



# ANNUAL REPORT

2019



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PROXY FORM





## **NOTICE OF MEETING**

Notice is hereby given that the 54th Annual General Meeting of Trust Company (Guyana) Limited will be held on Friday September 4, 2020 at 10:00 hours at the office of Trust Company (Guyana) Limited, 11 Lamaha Street, Queenstown, Georgetown, when the following business will be transacted: -

1. To receive and to consider the Report of the Directors and the Audited Accounts for the year ended December 31, 2019.
2. To approve the declaration of a dividend.
3. To elect Directors in the place of those retiring by rotation. The retiring Director is Dr. Yesu Persaud and he has offered himself for re-election.
4. To fix the remuneration of the Directors.
5. To appoint Auditors and authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD

Ms. D. Williams  
Secretary  
July 16, 2020

REGISTERED OFFICE  
Trust Company (Guyana) Limited  
11 Lamaha Street  
Queenstown  
Georgetown

PLEASE NOTE:

- Only Shareholders or their duly appointed proxies may attend
- Please bring this notice to gain entry to the Meeting
- Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her.
- A proxy need not be a member of the Trust Company. The Form must be deposited at the Registered Office of the Trust Company not less than 48 hours before the time for holding the meeting.
- A proxy form is attached for use.
- Any corporation which is a member of the Trust Company may, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at the Meeting.



## **COMPANY PROFILE**

Trust Company (Guyana) Limited is the oldest and only Trust Company that offers traditional trusteeship services in addition to a wide range of other financial services. These include investment, brokerage, registrar and pension schemes. This Company also invests in secured mortgages.

Trust Company (Guyana) Limited was formerly Royal Bank Trust Company (Guyana) Limited, a wholly owned subsidiary of the Royal Bank of Canada. In 1984 the Royal Bank of Canada sold its Guyana operations to the Government of Guyana but the shares of the Trust Company were bought by a small group of businessmen and professionals.

The Company subsequently increased its share capital and expanded its shareholder base. Trust Company (Guyana) Limited is licensed under the Financial Institutions Act and the Securities Industry Act to conduct its business.



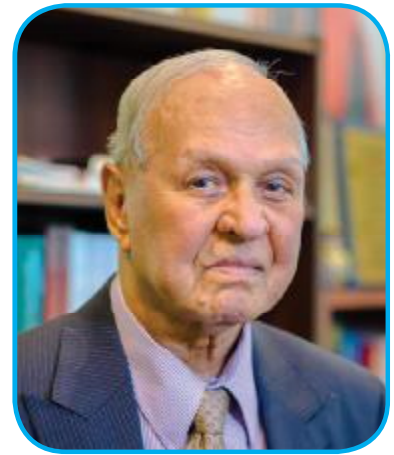
## **BOARD OF DIRECTORS**



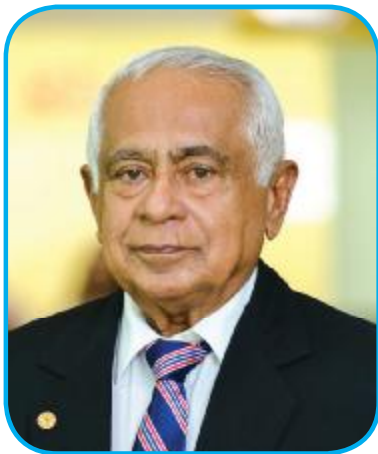
**Mrs. Chandra Gajraj**  
Managing Director



**Mr. Komal Samaroo**  
Chairman



**Dr. Yesu Persaud**  
Director



**Mr. Hemraj Kisson**  
Director



**Mr. Colin Thompson**  
Director



**Mrs. Prabha Kisson**  
Director



## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

Mr. Komal Ram Samaroo - Chairman  
Dr. Yesu Persaud  
Mr. Hemraj Kissoon  
Mrs. Chandra Gajraj  
Mr. Colin Thompson  
Mrs. Prabha Kissoon

### **MANAGEMENT TEAM**

Mrs. Chandra Gajraj – Managing Director  
Ms. Deborah Williams – Manager - Trusts  
Mrs. Sheldyne Sukhai – Administrative/Accounting Officer  
Ms. Shivani Prashad – Credit Officer

### **REGISTERED OFFICE**

11 Lamaha Street  
Queenstown  
Georgetown  
Tel: (592) 227-2654-7 & 9  
Fax: (592) 227-2828  
E-mail: [trust@trustcompanygy.com](mailto:trust@trustcompanygy.com)

### **AUDITORS**

TSD Lal & Company  
77 Brickdam  
Georgetown  
Guyana

### **ATTORNEY-AT-LAW**

De Caires Fitzpatrick & Karran  
79 Cowan Street  
Kingston  
Georgetown  
Guyana

### **CORPORATE SECRETARY**

Ms. Deborah Williams



## **REPORT OF THE DIRECTORS**

The Directors have pleasure in submitting this Report and Audited Financial Statements for the year ended December 31, 2019.

