth, unemployment rates and inflation are holistically assessed to determine the extent of the potential variances that could be expected on baseline default rates calculated from the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

4 Cash resources

	December 31, 2022 \$	December 31, 2021 \$
Cash at bank	36,133,771	38,433,000
Short term deposits	2,000,594	3,501,074
Restricted cash	10,322,413	11,195,124
Total cash resources	<u>48,456,778</u>	<u>53,129,198</u>

The Company is required to maintain mandatory reserve deposits with the Central Bank of Barbados representing a percentage of deposit liabilities as cash or deposits. These funds are not available to finance the Company's day to day operations and as such, are excluded from cash resources to arrive at cash and cash equivalents. At December 31, 2022 the Company was required to hold \$10,322,413 (2021 - \$10,731,772) in mandatory deposits.

5 Due from parent company

Amounts due from parent company bear no interest and have no stated terms of repayment.

6 Financial investments

	Treasury bills at amortised cost \$	Debt securities at amortised cost \$	Equity investments at FVOCI \$	Total \$
Balance, December 31, 2021	1,729,816	8,392,623	318,565	10,441,004
Principal repayment	–	(193,014)	–	(193,014)
Amortisation of interest on investments	–	249,457	–	249,457
Balance, December 31, 2022	<u>1,729,816</u>	<u>8,449,066</u>	<u>318,565</u>	<u>10,497,447</u>

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

7 Loans and advances to customers

	Corporate 2022 \$	Individual 2022 \$	Total December 2022 \$
Gross loans and advances	101,410,584	258,267,658	359,678,242
Less: Expected credit losses	(10,160,173)	(10,109,861)	(20,270,034)
Balance, end of year	91,250,411	248,157,797	339,408,208

	Corporate 2021 \$	Individual 2021 \$	Total December 2021 \$
Gross loans and advances	121,025,765	229,820,071	350,845,836
Less: Expected credit losses	(11,683,951)	(9,172,009)	(20,855,960)
Balance, end of year	109,341,814	220,648,062	329,989,876

Analysis of loans by industry sector

	December 31, 2022 \$	December 31, 2021 \$
Education	–	49,037
Financial corporations	4,893,399	6,042,102
Manufacturing	3,526,532	6,277,169
Transport, storage and communication	7,666,355	5,231,427
Hotels and restaurants	3,134,810	2,118,335
Agriculture	9,967,476	10,453,071
Health and social work	11,133,509	9,086,132
Construction	5,673,485	3,963,270
Real estate, renting and other business	58,336,595	58,441,969
Individuals and individual trusts	255,346,081	249,183,324
	359,678,242	350,845,836
Receivable 12 months or less after the reporting period	89,858,709	86,001,582
Receivable more than 12 months after the reporting period	269,819,533	264,844,254
	359,678,242	350,845,836

Loans and advances to customers are predominantly secured by the vehicles and title deeds relating to property financed under the individual contracts.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

7 Loans and advances to customers ...continued

Impairment losses on loans and advances

	December 31, 2022 \$	December 31, 2021 \$
Increase in impairment losses on loans and advances	3,017,935	6,219,140
Amounts written off during the year as uncollectible	563,749	184,440
	<u>3,581,684</u>	<u>6,403,580</u>
Amounts received on loans previously written off	(493,291)	(154,211)
	<u>3,088,393</u>	<u>6,249,369</u>

Loans and advances to customers include finance lease receivables as follows:

Gross investment in finance lease receivables:

	December 31, 2022 \$	December 31, 2021 \$
No later than 1 year	2,682,685	3,047,691
Later than 1 year but no later than 5 years	6,081,011	6,050,671
	<u>8,763,696</u>	<u>9,098,362</u>
Unearned future finance income on finance leases	(564,068)	(954,056)
	<u>8,199,628</u>	<u>8,144,306</u>

The net investment in finance lease receivables may be analysed as follows:

	December 31, 2022 \$	December 31, 2021 \$
No later than 1 year	2,662,154	2,639,842
Later than 1 year but no later than 5 years	5,537,474	5,504,464
	<u>8,199,628</u>	<u>8,144,306</u>

The carrying amount of finance lease receivables includes **\$3,258,583** (2021 - \$3,493,503) of unguaranteed residual value accruing to the benefit of the Company.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

8 Property, plant and equipment

	Land & buildings \$	Leasehold improvements \$	Computers \$	Furniture & equipment \$	Motor vehicles \$	Total \$
At December 31, 2020						
Cost	5,573,155	339,203	1,092,577	1,202,042	625,250	8,832,227
Accumulated depreciation	(455,793)	(226,137)	(868,702)	(651,461)	(334,967)	(2,537,060)
Net book value	5,117,362	113,066	223,875	550,581	290,283	6,295,167
Year ended December 31, 2021						
Opening net book amount	5,117,362	113,066	223,875	550,581	290,283	6,295,167
Additions	–	15,725	107,207	63,452	95,500	281,884
Disposals	–	–	–	(7,157)	–	(7,157)
Depreciation charge	(125,073)	(82,057)	(126,688)	(167,089)	(115,590)	(616,497)
Closing net book value	4,992,289	46,734	204,394	439,787	270,193	5,953,397
At December 31, 2021						
Cost	5,400,393	288,492	1,198,730	1,258,336	630,755	8,776,706
Accumulated depreciation	(408,104)	(241,758)	(994,336)	(818,549)	(360,562)	(2,823,309)
Net book value	4,992,289	46,734	204,394	439,787	270,193	5,953,397

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

8 Property, plant and equipment ...continued

	Land & buildings	Leasehold improvements	Computers	Furniture & equipment	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Year ended December 31, 2022						
Opening net book amount	4,992,289	46,734	204,394	439,787	270,193	5,953,397
Additions	–	–	80,119	46,333	161,790	288,242
Disposals	–	–	(1,872)	(637)	–	(2,509)
Depreciation charge	(125,073)	(14,862)	(137,326)	(177,260)	(118,156)	(572,677)
Closing net book value	4,867,216	31,872	145,315	308,223	313,827	5,666,453
At December 31, 2022						
Cost	5,400,393	74,308	1,214,905	1,227,635	632,631	8,549,872
Accumulated depreciation	(533,177)	(42,436)	(1,069,590)	(919,412)	(318,804)	(2,883,419)
Net book value	4,867,216	31,872	145,315	308,223	313,827	5,666,453

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

9 Intangible assets

	Brand \$	Core deposits \$	Computer software \$	Total \$
As December 31, 2020				
Cost	300,000	1,800,000	370,153	2,470,153
Accumulated depreciation	(46,667)	(525,000)	(367,874)	(939,541)
Net book value	253,333	1,275,000	2,279	1,530,612
Year ended December 31, 2021				
Opening net book value	253,333	1,275,000	2,279	1,530,612
Additions	–	–	348,814	348,814
Amortisation charge	(20,000)	(225,000)	(107,260)	(352,260)
Closing net book value	233,333	1,050,000	243,833	1,527,166
As December 31, 2021				
Cost	300,000	1,800,000	718,967	2,818,967
Accumulated depreciation	(66,667)	(750,000)	(475,134)	(1,291,801)
Net book value	233,333	1,050,000	243,833	1,527,166
Year ended December 31, 2022				
Opening net book value	233,333	1,050,000	243,833	1,527,166
Additions	–	–	36,214	36,214
Amortisation charge	(20,000)	(225,000)	(118,938)	(363,938)
Closing net book value	213,333	825,000	161,109	1,199,442
As December 31, 2022				
Cost	300,000	1,800,000	674,868	2,774,868
Accumulated depreciation	(86,667)	(975,000)	(513,759)	(1,575,426)
Net book value	213,333	825,000	161,109	1,199,442