### 1. FINANCIAL RESULTS

The results for the year ended December 31, 2019 are as follows: -

Profit before Tax	\$142,248,745
Taxation	\$37,792,736
Profit after Tax	\$104,456,009
Proposed Dividends	\$67,279,612
Retained Profit	\$37,176,397
Total Retained Earnings	\$589,198,913

### 2. DIVIDENDS

The Directors recommend a dividend of G\$0.27 free of taxes.

### 3. DIRECTORS

Komal Ram Samaroo	Prabha Kissoon
Yesu Persaud	Colin Thompson
Hemraj Kissoon	
Chandra Gajraj	

Under Article 69 of the Company's Memorandum and Articles of Association, the retiring Director, Dr. Yesu Persaud, has offered himself for re-election.

4. DIRECTORS INTEREST	Beneficial Interest	Associate's Interest
Yesu Persaud	5,947,222	Nil.
Chandra Gajraj	1,000,000	Nil
Komal Ram Samaroo	Nil.	32,922,222

### 5. DIRECTORS' FEES

Yesu Persaud	\$ 500,000
Hemraj Kissoon	\$ 400,000
Colin Thompson	\$ 400,000
Prabha Kissoon	\$ 400,000
Chandra Gajraj	\$ 200,000

### 6. AUDITORS

The Auditors, Messrs. TSD Lal & Company, retired and have offered themselves for re-election Accordingly, a resolution for their reappointment will be submitted to the Annual General Meeting.

BY ORDER OF THE BOARD

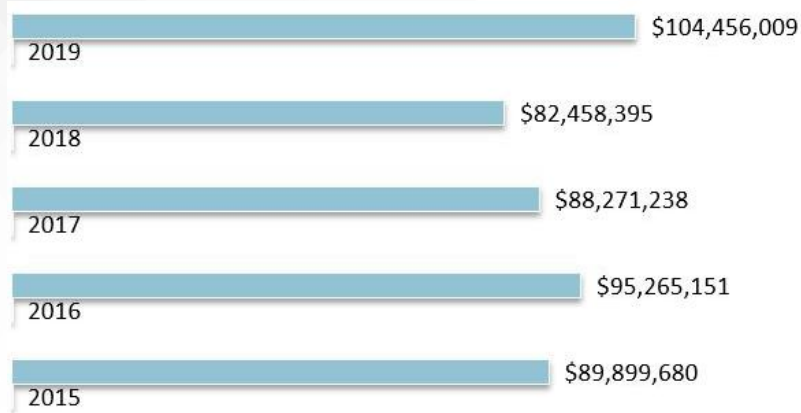
.....  
Ms. D. Williams  
Secretary



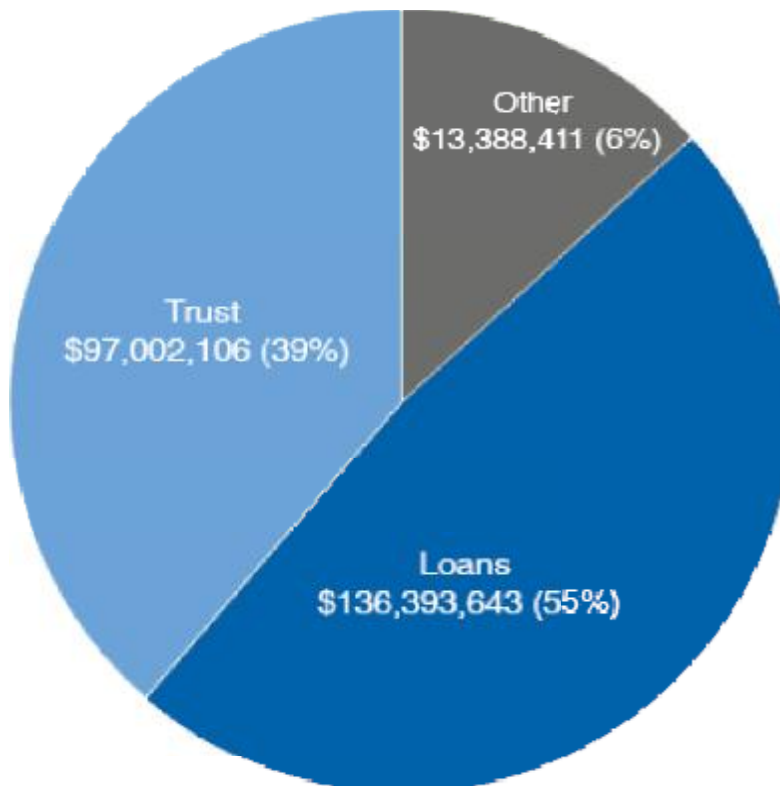


## FINANCIAL HIGHLIGHTS

### PROFIT AFTER TAXATION (GYD)



### SOURCES OF INCOME (GYD)



### FUND MANAGEMENT (GYD) \$56 B





# **CHAIRMAN'S REPORT**

It is my pleasure to present the financial statements and report on the performance of the Trust Company for the year ended December 31, 2019.

## **Economy Outlook**

At the time of preparing this report the world is afflicted by the global pandemic, COVID19, which is having catastrophic effect on the global economy in general and countries in particular. The World Bank in its June 2020 Report on Global Economic Prospects pointed out "*COVID-19 has triggered the deepest global recession in decades. While the ultimate outcome is still uncertain, the pandemic will result in contractions across the vast majority of emerging market and developing economies. It will also do lasting damage to labor productivity and output.*" The report projected that global GDP per capita will decline by 6.2 % in 2020 while that of Latin America and the Caribbean will decline by 8.1 %.

In the case of Guyana, the future prospect for economic growth is quite positive following the discovery of significant oil reserve discovered offshore. However, the failure to conclude the recent General and Regional election result has resulted in uncertainty that could impact negatively on investments and future economic prospects of the country.

## **Company Performance**

The results for the year can be considered reasonable notwithstanding the slowdown in its credit operations. Profit before tax was \$142m an increase of 20% over previous year. Income for the year was \$247m which is 11% over previous year. Fees from Trusteeship and Brokerage services increased by 17% while interest income from loans went up by approximately 7%.

Increase in expenses was \$11m due mainly to Interest expense and Depreciation.

It should be noted that there was no additional provision for non-performing loans as we monitor the portfolio very closely and have established a good working relationship with our borrowers.

Based on the moderate results the Directors recommend a dividend of \$0.27 cents per share for the year ended December 31, 2019.

## **Products and Services**

### **Guyana Unit Trust**

The Guyana Unit Trust continues to perform satisfactorily both in asset value and earnings growth. The Portfolio value stands at approximately G\$ 3.7b and we have been able to maintain a yield of approximately 3% payable on investment by Unitholders. During the year we strengthened our advertising of the Guyana Unit Trust and this has borne results.



## **CHAIRMAN'S REPORT**

### **Brokerage**

The Trust Company has consistently enjoyed the major market share of shares traded. For the year under review our share was approximately 70% of the value of shares traded.

### **Pension Funds**

There is minimal growth in this area of operation but we are working on a product which we hope to offer to small and mid-range companies.

### **Future Outlook**

We continue to focus on improving our service and examining opportunities for widening the scope of our products and services. We are optimistic that as the economy improves the Trust Company will be positioned to provide the types of services required of a growing financial services sector.

The Company has acquired land in Georgetown and we will be erecting an office building to be completed in the next year.

### **Appreciation**

To my fellow Directors I express sincere thanks for your guidance and support. And to the Management and staff of the Trust Company my deep appreciation for your continued loyalty and dedication.

To all our customers deep appreciation for your continued support.



# **REPORT OF THE AUDITORS**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TRUST COMPANY (GUYANA) LIMITED  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **OPINION**

We have audited the financial statements of Trust Company (Guyana) Limited, which comprise the statement of financial position as at 31 December, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 18 to 52.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trust Company (Guyana) Limited as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **BASIS FOR OPINION**

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

### **OTHER INFORMATION IN THE ANNUAL REPORT**

The Directors are responsible for the other information. The other information comprises all the information in the Trust Company (Guyana) Limited's Annual Report for 2019 other than the financial statements and our auditor's report thereon ("the other information").

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

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



# **REPORT OF THE AUDITORS**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRUST COMPANY (GUYANA) LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **OTHER INFORMATION IN THE ANNUAL REPORT – CONT'D**

If based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

The Directors/Management is responsible for the preparation and fair presentation of these 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, the Directors are responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have 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**

The objectives of our audit 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 International Standards on Auditing 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 ISA's, 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 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.



# **REPORT OF THE AUDITORS**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
TRUST COMPANY (GUYANA) LIMITED  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS- CONT'D**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The financial statements comply with the requirement of the Financial Institutions Act 1995 and the Companies Act 1991.

TSD LAL & CO  
CHARTERED ACCOUNTANTS

Date: April 24, 2020

77 Brickdam,  
Stabroek, Georgetown  
Guyana



# FINANCIAL STATEMENTS

## TRUST COMPANY (GUYANA) LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE ENDED 31 DECEMBER 2019

	Notes	2019 G\$	G\$	2018 G\$	G\$
<b>Income</b>					
Loans	6(i)	136,393,643		127,967,192	
Management fees		97,002,106		84,930,740	
Brokerage fees		9,419,084		5,670,896	
Other income		3,249,327		2,204,026	
Investment	6 (ii)	<u>720,000</u>		<u>675,000</u>	
			246,784,160		221,447,854
<b>Expenditure</b>					
Administrative		23,055,657		33,407,986	
Interest expenses		10,954,102		7,029,239	
Personnel		49,608,779		45,924,866	
Depreciation		18,357,223		4,433,486	
Auditor's remuneration	7 (a)	659,654		1,068,816	
Directors' emoluments	7(b)	<u>1,900,000</u>		<u>1,900,000</u>	
			<u>104,535,415</u>		<u>93,764,393</u>
Profit before taxation			142,248,745		127,683,461
Taxation	8		<u>(37,792,736)</u>		<u>(45,225,066)</u>
Profit after taxation	7		<u>104,456,009</u>		<u>82,458,395</u>