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

10 Right-of-use assets

	December 31, 2022 \$	December 31, 2021 \$
Buildings		
Beginning of year	1,461,795	233,486
Additions	–	1,538,732
Disposal	–	(200,907)
Depreciation expense	(153,873)	(109,516)
End of year	<u>1,307,922</u>	<u>1,461,795</u>
	December 31, 2022 \$	December 31, 2021 \$
Lease liabilities		
Beginning of year	1,475,508	239,991
Additions	–	1,538,732
Disposal	–	(200,908)
Interest	56,649	27,166
Lease payments	(186,947)	(129,473)
End of year	<u>1,345,210</u>	<u>1,475,508</u>
Current	135,607	130,298
Non-current	<u>1,209,603</u>	<u>1,345,210</u>
End of year	<u>1,345,210</u>	<u>1,475,508</u>

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

10 Right-of-use assets ...continued

Amounts recognised in the statement of comprehensive income.

The statement of comprehensive income shows the following amounts relating to leases:

	December 31, 2022 \$	December 31, 2021 \$
Depreciation expense of right-of-use assets	153,873	109,516
Interest expense on lease liabilities	56,649	27,166
Expense relating to short-term leases (included in administrative expenses)	60,000	133,713
Expenses relating to lease of low-value assets (included in administrative expenses)	35,646	40,050
	<hr/>	<hr/>
Total amount recognised in statement of comprehensive income	306,168	310,445

The total cash outflow for leases in 2022 was **\$288,831** (2021 - \$277,931).

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

11 Operating lease assets

Leased vehicles

	December 31, 2022 \$	December 31, 2021 \$
Cost		
Beginning of year	2,134,237	2,941,191
Additions	202,166	292,603
Transfer to end of lease stock	(940,782)	(257,919)
Disposals	(127,405)	(841,638)
End of year	<u>1,268,216</u>	<u>2,134,237</u>
Accumulated depreciation		
Beginning of year	1,723,235	2,142,429
Charge for the year (note 22)	50,729	305,914
Transfer to end of lease stock	(671,417)	(97,626)
Disposals	(98,060)	(627,482)
End of year	<u>1,004,487</u>	<u>1,723,235</u>
Net book value		
End of year	<u>263,729</u>	<u>411,002</u>
Beginning of year	<u>411,002</u>	<u>798,762</u>

12 Other assets

	December 31, 2022 \$	December 31, 2021 \$
Prepaid expenses	541,542	519,193
Other receivables	1,740,828	2,890,523
Repossessed or end of lease stock	914,673	3,420,716
VAT recoverable	168,235	37,274
	<u>3,365,278</u>	<u>6,867,706</u>
Receivable 12 months or less after the reporting period	3,317,140	6,819,568
Receivable more than 12 months after the reporting period	48,138	48,138
	<u>3,365,278</u>	<u>6,867,706</u>

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

13 Taxation

	December 31, 2022 \$	December 31, 2021 \$
Current tax charge	324,556	159,662
Under provision of prior year current tax	–	5,082
Deferred tax credit	(8,162)	–
Pandemic levy	830,590	–
	<u>1,146,984</u>	<u>164,744</u>

The tax on the Company's profit before corporation tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	December 31, 2022 \$	December 31, 2021 \$
Profit before corporation tax	<u>7,173,026</u>	<u>3,343,903</u>
Corporation tax at a tax rate of 5.5% (2021 - 5.5%)	394,516	183,915
Income not subject to tax	(1,612)	(55,970)
Expenses not deductible for tax	20,233	5,128
Prior year over provision - current tax	–	5,082
Prior year (under)/over provision - deferred tax	(14,507)	91
Tax effect of rate at which deferred tax is computed	(82,236)	26,498
Pandemic levy	830,590	–
Taxation charge for the year	<u>1,146,984</u>	<u>164,744</u>

A Pandemic Contribution Levy on corporate profits in certain sectors was introduced by the Government of Barbados during the budgetary proposals announced in March 2022. As a financial institution which recorded a net income greater than \$5 million in its 2020 financial year, SigniaGlobe was liable under the criteria established. This amount was calculated as 15% of the net income earned in 2020 and totaled \$830,590. The Pandemic Contribution Levy is included within the tax expense.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

13 Taxation ...continued

The movement on the deferred tax account is as follows:

	December 31, 2022 \$	December 31, 2021 \$
Asset - beginning of year	104,160	104,160
Prior year under provision - deferred tax	14,507	-
Deferred tax charge	<u>(6,346)</u>	<u>-</u>
Asset - end of year	<u>112,321</u>	<u>104,160</u>

The deferred tax asset consists of the following components:

	December 31, 2022 \$	December 31, 2021 \$
Delayed tax depreciation	437,353	863,322
Collective allowance for impairment losses	<u>1,604,843</u>	<u>1,030,505</u>
	<u>2,042,196</u>	<u>1,893,827</u>
Deferred tax asset at corporation tax rate of 5.5% (2021 - 5.5%)	<u>112,321</u>	<u>104,160</u>

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

14 Due to customers

	December 31, 2022 \$	December 31, 2021 \$
Financial institutions		
Payable with notice	8,086,299	1,913,643
Payable at fixed dates	43,767,890	45,443,463
Individuals		
Payable with notice	8,073,642	7,573,954
Payable at fixed dates	194,854,742	193,833,616
Business and government		
Payable with notice	22,658,699	31,501,723
Payable at fixed dates	57,082,078	57,589,395
Other		
Payable with notice	60,724	60,724
Payable at fixed dates	3,132,384	3,107,798
Deposits due to customers	<u>337,716,458</u>	<u>341,024,316</u>
Payable with notice	38,879,364	41,050,044
Payable at fixed dates	<u>298,837,094</u>	<u>299,974,272</u>
	<u>337,716,458</u>	<u>341,024,316</u>
Payable 12 months or less after the reporting period	233,642,127	211,452,545
Payable more than 12 months after the reporting period	<u>104,074,331</u>	<u>129,571,771</u>
	<u>337,716,458</u>	<u>341,024,316</u>

The rates of interest on fixed deposits vary in accordance with the length and value of the deposit from **1% to 3.4%** (2021 - 1% to 5%). **\$4,566,434** (2021 - \$4,495,218) of these deposits are held as security on loans and advances to customers.

SigniaGlobe Financial Group Inc.