**"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"**



# FINANCIAL STATEMENTS

## TRUST COMPANY (GUYANA) LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - CONT'D FOR THE ENDED 31 DECEMBER 2019

	<u>2019</u> G\$	<u>2018</u> G\$
Profit after taxation	<u>104,456,009</u>	<u>82,458,395</u>
<b>Total comprehensive income for the year</b>	<u>104,456,009</u>	<u>82,458,395</u>
Basic earnings per share in dollars	9	<u>0.42</u>
		<u>0.33</u>

**"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"**





# FINANCIAL STATEMENTS

## TRUST COMPANY (GUYANA) LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE ENDED 31 DECEMBER 2019

	<u>Note</u>	<u>Share capital</u>	<u>Accumulated earnings</u>	<u>Total</u>
		G\$	G\$	G\$
Balance at 1 January 2018		<u>250,236,000</u>	<u>536,843,733</u>	<u>787,079,733</u>
<b>Changes in equity 2018</b>				
Total comprehensive income for the year		-	82,458,395	82,458,395
Dividends paid	21	-	<u>(67,279,612)</u>	<u>(67,279,612)</u>
Balance at 31 December 2018		<u>250,236,000</u>	<u>552,022,516</u>	<u>802,258,516</u>
<b>Changes in equity 2019</b>				
Total comprehensive income for the year		-	104,456,009	104,456,009
Dividends paid	21	-	<u>(67,279,612)</u>	<u>(67,279,612)</u>
Balance at 31 December 2019		<u>250,236,000</u>	<u>589,198,913</u>	<u>839,434,913</u>

**"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"**



# FINANCIAL STATEMENTS

## TRUST COMPANY (GUYANA) LIMITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	<u>Notes</u>	<u>2019</u> G\$	<u>2018</u> G\$
<b>ASSETS</b>			
Property ,plant and equipment	10	194,037,800	54,724,044
Investments	11	10,600,000	10,600,000
Loans	12	1,359,222,246	1,206,896,953
Other debtors and accrued interest	14	1,359,343	2,739,786
Tax recoverable		8,233,139	8,233,139
Cash on hand and at bank		<u>46,317,959</u>	<u>134,251,934</u>
<b>Total Assets</b>		<u>1,619,770,487</u>	<u>1,417,445,856</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	13	250,236,000	250,236,000
Accumulated earnings		<u>589,198,913</u>	<u>552,022,516</u>
<b>Shareholders' funds</b>		<u>839,434,913</u>	<u>802,258,516</u>
<b>LIABILITIES</b>			
Deferred tax liability	8	3,137,000	3,381,603
Lease liability	15(b)	43,795,310	-
Tax payable		5,842,022	1,523,656
Other payables and accruals	15	7,001,242	7,722,081
Customers investment	16	<u>720,560,000</u>	<u>602,560,000</u>
		<u>780,335,574</u>	<u>615,187,340</u>
<b>Total Equity and Liabilities</b>		<u>1,619,770,487</u>	<u>1,417,445,856</u>

These financial statements were approved by the Board of Directors on: April 24, 2020

On behalf of the Board:

 ..... Director  
 ..... Director

**"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"**



# FINANCIAL STATEMENTS

## TRUST COMPANY (GUYANA) LIMITED STATEMENT OF CASH FLOWS FOR THE ENDED 31 DECEMBER 2019

	<u>2019</u> G\$	<u>2018</u> G\$
<b>Operating activities</b>		
Profit before taxation	142,248,745	127,683,461
<b>Adjustment for:</b>		
Gain on disposal of property, plant and equipment	-	(2,200,000)
Depreciation - Right of use Assets	10,694,496	-
Lease interest	2,673,624	-
Depreciation	<u>7,662,727</u>	<u>4,433,486</u>
Operating activities	<u>163,279,592</u>	<u>129,916,947</u>
Increase in other receivables and accrued interest	1,380,443	5,131,374
Decrease/(increase) in loans	(152,325,293)	192,056,591
Decrease in taxes recoverable	-	2,870,574
(Decrease)/increase in other payables and accruals	(720,839)	98,345
Increase in customers investment	<u>118,000,000</u>	<u>(121,500,000)</u>
<b>Cash provided by operating activities</b>	129,613,903	208,573,831
<b>Taxation:</b>		
Taxes paid/adjusted	<u>(33,718,973)</u>	<u>(42,999,557)</u>
<b>Net cash provided by operating activities</b>	<u>95,894,930</u>	<u>165,574,274</u>
<b>Investing activities</b>		
Proceeds from disposals	-	2,200,000
Purchases of property, plant and equipment	<u>(104,198,497)</u>	<u>(25,390,462)</u>
<b>Net cash used in investing activities</b>	<u>(104,198,497)</u>	<u>(23,190,462)</u>
<b>Financing activities</b>		
Lease interest expense	(2,673,624)	-
Repayment of lease liability	(9,677,172)	-
Dividends paid	<u>(67,279,612)</u>	<u>(67,279,612)</u>
<b>Net cash used in financing activities</b>	<u>(79,630,408)</u>	<u>(67,279,612)</u>
Net increase/(decrease) in cash and cash equivalents	(87,933,975)	75,104,200
Cash and cash equivalents at the beginning of the year	<u>134,251,934</u>	<u>59,147,734</u>
Cash and cash equivalents at the end of the year	<u>46,317,959</u>	<u>134,251,934</u>

**"THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"**



# **NOTES TO THE FINANCIAL STATEMENTS**

## **1. INCORPORATION AND ACTIVITIES**

The Company was incorporated in Guyana on 17 May 1966. The Company engages in Trust Business and is licensed under the Financial Institutions Act 1995.

## **2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

### **Amendments effective for the current year end**

	<b>Effective for annual periods beginning on or after</b>
New and Amended Standards	
IFRS 16 Leases	1 January 2019
Amendments to IFRS 9, 'Financial instruments'	
– Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28, 'Investments in associates'	
Long term interests in associates and joint ventures	1 January 2019
Amendments to IAS 19, 'Employee benefits'	
– Plan amendment, curtailment or settlement	1 January 2019
Annual improvements 2015-2017	1 January 2019
New and revised interpretations	
IFRIC 23, 'Uncertainty over income tax'	1 January 2019

### **IFRS 16 Leases**

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets, however, this exemption can only be applied by lessees.

IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17.

### **Amendments to IFRS 9, 'Financial instruments' – Prepayment features with negative compensation**

The IASB issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortized cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL).

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortized cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. In addition, to qualify for amortized cost measurement, the asset must be held within a 'held to collect' business model.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS CONT'D**

### **Amendments to IAS 28, 'Investments in associates' – Long term interests in associates and joint ventures**

The IASB issued a narrow scope amendment to IAS 28 that clarified that these long-term interests in an associate or joint venture to which the equity method is not applied should be accounted for using IFRS 9. This includes the impairment requirements in IFRS 9. An illustrative example is also provided.

### **Amendments to IAS 19, 'Employee benefits' – Plan amendment, curtailment or settlement**

This amendment requires an entity:

- To use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- To recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

### **Annual improvements 2015-2017**

<u>Standard/Interpretation</u>	<u>Amendment</u>
<b>IFRS 3, 'Business combinations'</b>	The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at the acquisition date.
<b>IFRS 11, 'Joint arrangements'</b>	The amendments clarify that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation.
<b>IAS 12, 'Income taxes'</b>	<p>The amendment clarifies that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized. These requirements apply to all income tax consequences of dividends.</p> <p>Previously, it was unclear whether the income tax consequences of dividends should be recognized in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.</p>
<b>IAS 23, 'Borrowing costs'</b>	The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS CONT'D**

### **IFRIC 23 Uncertainty over Income Tax**

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

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

### **Pronouncements effective in future periods available for early adoption**

	<b>Effective for annual periods beginning on or after</b>
<b>New and Amended Standards</b>	
Amendments to IFRS 3, 'Business combinations'	
Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 – Definition of material	1 January 2020
Amendments to the Conceptual framework	1 January 2020
IFRS 17, 'Insurance contracts'	1 January 2021

The Company has not opted for early adoption.

The standards and amendments that are expected to have a material impact on the Company's accounting policies when adopted are explained below.

### **Amendments to IAS 1 and IAS 8 – Definition of material**

The amendment to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies', changes in accounting estimates and errors', and other consequential amendments to other IFRSs:

- Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

The amendments clarify the definition of material and make IFRSs more consistent, but are not expected to have a significant impact on the preparation of financial statements.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS CONT'D**

### **Amendments to the Conceptual Framework**

This will not result in any immediate changes to IFRS however the revised framework will be used in future standard setting decisions. It is therefore helpful for stakeholders to understand the concepts in the framework and the potential ways in which they may impact future guidance. Preparers might also use the framework to develop accounting policy where an issue is not addressed by an IFRS.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

### **(b) Basis of preparation**

The financial statements have been prepared on the historical cost convention, as modified for the revaluation of available for sale investments. The principal accounting policies are set out below.

### **(c) Revenue and expense recognition**

Revenues are recognized when the performance obligations are satisfied.

Management fees are dealt with on a cash basis, whilst income on fixed return securities is recognized as it is earned. Income on loans is taken up on an accrual basis except for non-performing loans. Non-Performing loans are those loan accounts where both principal and interest charges have been capitalized, refinanced and rolled over.

Interest income

Interest income for all interest-bearing financial instruments except for those classified as available for sale or designated at fair value is recognized in the statement of profit or loss and other comprehensive income using the effective interest rate method.

Interest income and expense are recognized in the statement of profit or loss and other comprehensive income for all interest-bearing instruments on an accrual basis.

The effective interest rate method is used to calculate the amortized cost of a financial asset or financial liability (or groups of financial assets or financial liabilities) and allocating the interest income over the relevant period.





# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Expenses are recognized on an accrual's basis.

### **(d) Property, plant and equipment and depreciation**

Motor vehicle, machinery, equipment and furniture and fixtures are carried at initial cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged so as to write-off the cost of assets over their estimated useful lives using the straight-line method as follows: -

Motor vehicle	-	20%
Machinery and equipment	-	15% - 25%
Furniture and fixtures	-	10% - 15%

Assets are reviewed for impairment whenever there is objective evidence to indicate that the carrying amount of an asset is greater than its estimated recoverable amount. The excess of the carrying amount above the recoverable amount is written off to the statement of profit or loss and other comprehensive income.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of income.