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15 Other liabilities

	December 31, 2022 \$	December 31, 2021 \$
Due to brokers and related customers	3,986,055	4,446,888
Dividend payable (note 18)	1,645,867	–
ICF loan	–	498,711
Other payables	1,617,213	1,544,537
	<u>7,249,135</u>	<u>6,490,136</u>
Payable 12 months or less after the reporting period	7,249,135	6,148,446
Payable more than 12 months after the reporting period	–	341,690
	<u>7,249,135</u>	<u>6,490,136</u>

Industrial Credit Fund (ICF) loan represented variable rate loans on special terms due to the Central Bank of Barbados used to finance specific loans in designated sectors of the economy. Interest on amounts advanced was charged at **2% to 3%** (2021 - 2% to 3%) per annum.

16 Asset tax payable

	December 31, 2022 \$	December 31, 2021 \$
Beginning of year	497,889	553,935
Asset tax expense	1,293,140	1,314,231
Asset tax paid	<u>(1,341,098)</u>	<u>(1,370,277)</u>
End of year	<u>449,931</u>	<u>497,889</u>

SigniaGlobe Financial Group Inc.

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(Amounts in Barbados dollars)

17 Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These transactions are included in loans and advances, deposits, custodian and administrative services. The volume of related party transactions and outstanding balances at year end and related income and expenses for the year are as follows:

a) *Loans and advances*

	Directors and key management personnel	
	December 31, 2022	December 31, 2021
	\$	\$
Loans and advances		
Loans and advances outstanding at beginning of year	416,995	411,065
Loans and advances issued during the year	83,448	106,579
Loan repayments during the year	<u>(229,515)</u>	<u>(100,649)</u>
Loans and advances outstanding at end of year	<u>270,928</u>	<u>416,995</u>
Interest income earned	<u>16,545</u>	<u>22,578</u>

Interest is payable on related party loans and advances at **5.5% to 6%** (2021 - 6% to 6.5%) per annum.

b) *Amounts due from parent company*

	December 31, 2022	December 31, 2021
	\$	\$
CSGK Finance Holdings Limited	<u>217,356</u>	<u>56,287</u>

SigniaGlobe Financial Group Inc.

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December 31, 2022

(Amounts in Barbados dollars)

17 Related party transactions ...continued

c) Deposits

	Directors and key management personnel	
	December 31, 2022 \$	December 31, 2021 \$
Deposits		
Deposits at beginning of year	1,559,904	2,319,944
Deposits received during the year	4,062,530	102,000
Deposits repaid during the year	(503,149)	(862,040)
Deposits at end of year	5,119,285	1,559,904
Interest expense on deposits	78,330	33,405

d) Shareholder loan

During 2018, the Company entered into a five year agreement for an unsecured non-interest-bearing loan in the amount of \$11,371,936 with its parent company to finance the purchase of the net assets of Globe Finance Inc. The principal is repayable via semi-annual payments of \$600,000 beginning June 2020 until the principal loan amount has been repaid. At December 31, 2022 the balance outstanding was **\$7,771,936** (2021 - \$8,971,936).

The Company also entered into a facility agreement for a period of five (5) years with its parent company who entered into a non-revolving term facility with a commercial bank. A facilitation fee is to be paid to the parent company for entering into the agreement. The fee is to be paid at a rate of 4% of \$12,000,000 per annum for the first three (3) years of the facility after which the facilitation fee shall be based on the Barbados lending rate less 4% per annum.

e) Dividend payable

A dividend of \$1,645,867 remains payable to the shareholder of the Company as at December 31, 2022.

f) Custodian services

Custodian services are currently being offered solely to a related company and the income generated from these services during the year was **\$616,618** (2021 - \$126,993).

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

17 Related party transactions ...continued

g) Key management compensation

	December 31, 2022 \$	December 31, 2021 \$
Key management compensation		
Salaries and benefits	<u>1,363,023</u>	<u>1,377,334</u>

Directors' remuneration

In 2022, the total remuneration to the directors was **\$160,000** (2021 - \$176,000).

18 Share capital

Authorised:

The Company is authorised to issue an unlimited number of common shares of no par value.

Issued:

	December 31, 2022 \$	December 31, 2021 \$
9,210,857 common shares issued (2021 - 9,210,857)	<u>9,210,857</u>	<u>9,210,857</u>

A dividend of \$0.1787 per share for the year ended December 31, 2021 was declared on December 13, 2022. A final dividend of \$1,645,867 was due for settlement on January 27, 2023.

19 Statutory reserves

	December 31, 2022 \$	December 31, 2021 \$
Balance, beginning of year	8,586,399	8,109,525
Transfer from retained earnings	<u>624,458</u>	<u>476,874</u>
Balance, end of year	<u>9,210,857</u>	<u>8,586,399</u>

Section 33 of the Financial Institutions Act, 1996 requires that a minimum of 15% of annual net income be appropriated to a reserve fund until the balance of such fund equals the Company's share capital.

SigniaGlobe Financial Group Inc.

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(Amounts in Barbados dollars)

20 Net interest income

	December 31, 2022 \$	December 31, 2021 \$
Interest income		
Cash and other short term funds	1,022	403
Investment securities	574,628	584,742
Finance lease income	892,568	906,011
Loans and advances	21,963,243	21,991,866
	<u>23,431,461</u>	<u>23,483,022</u>
Interest expense		
Due to customers	<u>(5,541,972)</u>	<u>(6,084,730)</u>
Net interest income	<u>17,889,489</u>	<u>17,398,292</u>

21 Net fee and commission income

	December 31, 2022 \$	December 31, 2021 \$
Fee and commission income		
Foreign exchange trading fees	162,165	110,328
Credit related fees	808,938	816,366
Other fees and commissions	244,046	193,069
	<u>1,215,149</u>	<u>1,119,763</u>
Fee and commission expense		
Dealer commissions	<u>(101,321)</u>	<u>(82,971)</u>
	<u>1,113,828</u>	<u>1,036,792</u>

22 Net lease income

	December 31, 2022 \$	December 31, 2021 \$
Operating lease income	621,436	1,228,704
Depreciation expense (note 11)	<u>(50,729)</u>	<u>(305,914)</u>
	<u>570,707</u>	<u>922,790</u>

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Notes to Financial Statements

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23 Other operating income

	December 31, 2022 \$	December 31, 2021 \$
Profit on sale of lease assets and vehicle stock	1,410,708	789,576
Profit on sale of fixed assets	46,811	29,553
Other income	68,989	12,540
	<u>1,526,508</u>	<u>831,669</u>

24 Foreign exchange and brokerage income

	December 31, 2022 \$	December 31, 2021 \$
Foreign exchange transaction gains and losses	619,721	619,994
Custodian income	616,618	126,993
Stock brokerage income	114,020	51,637
	<u>1,350,359</u>	<u>798,624</u>

25 Operating expenses

	December 31, 2022 \$	December 31, 2021 \$
Staff costs (note 26)	5,665,721	5,251,029
Administrative expenses (note 27)	4,083,474	3,724,197
Depreciation of property, plant and equipment and intangible assets	936,615	968,757
	<u>10,685,810</u>	<u>9,943,983</u>

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

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(Amounts in Barbados dollars)

26 Staff costs

	December 31, 2022 \$	December 31, 2021 \$
Salaries and wages	4,603,032	4,146,148
Management fees	318,598	438,000
National Insurance contributions	376,394	382,946
Pension costs:		
- defined contribution plan	115,576	107,993
Other	252,121	175,942
	<u>5,665,721</u>	<u>5,251,029</u>

27 Administrative expenses

	December 31, 2022 \$	December 31, 2021 \$
Advertising and marketing expense	417,516	292,373
Professional fees	440,210	392,617
Property and utilities	719,273	568,866
Licensing	355,475	354,310
Technology expense	146,706	170,418
Integration expenses	–	110,250
Bank charges	387,111	314,673
Stationery expenses	112,964	96,021
Insurance expense	310,567	306,192
Irrecoverable VAT	276,393	238,633
Other expenses	917,259	879,844
	<u>4,083,474</u>	<u>3,724,197</u>

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

28 Contingent liabilities and commitments

a) *Legal proceedings*

No contingent liabilities associated with legal action have been disclosed as professional advice indicates that it is unlikely that any significant loss will arise.

b) *Commitments*

The Company had undrawn loan commitments as follows:

	December 31, 2022 \$	December 31, 2021 \$
Undrawn loan commitments	<u>20,148,602</u>	<u>19,678,663</u>

29 Financial instruments, financial risk and capital management

By its nature, the Company's activities expose it to a variety of financial risks such as credit risk, market risk (predominantly cash flow interest rate risk) and liquidity risk. The Company accepts deposits from customers at fixed interest rates over varying terms of maturity and seeks to earn the appropriate interest margin through lending to commercial and retail borrowers at fixed and variable rates over varying terms of maturity and by investing funds in high quality assets. This note presents information about the Company's exposure to each of the above financial risks, the Company's objectives, policies and procedures for measuring and managing these risks, as well as the Company's management of its capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Credit Committee and the Asset and Liability Committee ("ALCO") both of which include non-executive members and regularly report to the Board of Directors on their activities. In addition, the Board has established an Audit Committee to assist the directors in overseeing the reliability of the Company's financial statements, compliance with legal and regulatory requirements, external and internal auditor independence, as well as business practices and ethical standards. The Audit Committee also oversees compliance with the Company's risk management policies and procedures, as well as reviews the adequacy of the risk management framework in relation to the potential risks which the Company faces.

a) *Credit risk*

Credit risk arises from the possibility that counterparties may default on their obligations to the Company resulting in a financial loss to the Company. Credit risk is considered to be the most significant of the financial risks which the Company faces and as a result, the Company's financial risk management focuses heavily on managing its exposure to credit risk. Credit risk arises primarily from the Company's lending activities that result in loans and advances to customers, including finance leases, as well as investment activities that bring fixed income securities into the Company's investment portfolio.

SigniaGlobe Financial Group Inc.

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(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

The Board of Directors has delegated the oversight of credit risk management and control to the Credit Committee and the Senior Credit Committee. In addition, these Committees share the responsibility for:

- reviewing internal credit policies and establishing approval limits;
- establishing portfolio composition limits;
- monitoring and assessing the loan portfolio to ensure that the Company's lending policies and practices are adhered to;
- reviewing and vetting the Company's lending policies and procedures for submission to the Board of Directors;
- approving or declining loan applications submitted to the Committee;
- reviewing and analysing delinquency statistics; and
- providing general guidance on lending practices.

The Company has formulated commercial and retail lending credit policies and guidelines. These policies and guidelines measure, manage, limit and control credit risk and the potential for concentration therein. These policies also cover collateral requirements, credit evaluations and ongoing credit assessments, risk grading and reporting, documentary and legal procedures, as well as compliance with regulatory requirements.

Authorised lending limits are established by the Credit Committee and approved by the Board of Directors. The Chief Executive Officer assigns lending limits to selected credit officers within which they can approve loans that conform to the Company's credit policies and guidelines. Management closely monitors the composition of the loan portfolio by industry sector and potential concentration of credit risk therein on a monthly basis - see Note 7 for analysis of loans by industry sector as of December 31, 2022 and December 31, 2021. All loans and advances are made to customers located within Barbados and as a result, there is no need to monitor the loan portfolio by geographic sector.

Exposure to credit risk from loans and advances to customers, including net investment in finance leases, is further managed through the regular analysis of the ability of potential and existing borrowers to meet their contractual obligations.

The Company currently utilises the Central Bank of Barbados Asset Classification and Provisioning Guidelines rating system to assess its loan portfolio. Under this system, customers are segmented into the five rating categories, which reflect the full range of credit quality.

SigniaGlobe Financial Group Inc.

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29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

The category of Pass typically includes loans which are current and loans where the financial condition of the borrower is generally sound. The Special Mention category includes loans which although up to date, may present credit challenges in the future either as a result of a potential deterioration in the borrower's ability to service the loan or through the impairment of the collateral associated with the loan. Loans are assigned to the Substandard category where well-defined credit weaknesses exist such as insufficient cash flow to service the loan and where the Company may have to renegotiate the terms of the loan or obtain the collateral. The Doubtful category consists of loans where the collection of the full contractual amounts due is questionable or improbable. In this category, the possibility of incurring a financial loss exists but other factors may be present which could improve the current situation. Finally, the category of Loss is used where the loan is deemed uncollectible and it is not considered practical or desirable to pursue further recovery efforts.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets.

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

Credit risk exposures relating to on and off balance sheet as follows:

	Gross maximum exposure 2022 \$	Gross maximum exposure 2021 \$
Cash resources	48,456,778	53,129,198
Loans and advances to customers	359,678,242	350,845,836
Financial investments at amortised cost	10,268,094	10,211,651
Due from parent company	217,356	56,287
Other assets	1,909,063	2,927,797
Total	420,529,533	417,170,769
Total credit commitments	20,348,602	19,678,663
Total credit exposure	400,180,931	397,492,106

The above table represents a worst case scenario of credit risk exposure to the Company at December 31, 2022, without taking account of collateral held or other credit enhancements attached. As shown above, **90%** (2021 - 88%) of the total maximum exposure is derived from loans and **3%** (2021 - 3%) represents securities held.

SigniaGlobe Financial Group Inc.

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29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

Total debt securities - amortised cost	2022 ECL Staging				Total \$
	Stage 1 12-month ECL \$	Stage 2 life-time ECL \$	Stage 3 life-time ECL \$	Purchased credit- impaired \$	
	Credit grade:				
Investment grade	–	1,819,028	–	–	1,819,028
Non-investment grade	–	–	–	8,449,066	8,449,066
Watch	–	–	–	–	–
Default	–	–	–	–	–
	–	1,819,028	–	8,449,066	10,268,094
Loss allowance	–	(89,212)	–	–	(89,212)
Carrying amount	–	1,729,816	–	8,449,066	10,178,882
	2021 ECL Staging				Total \$
Stage 1 12-month ECL \$	Stage 2 life-time ECL \$	Stage 3 life-time ECL \$	Purchased credit- impaired \$		
Credit grade:					
Investment grade	–	1,819,028	–	–	1,819,028
Non-investment grade	–	–	–	8,392,623	8,392,623
Watch	–	–	–	–	–
Default	–	–	–	–	–
	–	1,819,028	–	8,392,623	10,211,651
Loss allowance	–	(89,212)	–	–	(89,212)
Carrying amount	–	1,729,816	–	8,392,623	10,122,439

Included in the carrying amount of the debt securities is \$326,607 (2021 - \$326,607) in undiscounted credit losses.