### **(e) Pension**

The Company established a defined contributory pension scheme in the year 2001 to provide pension for its employees. The Scheme is administered by the Guyana and Trinidad Mutual Life Insurance Company Limited. The only obligation of the company with respect to the Scheme is to make the specified contributions. During the year, the company's contribution to the Pension Scheme was] G\$1,935,868 (2018 – G\$1,935,868).

Employees contribute 5% of their annual earnings to the scheme whilst the employer contributes 10% of the employees' annual earnings.

### **(f) Loans**

Loans to customers that have fixed or determinable payments and which are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized when installments are paid. Loans receivable are recognized when cash is advanced to borrowers and are derecognized when borrowers repay their obligations or when written off.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(f) Loans – cont'd**

#### **Classification**

The Company follows the prescription of the Financial Institutions Act 1995 and classifies loans into the following categories: -

Pass- represents loans demonstrating financial condition, risk factors and capacity to repay that are good to excellent and generally reflects accounts which are not impaired and are up-to-date in repayments or operating within approved limits as per the company's policy guidelines.

Special mention- represents satisfactory risk and includes credit facilities which require closer monitoring, operates outside product guidelines and various degrees of special attention, where the collateral is not fully in place; where current market conditions are affecting a sector or industry; and that are progressively between 30 and 90 days past due.

Sub-Standard-represents loan for which principal and interest are due and unpaid between 90 to 179 days or, where interest charges for three to five months have been capitalized for reasons such as primary sources of repayment has become insufficient, and where appropriate, mortgages in arrears by greater than 90 days where the value of the collateral is sufficient to repay both principal and interest in the event the account is identified for recovery action.

Doubtful/loss-represent loan accounts which are considered uncollectible or for which the collection of the full debt is improbable; accounts which have shown little or no improvement over the twelve months period prior to its present classification; principal or interest is due and unpaid for twelve months or more; or an account which may have some recovery value but is not considered practical nor desirable to defer write-off, for example, where litigations becomes protracted.

The Financial Institutions Act 1995 requires that a Financial Institution shall report in its monthly statement of assets and liabilities, the outstanding balance of its loan portfolio considered to be past due and those considered to be non-performing.

#### **Past Due**

A loan is classified as past due when:

- (i) Principal or interest is due and unpaid for one month to less than three months or
- (ii) Interest charges for one to two months have been capitalized, refinanced or rolled over.



# NOTES TO THE FINANCIAL STATEMENTS

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D

### (f) Loans – cont'd

#### Non- Performing Loans

For individually assessed accounts, loans are required to be designated as non-performing as soon as there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment includes observable data such as when contractual payments of principal or interest are 90 days overdue. Portfolio of loans are designed as non- performing if facilities are 90 days or more overdue.

Loan accounts reported as past due are reclassified and reported as non-performing when:

- (i) Principal or interest is due and unpaid for three months or more, or
- (ii) Interest charges for three months or more have been capitalized, refinanced or rolled over.

#### Loan losses

The Financial Institutions Act 1995 prescribes that a loan be classified as loss where one or more of the following conditions apply:

- (i) An account is considered uncollectible.
- (ii) An account classified as doubtful with little or no improvement over the twelve months period.
- (iii) The unsecured portion of a loan with fixed repayment dates when: -
  - (a) Principal or interest is due and unpaid for twelve months or more; or
  - (b) Interest charges for twelve months or more have been capitalized, refinanced or rolled over;
  - (c) Principal or interest is due and unpaid for twelve months or more, or Interest charges for twelve months or more have been capitalized, refinanced or rolled over.

Loans under this category include accounts which are considered uncollectible or for which the collection of the full debt is improbable; accounts which have shown little or no improvement over the twelve months period prior to its present classification; principal or interest is due and unpaid for twelve months or more; or an account which may have some recovery value but is not considered practical nor desirable to defer write-off, for example, where litigations become protracted.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(f) Loans – cont'd**

The company writes off such loans twelve months after being so classified unless it shows a definite and significant improvement which indicates recovery within the next six months.

#### **Collateral**

It is the company's policy that all loans are fully and substantially secured. The usual collateral types accepted by the company are listed in note 19(c) (note on credit risks).

#### **Loan provisioning**

It is the company's policy to provide for impaired loans in accordance with the Financial Institutions Act 1995.

Appropriate allowances for estimated unrecoverable amounts are recognized in the statement of profit or loss and other comprehensive income when there is objective evidence that the loan is impaired. The allowance is recognized based on management's evaluation of the collectability of each individual or collectively assessed loan.

Upon classification of a loan to a non-accrual status, interest is not taken up in income on an accrual basis. In subsequent periods, interest is only recognized to the extent payments are received.

Individually assessed allowances for each classification categories are made based on the following minimum level:

<b><u>Classification</u></b>	<b><u>Level of provision</u></b>
Pass	0%
Special Mention	0%
Sub Standard	0-20%
Doubtful	50%
Loss	100%

Collectively assessed allowances of 1% of the portion of the portfolio not individually assessed is also made.

#### **Renegotiated loans**

The company's policy in relation to renegotiated loans is in accordance with the Financial Institutions Act (FIA) 1995 – Supervision Guidelines No. 5, paragraph No. 14. The Act states that a renegotiated loan is a loan which has been refinanced, rescheduled, hived-off, rolled over or otherwise modified because of weaknesses in the borrower's financial position or the non-repayment of the debt as arranged, where it has been determined by the Company that the terms of the renegotiated loan are such as to remedy the specific difficulties faced by the borrower.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(f) Loans – cont'd**

A credit facility may also be renegotiated upon the request by the client, followed by a subsequent analysis and approval by the Company's credit committee; which may be due to the occurrence of one or both of the following conditions:

- The merging of total liabilities into one credit facility.
  - The refinancing of a loan to facilitate the accessing of additional financing.
- Renegotiated credit facilities are permitted subject to the following conditions:
- The existing financial position of the borrower can service the debt under the new conditions.
  - An account classified as doubtful or loss cannot be renegotiated unless an upfront cash payment is made to cover, at the least, unpaid interest or there is an improvement in the collateral taken which will make the renegotiated loan including unpaid interest, a well-secured account.
  - A commercial loan shall not be renegotiated more than twice over the life of the original loan or mortgage, nor more \ than twice in a five-year period; and
  - a renegotiated loan shall not be reclassified upward for a minimum of one year following the new arrangements.

Renegotiation of selected credit facilities can be facilitated upon approval granted by the Bank of Guyana/ Ministry of Finance on the occurrence of natural disasters or exceptional circumstances.

### **Impairment losses**

#### **Impairment policy**

The adoption of IFRS 9 has fundamentally changed the Company's financial asset impairment methodologies by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From January 1, 2018, the Company has been recorded the allowance for expected credit losses for all loans. The Company uses the general approach when calculating ECLs. The impairment allowance for all exposures from the time a loan is originated based on the deterioration of credit risk since initial recognition. If the credit risk has no increased significantly (stage 1) IFRS 9 requires allowances based on 12 months expected losses. If credit risk has increased significantly (stage 2) and if the loan is 'credit impaired' (stage 3), the standard requires an allowances based on lifetime expected losses.

Under IAS 39, impairment allowances were measured according to an incurred loss model wherein the recognition of credit loss allowances was triggered by loss events subsequent to origination. Loss incurred but not reported were evaluated using diverse provisioning approached.

Based on the Company's review of the loan portfolio there was no indication that the credit risk has increased significantly. The Company did not use the ECL provisioning since the provisioning done based on IAS 39 was more prudent and there was no material impact.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(f) Loans – cont'd**

#### **Effective interest rates**

The Company's policy is to determine interest rates based on the following factors: -

- Prevailing rates
- Competitive rates
- Relationship with borrower
- Transactional cost
- Repayment risk involved
- Quality of security

The company aims for a spread of at least 6%.

### **(g) Foreign currency transactions**

Transactions in currencies other than Guyana dollars are recorded at the official or Cambio rates of exchange prevailing on the dates of the transaction.

At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the official or Cambio rates prevailing on that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the statement of profit or loss and other comprehensive income for the period.

### **(h) Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted in Guyana at the end of each reporting period.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(h) Taxation - cont'd**

#### **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets realized based on tax rates (tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to statement of profit or loss and other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current liabilities, and when they relate to income taxes levied by the same taxation authority, and the company intends to settle its current tax assets and liabilities on a net basis.

### **(i) Financial assets**

Investments are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets held by the Company are classified into the following specified categories 'cash resources' and 'loans and receivables' and are stated at amortized cost. The Company's investments are classified as available-for-sale and are stated at fair value. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### **(1) Effective interest method**

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





# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(i) Financial assets - cont'd**

#### ii) Investments

The Company's investments have been classified as "fair value through other comprehensive income"/ "FVTOCI".

"FVTOCI" investments are initially recognized at cost and adjusted to fair value at subsequent periods.

Gains or losses on "FVTOCI" are recognized through the statement of profit or loss and other comprehensive income until the asset is sold or otherwise disposed, at which time previously recognized gains or losses are transferred to the statement of profit or loss and other comprehensive income for that period.

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

### **Impairment of property, plant and equipment**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognized in equity.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(j) Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **(k) Derecognition of financial assets**

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

### **Financial liabilities**

The Company's financial liabilities are classified as other financial liabilities.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period. The Company derecognizes financial liabilities when its obligations are discharged, cancelled or expire.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(l) Cash and cash equivalents**

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than investments or other purposes. These are readily convertible to known amounts of cash, with maturity dates of three (3) months or less.

### **(m) Dividends**

Dividends that are proposed and declared are recorded as an appropriation of retained earnings in the statement of changes in equity in the period in which they have been approved. Dividends that are proposed or declared after the end of each reporting period are disclosed as a note to the financial statements.