SigniaGlobe Financial Group Inc.

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29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

Loans and advances to customers - amortised cost	2022 ECL Staging				Total \$
	Stage 1 12-month ECL \$	Stage 2 life-time ECL \$	Stage 3 life-time ECL \$	Purchased credit- impaired \$	
Credit grade:					
Pass	275,186,313	9,678,590	–	–	284,864,903
Special Mention	9,682,389	14,864,187	–	–	24,546,576
Substandard	–	1,001,931	10,029,837	–	11,031,768
Doubtful	–	28,590	7,268,816	–	7,297,406
Loss	–	–	31,937,589	–	31,937,589
Gross carrying amount	284,868,702	25,573,298	49,236,242	–	359,678,242
Loss allowance	(1,278,768)	(332,340)	(18,658,926)	–	(20,270,034)
Carrying amount	283,589,934	25,240,958	30,577,316	–	339,408,208

Loans and advances to customers - amortised cost	2021 ECL Staging				Total \$
	Stage 1 12-month ECL \$	Stage 2 life-time ECL \$	Stage 3 life-time ECL \$	Purchased credit- impaired \$	
Credit grade:					
Pass	244,782,209	18,029,175	–	–	262,811,384
Special Mention	6,708,629	19,307,892	–	–	26,016,521
Substandard	–	7,333,442	15,464,737	–	22,798,179
Doubtful	–	–	7,278,559	–	7,278,559
Loss	–	–	31,941,193	–	31,941,193
Gross carrying amount	251,490,838	44,670,509	54,684,489	–	350,845,836
Loss allowance	(1,066,035)	(933,096)	(18,856,829)	–	(20,855,960)
Carrying amount	250,424,803	43,737,413	35,827,660	–	329,989,876

SigniaGlobe Financial Group Inc.

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29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial assets experiencing significant movement in credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the movement between 12-month and lifetime ECL;
- Impacts on the measurement of ECL due to changes made to models and model assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies.

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

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Total debt securities - Loss allowance					
Loss allowance as at January 1, 2022	–	89,212	–	–	89,212
Transfers:					
Transfer from Stage 1 to Stage 2	–	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Financial assets fully derecognised during the period	–	(89,212)	–	–	(89,212)
New financial assets originated or purchased	–	89,212	–	–	89,212
Loss allowance as at December 31, 2022	–	89,212	–	–	89,212

SigniaGlobe Financial Group Inc.

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December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

Loss allowances ...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Total debt securities - Loss allowance					
Loss allowance as at January 1, 2021	—	89,212	—	—	89,212
Transfers:					
Transfer from Stage 1 to Stage 2	—	—	—	—	—
Transfer from Stage 1 to Stage 3	—	—	—	—	—
Transfer from Stage 2 to Stage 3	—	—	—	—	—
Financial assets fully derecognised during the period	—	(89,212)	—	—	(89,212)
New financial assets originated or purchased	—	89,212	—	—	89,212
Loss allowance as at December 31, 2021	—	89,212	—	—	89,212

SigniaGlobe Financial Group Inc.

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(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

Loss allowances ...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Loans and advances to customers - Loss allowance					
Loss allowance as at January 1, 2022	1,066,035	933,096	18,856,829	–	20,855,960
New financial assets originated or purchased	525,515	165,142	1,653,549	–	2,344,206
Transfers:					
Transfer from Stage 1 to Stage 2	(52,038)	52,038	–	–	–
Transfer from Stage 1 to Stage 3	(22,877)	–	22,877	–	–
Transfer from Stage 2 to Stage 1	585,952	(585,952)	–	–	–
Transfer from Stage 2 to Stage 3	–	(154,276)	154,276	–	–
Transfer from Stage 3 to Stage 1	686,734	–	(686,734)	–	–
Transfer from Stage 3 to Stage 2	–	665,858	(665,858)	–	–
Financial assets fully derecognised during the period	(114,289)	(75,808)	(3,191,845)	–	(3,381,942)
Changes to inputs used in ECL calculation	(1,396,264)	(667,758)	2,515,832	–	451,810
Loss allowance as at December 31, 2022	1,278,768	332,340	18,658,926	–	20,270,034

SigniaGlobe Financial Group Inc.

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December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

Loss allowances ...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Loans and advances to customers - Loss allowance					
Loss allowance as at January 1, 2021	774,254	474,554	15,925,980	–	17,174,788
New financial assets originated or purchased	370,650	484,360	372,638	–	1,227,648
Transfers:					
Transfer from Stage 1 to Stage 2	(87,783)	87,783	–	–	–
Transfer from Stage 1 to Stage 3	(63,306)	–	63,306	–	–
Transfer from Stage 2 to Stage 1	135,137	(135,137)	–	–	–
Transfer from Stage 2 to Stage 3	–	(151,908)	151,908	–	–
Transfer from Stage 3 to Stage 1	472,623	–	(472,623)	–	–
Transfer from Stage 3 to Stage 2	–	347,861	(347,861)	–	–
Financial assets fully derecognised during the period	(83,211)	(71,566)	(1,937,394)	–	(2,092,171)
Changes to inputs used in ECL calculation	(452,329)	(102,851)	5,100,875	–	4,545,695
Loss allowance as at December 31, 2021	1,066,035	933,096	18,856,829	–	20,855,960

SigniaGlobe Financial Group Inc.

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29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of financial investments below represent the Company's maximum exposure to credit risk on these assets.

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Total debt securities - amortised cost					
Gross carrying amount as at January 1, 2022	–	1,819,028	–	8,392,623	10,211,651
Transfers:					
Transfer from Stage 1 to Stage 2	–	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Financial assets fully derecognised during the period	–	(1,819,028)	–	–	(1,819,028)
New financial assets originated or purchased	–	1,819,028	–	–	1,819,028
Changes in principal and interest	–	–	–	56,443	56,443
Gross carrying amount as at December 31, 2022	–	1,819,028	–	8,449,066	10,268,094

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

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(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

IFRS 9 carrying values ...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Total debt securities - amortised cost					
Gross carrying amount as at January 1, 2021	–	1,819,028	–	8,019,118	9,838,146
Transfers:					
Transfer from Stage 1 to Stage 2	–	–	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Financial assets fully derecognised during the period	–	(1,819,028)	–	–	(1,819,028)
New financial assets originated or purchased	–	1,819,028	–	–	1,819,028
Changes in principal and interest	–	–	–	373,505	373,505
Gross carrying amount as at December 31, 2021	–	1,819,028	–	8,392,623	10,211,651

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

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29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

IFRS 9 carrying values ...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Loans and advances to customers - amortised cost					
Gross carrying amount as at January 1, 2022	251,490,838	44,670,509	54,684,489	–	350,845,836
Transfers:					
Transfer from Stage 1 to Stage 2	(9,707,553)	9,707,553	–	–	–
Transfer from Stage 1 to Stage 3	(9,557,983)	–	9,557,983	–	–
Transfer from Stage 2 to Stage 1	25,759,503	(25,759,503)	–	–	–
Transfer from Stage 2 to Stage 3	–	(10,091,066)	10,091,066	–	–
Transfer from Stage 3 to Stage 1	5,234,477	–	(5,234,477)	–	–
Transfer from Stage 3 to Stage 2	–	3,760,041	(3,760,041)	–	–
New financial assets Originated or purchased	93,075,231	9,466,881	3,565,269	–	106,107,381
Financial assets fully derecognised during the period	(31,857,251)	(3,197,377)	(7,500,391)	–	(42,555,019)
Changes in principal and interest	(39,568,560)	(2,983,740)	(12,167,656)	–	(54,719,956)
Foreign exchange adjustment	–	–	–	–	–
Gross carrying amount as at December 31, 2022	284,868,702	25,573,298	49,236,242	–	359,678,242

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

IFRS 9 carrying values ...continued

	Stage 1 12-month ECL \$	Stage 2 Lifetime ECL \$	Stage 3 Lifetime ECL \$	Purchased credit- impaired \$	Total \$
Loans and advances to customers - amortised cost					
Gross carrying amount as at January 1, 2021	265,867,858	33,771,738	52,825,086	–	352,464,682
Transfers:					
Transfer from Stage 1 to Stage 2	(24,593,328)	24,593,328	–	–	–
Transfer from Stage 1 to Stage 3	(12,922,478)	–	12,922,478	–	–
Transfer from Stage 2 to Stage 1	13,639,161	(13,639,161)	–	–	–
Transfer from Stage 2 to Stage 3	–	(6,722,701)	6,722,701	–	–
Transfer from Stage 3 to Stage 1	5,885,618	–	(5,885,618)	–	–
Transfer from Stage 3 to Stage 2	–	1,952,274	(1,952,274)	–	–
New financial assets Originated or purchased	66,658,517	12,783,021	2,739,735	–	82,181,273
Financial assets fully derecognised during the period	(25,993,223)	(3,531,256)	(7,325,883)	–	(36,850,362)
Changes in principal and interest	(37,051,287)	(4,536,734)	(5,361,736)	–	(46,949,757)
Foreign exchange adjustment	–	–	–	–	–
Gross carrying amount as at December 31, 2021	<u>251,490,838</u>	<u>44,670,509</u>	<u>54,684,489</u>	<u>–</u>	<u>350,845,836</u>

Movements in the carrying values noted in the tables above are influenced by contractual and non-contractual repayments to the facilities in question.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

IFRS 9 carrying values ...continued

Expected credit losses are calculated under varying economic scenarios, captured through percentage variations in the probability of default rates on loans in the portfolio. Three scenarios are probability weighted using the table below, which was inspired by management's opinion of the Central Bank's outlook for the Barbadian economy in the coming year.

The scenario weightings assigned to each economic scenario at December 31, 2022 were as follows:

	Base	Upside	Downside
SigniaGlobe Financial portfolio	50%	10%	40%

Purchased or originated credit-impaired financial assets

The Government of Barbados defaulted on its debt instruments on June 1, 2018 when principal and interest payments were suspended. On October 1, 2018 the debt exchange was completed with new instruments exchanged for the old instruments in Barbados dollars. 15% of these debt instruments held by the Company were converted to 90-day Treasury Bills, and the remaining were converted to Series B Government Bonds.

The restructuring triggered the derecognition of the old instruments and the recognition of the new instruments, which were considered as Purchased Originated Credit Impaired, as they were the result of a debt restructuring under default conditions.

Following the restructure the new instruments were initially recognised at their fair value of \$8,340,515 and an impairment loss of \$3,809,014 was also recognised. The fair value of the new instruments included an undiscounted ECL of \$326,607.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

a) Credit risk ...continued

The Company's main source of credit risk arises from its loans and advances which are inclusive of net investment in finance lease receivables. As mentioned previously, the analysis does not take into account any security or collateral which is normally required by the Company on loans in an attempt to mitigate credit risk. The Company has specific policies in place detailing the requirement for acceptable collateral. Loans and advances to customers are typically secured by bills of sale on the underlying vehicles and mortgages over the underlying properties, as well as other forms of security such as stocks, bonds, mutual funds and the cash surrender values on borrower's life insurance policies. In order to further minimise credit risk, the Company may seek additional collateral from a borrower as soon as there is objective evidence of impairment or other similar indicators. The Company has not issued any financial guarantees.

Cash and cash equivalents as well as short term deposits are all placed with reputable financial institutions which have been pre-approved by the ALCO committee and which are considered to be financially secure. The level of credit risk arising from the remaining financial assets is not considered to be significant.

The Company currently utilises the Central Bank of Barbados Asset Classification and Provisioning Guidelines rating system to assess its loan portfolio. Under this system, customers are segmented into the five rating categories, as summarised in the table below, which reflect the full range of default probabilities. The Company assesses the probability of default of individual customers based on the aging of the portfolio of loans and advances which is then mapped to the Central Bank of Barbados' rating categories. This exercise is supplemented by the judgment of experienced credit officers within the Company. The table below shows the Company's internal rating and the associated impairment provision on loans and advances at December 31.

Company's rating	Description	Impairment allowance			
		2022 \$	2022 %	2021 \$	2021 %
1	Pass	1,318,415	6	1,528,130	7
2	Special mention	274,121	1	902,585	4
3	Substandard	2,359,007	12	2,288,557	11
4	Doubtful	2,602,464	13	3,492,718	17
5	Loss	13,716,027	68	12,643,970	61

The fair value of the collateral for individually impaired loans is as follows:

	December 31, 2022 \$	December 31, 2021 \$
Fair value of collateral	42,712,897	56,512,531

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

b) *Market risk*

Market risk is the risk that changes in market prices such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the value of its financial instruments. The Company is not directly exposed to changes in foreign exchange rates given that the Company does not hold significant foreign currency denominated monetary assets or liabilities. The most significant type of market risk to which the Company is exposed is interest rate risk, which generally includes cash flow interest rate risk and fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, whereas 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 majority of the Company's financial instruments are measured at amortised cost and as a result, the Company is not directly exposed to fair value interest rate risk. However, the Company is exposed to fluctuations in the prevailing levels of market interest rates whereby net interest margins may increase as a result of these changes or may be reduced in the event that unexpected movements take place.

Interest rate risk

Assuming that the interest bearing financial assets and liabilities as at December 31, 2022 were to remain until maturity or settlement without any action by the Company to alter the resulting interest rate risk exposure, an immediate and sustained increase/decrease of 100 basis points in market rates across all maturities would result in an insignificant increase/decrease in the net income of the following year.

Management closely monitors net interest margins, as well as other related ratios such as interest earned to average loans and interest incurred to average deposits. The ALCO Committee's responsibilities include ensuring adherence to the Company's policies and procedures concerning asset and liability management, which in addition to liquidity risk, addresses interest rate risk.

Management reserves the right to adjust interest rates to address negative interest rate exposure.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

b) Market risk ...continued

Interest rate risk ...continued

The table below summarises the Company's exposure to interest rate risk. It includes the Company's financial instruments at carrying amounts categorised by the earlier of maturity or contractual repricing:

December 31, 2022

	Up to 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Non interest bearing \$	Total \$
Assets						
Cash resources	38,134,365	–	–	–	10,322,413	48,456,778
Due from parent	–	–	–	–	217,356	217,356
Financial investments	1,729,816	598,068	2,768,425	5,082,573	318,565	10,497,447
Loans and advances to customers	35,478,941	46,242,388	185,802,369	71,884,510	–	339,408,208
Other assets	–	–	–	–	1,909,063	1,909,063
Total financial assets	75,343,122	46,840,456	188,570,794	76,967,083	12,767,397	400,488,852
Liabilities						
Customer deposits	100,414,647	132,552,279	104,746,345	3,187	–	337,716,458
Other liabilities	–	–	–	–	6,472,734	6,472,734
Lease liabilities	–	–	1,345,210	–	–	1,345,210
Shareholder loan	–	7,771,936	–	–	–	7,771,936
Total financial liabilities	100,414,647	140,324,215	106,091,555	3,187	6,472,734	353,306,338
Total repricing gap	(25,071,525)	(93,483,759)	82,479,239	76,963,896	6,294,663	47,182,514

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

b) Market risk ...continued

Interest rate risk ...continued

The table below summarises the Company's exposure to interest rate risk. It includes the Company's financial instruments at carrying amounts categorised by the earlier of maturity or contractual repricing:

December 31, 2021

	Up to 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Non interest bearing \$	Total \$
Assets						
Cash resources	41,934,074	–	–	–	11,195,124	53,129,198
Due from parent	–	–	–	–	56,287	56,287
Financial investments	1,729,816	–	3,493,850	4,898,773	318,565	10,441,004
Loans and advances to customers	33,129,111	44,602,266	175,936,814	76,321,685	–	329,989,876
Other assets	–	–	–	–	2,927,797	2,927,797
Total financial assets	76,793,001	44,602,266	179,430,664	81,220,458	14,497,773	396,544,162
Liabilities						
Customer deposits	87,378,170	122,957,386	130,679,242	9,518	–	341,024,316
Other liabilities	37,959	119,062	240,780	100,910	5,270,236	5,768,947
Lease liabilities	–	–	1,475,508	–	–	1,475,508
Shareholder loan	–	–	–	8,971,936	–	8,971,936
Total financial liabilities	87,416,129	123,076,448	132,395,530	9,082,364	5,270,236	357,240,707
Total repricing gap	(10,623,128)	(78,474,182)	47,035,134	72,138,094	9,227,537	39,303,455

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

b) *Market risk ...continued*

Foreign exchange risk

The Company is exposed to foreign exchange risk arising primarily from exposure to the United States dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management manages this risk by limiting its exposure to the United States dollar which has a fixed parity to the functional currency of the Company. This fixed parity allows management to predict with relative certainty the potential outcome of foreign exchange transactions and the likely impact on the Company's performance. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. At December 31, 2022, all the Company's financial assets and liabilities are denominated in Barbados Dollars with the exception of **\$22.59 million** (2021 - \$31.36 million) in cash and **\$19.18 million** (2021 - \$27.86 million) in liabilities denominated in United States dollars.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to price risk because of investments held and classified on the balance sheet as FVOCI. The Company mitigates this risk by holding an equity security within specified limits set by the ALCO. An increase/decrease of +/-10.00% would result in an increase/decrease of \$31,857 in the carrying value of the equity investment.

c) *Liquidity risk:*

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations as they fall due.

The Board of Directors has delegated the responsibility for and oversight of liquidity risk management to the ALCO. The ALCO's responsibilities include but are not limited to:

- monitoring management's adherence to policies and procedures that are established to ensure adequate liquidity at all times;
- establishing asset and liability pricing policies to protect the liquidity structure, as well as to assess the probability of various 'liquidity shocks' and interest rate scenarios;
- ensuring compliance with the Company's asset and liability policies and procedures which address the management of liquidity, foreign exchange and interest rate risk;
- managing the balance sheet and ensuring that business strategies are consistent with liquidity requirements; and
- establishing and monitoring relevant liquidity and prudential ratios, as well as specific balance sheet targets.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

c) Liquidity risk ...continued

The Company is exposed to daily requirements for its available cash resources arising from maturing customer deposits, the advancement of loans and other cash settled transactions. The Company does not maintain sufficient cash resources to meet all of these liquidity needs, as historical industry and company-specific experience has shown that a high level of reinvestment of maturing funds can be predicted with a high level of certainty. The Company, however, has a committed line of credit in the amount of \$10 million upon which it can draw to meet unforeseen liquidity needs; this facility currently has an effective rate of 6.5% (2021 - 6.5%).

The table below shows the undiscounted cash flows on the basis of their earliest contractual maturities. Expected cash flows from these instruments can vary significantly from this analysis. For example, customer deposits are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

Management prepares daily cash flow forecasts to assess liquidity needs in the period ahead. These cash flow forecasts report the current level of liquid resources along with customer deposits maturing within 90 days and after 90 days and maturing investments in the period ahead. Additionally, management closely monitors net free cash flows, as well as the concentration of customer deposits.

The table below represents the Company's cash flows payable under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date and the assets held to manage liquidity risk.

	Up to 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total \$
December 31, 2022					
Assets					
Cash resources	48,456,778	–	–	–	48,456,778
Loans and advances to customers	35,478,941	46,242,388	185,802,369	71,884,510	339,408,208
Financial investments	1,819,028	779,529	3,426,580	5,908,697	11,933,834
Total financial assets	85,754,747	47,021,917	189,228,949	77,793,207	399,798,820
Liabilities					
Due to customers	100,567,836	133,866,523	108,768,017	3,187	343,205,563
Other liabilities	6,471,815	–	–	–	6,471,815
Shareholder loan	–	7,771,936	–	–	7,771,936
Total financial liabilities	107,039,651	141,638,459	108,768,017	3,187	357,449,314
Undrawn loan commitments	20,348,602	–	–	–	20,348,602

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

c) Liquidity risk ...continued

	Up to 3 months \$	3 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total \$
December 31, 2021					
Assets					
Cash resources	53,129,198	–	–	–	53,129,198
Loans and advances to customers	33,129,111	44,602,266	175,936,814	76,321,685	329,989,876
Financial investments	1,819,028	193,014	3,300,824	6,813,991	12,126,857
Total financial assets	88,077,337	44,795,280	179,237,638	83,135,676	395,245,931
Liabilities					
Due to customers	87,477,339	124,252,050	136,220,239	9,518	347,959,146
Other liabilities	4,319,129	840,248	240,780	100,910	5,501,067
Shareholder loan	–	1,544,877	8,331,691	–	9,876,568
Total financial liabilities	91,796,468	126,637,175	144,792,710	110,428	363,336,781
Undrawn loan commitments	19,678,663	–	–	–	19,678,663

In addition to the contractual cashflows of the loan portfolio, the Company holds a diversified portfolio of cash and securities to support payment obligations and contingent funding in a stressed market environment. The Company's assets held for managing liquidity risk comprise:

- Cash resources
- Financial investments excluding equities

The Company's management notes that at December 2022 there is a shortfall between the liquid securities held and the payment obligations due within 12 months. However, historical performance has shown that the Company has an 80% deposit retention ratio and as such there is no expectation of significant withdrawals in customer deposits. Management customarily offers extensions on maturing customer deposits, while closely monitoring the pattern of deposit withdrawals. Additionally, customers making withdrawals from their call accounts are required to give three business days notice before the request is fulfilled. If this withdrawal exceeds \$100,000 this notice period is extended to five days.

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

d) Fair value:

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy based on the degree to which the fair values are observable as follows:

- Level 1 includes those instruments which are measured based on quoted prices in active markets for identical assets or liabilities.
- Level 2 includes those instruments which are measured using inputs other than quoted prices within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices).
- Level 3 includes those instruments which are measured using valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

The following table shows the financial assets carried at fair value at December 31 on a recurring basis by level of the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
2022	\$	\$	\$	\$
FVOCI:				
Equity investments	–	–	318,565	318,565
Total assets	–	–	318,565	318,565
2021	\$	\$	\$	\$
FVOCI:				
Equity investments	–	–	318,565	318,565
Total assets	–	–	318,565	318,565

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

d) Fair value ...continued

The following table presents the movement in Level 3 instruments for the year.

	December 31, 2022 \$	December 31, 2021 \$
Beginning of year	318,565	318,565
Additions	—	—
End of year	<u>318,565</u>	<u>318,565</u>

The fair value hierarchy of other financial instruments not carried at fair value but for which fair value disclosure is required is set out below. Of the Company's financial assets amounting to **\$398,579,789** (2021 - \$394,136,078), \$398,261,224 falls within the IFRS 9 category of financial assets at amortised cost whereas \$318,565 falls within the category of FVOCI. The Company's financial liabilities amounting to **\$353,306,338** (2021 - \$354,928,057) all fall within the IFRS 9 category of financial liabilities measured at amortised cost.

The following table sets out the carrying value of the Company's loans and advances to customers and due to customers along with their estimated fair values:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
Loans and advances to customers				
Individuals	248,157,797	251,378,973	220,648,062	226,312,913
Corporate and other entities	91,250,411	93,310,158	109,341,814	111,992,897
Financial liabilities				
Due to customers				
Financial institutions	51,854,189	51,692,131	47,357,106	47,260,056
Individuals	202,928,384	202,446,786	201,407,570	201,076,533
Business and government	79,740,777	79,643,788	89,091,118	89,039,726
Other	3,193,108	3,191,300	3,168,522	3,168,038

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

d) Fair value ...continued

The fair values of loans and deposits are estimated by applying current loan and deposit rates on the existing portfolio, while taking into consideration current payments and time to maturity. These fair values are classified within level 3 of the fair value hierarchy.

The following table analyses within the fair value hierarchy other assets and liabilities (by class) not measured at fair value at December 31, but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
December 31, 2022	\$	\$	\$	\$
Assets				
Cash resources	48,456,778	–	–	48,456,778
Due from parent company	–	217,356	–	217,356
Financial investments	–	–	10,178,882	10,178,882
Other assets	–	1,909,063	–	1,909,063
Total	48,456,778	2,126,419	10,178,882	60,762,079
Liabilities				
Shareholder loan	–	8,044,907	–	8,044,907
Other liabilities	–	6,472,734	–	6,472,734
Total	–	14,517,641	–	14,517,641
	Level 1	Level 2	Level 3	Total
December 31, 2021	\$	\$	\$	\$
Assets				
Cash resources	53,129,198	–	–	53,129,198
Due from parent company	–	56,287	–	56,287
Financial investments	–	–	10,122,439	10,122,439
Other assets	–	2,927,797	–	2,927,797
Total	53,129,198	2,984,084	10,122,439	66,235,721
Liabilities				
Shareholder loan	–	9,876,568	–	9,876,568
Other liabilities	–	5,768,947	–	5,768,947
Total	–	15,645,515	–	15,645,515

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

d) Fair value ...continued

The methods and assumptions used to estimate the fair value of each class of financial instruments for which it is practical to estimate fair value are as follows:

i) Short-term financial assets and liabilities

The carrying value of these assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets and liabilities comprise cash and cash equivalents, short term deposits, treasury bills, amounts due from parent company and other liabilities.

ii) Longer-term financial assets and liabilities

The estimated fair value of loans and advances to customers represents the discounted amount of the estimated future cash flows expected to be received. Loans and advances are reported net of provisions for impairment losses.

The estimated fair value of customer deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable with notice. The estimated fair value of customer deposits represents the discounted amount of the principal and interest due to customers on fixed rate deposits using interest rates for new debt.

e) Capital management:

The Company's objectives when managing its capital are to:

- comply with the capital requirements established by the Central Bank of Barbados;
- safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to its shareholder and benefits to other stakeholders; and
- maintain a strong capital base to support the growth and development of its business, as well as to maintain customer and market confidence.

Capital adequacy and the use of regulatory capital are reviewed and monitored monthly by the Company's management so as to ensure compliance with the capital requirements imposed externally by the Central Bank of Barbados. The required information concerning capital adequacy is reported to the ALCO and filed with the Central Bank of Barbados on a quarterly basis.

The Central Bank of Barbados requires that the Company:

- hold no less than a minimum level of stated capital of \$2,000,000; and
- maintain a ratio of regulatory capital to risk-weighted assets at or above the prescribed minimum requirement of 8%.

The Company's regulatory capital consists entirely of Tier 1 capital, which is comprised of share capital, retained earnings and other reserves created by the appropriation of retained earnings. As at December 31, 2022, the Company's capital adequacy ratio was **17.16%** (2021 - 16.60%).

SigniaGlobe Financial Group Inc.

Notes to Financial Statements

December 31, 2022

(Amounts in Barbados dollars)

29 Financial instruments, financial risk and capital management ...continued

e) Capital management ...continued

Throughout the current year the Company complied with the capital requirements relevant to its licensing and there has been no material change in the Company's management of capital during the year compared with the prior year.

The table below summarises the composition of regulatory capital of the Company.

	December 31, 2022 \$	December 31, 2021 \$
Tier 1 Capital		
Share capital	9,210,857	9,210,857
Statutory reserves	9,210,857	8,586,399
Retained earnings	37,894,925	34,139,208
	<hr/>	<hr/>
Total qualifying Tier 1 capital	56,316,639	51,936,464
	<hr/>	<hr/>
Risk-weighted assets		
On-balance sheet	307,996,285	293,273,482
Off-balance sheet	20,148,602	19,678,663
	<hr/>	<hr/>
Total risk-weighted assets	328,144,887	312,952,145
	<hr/>	<hr/>
Capital adequacy ratio	17.16%	16.60%