### **(n) Business reporting division.**

A business reporting division is a component of an entity that is engaged in providing products or services that are subject to risks and returns that are different from those of other business divisions. A geographical division is engaged in providing products or a service within a particular economic environment that are subject to risks and returns that are different from those of divisions operating in other economic environments.

The Company's operations are considered a single business unit with certain activities segmented along geographical lines viz Guyana and outside of Guyana.

### **(o) Earnings per share**

Basic earnings per share attributable to ordinary equity holders of the entity is calculated by dividing profit or loss attributable to ordinary equity holders of the entity by the number of ordinary shares outstanding during the period.

### **(p) Intangible assets**

Intangible assets are recognized at amortized cost and tested for impairment.

#### **Software**

The software is for a period of five years and will be amortized at a rate of 20% over the useful life of the software. The estimated lives and amortization are reviewed at the end of each annual reporting period.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES INTEREST INCOME –CONT'D**

### **(q) Leases – IFRS16**

The date of initial application of IFRS 16 is January 1, 2019.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.



# **NOTES TO THE FINANCIAL STATEMENTS**

## **4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements:

#### **(r) Impairment losses on loans**

The Company on a regular basis reviews its portfolio of loans with a view of assessing impairment. This is done in addition to what is required under the Financial Institutions Act 1995 with respect to provisioning. Certain judgments are made that reflect the Company's assessment of several critical factors that can influence future cash flows.

#### **(ii) Useful lives of property, plant and equipment**

Management reviews the estimated useful lives of property, plant and equipment at the end of each year to determine whether the useful lives of property, plant and equipment should remain the same.

#### **(iii) Impairment of financial assets**

Management makes judgment at the end of each reporting period to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

## **5. ASSETS HELD IN TRUST**

Assets totaling G\$ 56,397,583,000 (2018 – G\$50,476,270,000) held in Trust which are not beneficially owned by the Company but for which the Company has responsibilities in accordance with Trust Deeds have been excluded from these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

	<u>2019</u>	<u>2018</u>
	G\$	G\$
6		
Income		
(i) Loans	<u>136,393,643</u>	<u>127,967,192</u>
(ii) Investment income		
Fair value through Other Comprehensive Income	<u>720,000</u>	<u>675,000</u>
(i) This is income derived from loans granted to customers		
(ii) This is income from investments measured at fair value through Other Comprehensive Income		
7		
Profit after taxation		
	<u>2019</u>	<u>2018</u>
	G\$	G\$
Profit after taxation	<u>104,456,009</u>	<u>82,458,395</u>
After charging:		
Auditor's remuneration (a)	659,654	1,068,816
Interest expenses	10,954,102	7,029,239
Depreciation	18,357,223	4,433,486
Directors' emoluments (b)	<u>1,900,000</u>	<u>1,900,000</u>
(a) Auditor's remuneration		
Audit services	495,500	781,536
Taxes and related services and expenses	<u>164,154</u>	<u>287,280</u>
	<u>659,654</u>	<u>1,068,816</u>
(b) Directors' emoluments		
Chairman	500,000	500,000
Four (4) directors	<u>1,400,000</u>	1,400,000
	<u>1,900,000</u>	<u>1,900,000</u>



# NOTES TO THE FINANCIAL STATEMENTS

	<u>2019</u>	<u>2018</u>
	G\$	G\$
8 Taxation		
Reconciliation of tax expense and accounting profit		
Accounting profit	<u>142,248,745</u>	<u>127,683,461</u>
Corporation tax at 25%/ 27.5%	35,562,186	35,112,952
Add:		
Tax effect of expense not deductible in determining taxable profits		
Depreciation for accounting purposes	4,568,254	1,219,209
Profit on disposals	-	(605,000)
Capital gains tax	-	28,851
Interest expense - lease land	668,406	-
Provision for bad debts	775,000	-
Property tax	<u>1,368,387</u>	<u>1,729,976</u>
	42,942,233	37,485,988
Deduct:		
Tax effect of depreciation for tax purpose	(1,670,466)	(1,862,362)
Tax exempt income	(180,000)	(185,625)
Rental expense	<u>(3,054,428)</u>	-
Corporation tax	38,037,339	35,438,000
Deferred tax	<u>(244,603)</u>	<u>722,899</u>
	<u>37,792,736</u>	<u>36,160,899</u>
Current tax	38,037,339	35,438,000
Prior year adjustment	-	9,064,167
Deferred tax	<u>(244,603)</u>	<u>722,899</u>
	<u>37,792,736</u>	<u>45,225,066</u>
Components of deferred tax liability		
Property, plant and equipment	<u>3,137,000</u>	<u>3,381,603</u>
Movement in temporary differences		
	Property, plant and equipment	
	2019	2018
	G\$	G\$
At 1 January	2,658,704	921,034
Movement during year: -		
Statement of profit or loss - timing difference	1,061,059	1,737,670
Effects of tax rate change	<u>(338,160)</u>	-
At 31 December	3,381,603	2,658,704
Movement during year: -		
Statement of profit or loss - timing difference	(244,603)	1,061,059
Effects of tax rate change	<u>-</u>	<u>(338,160)</u>
At 31 December	<u>3,137,000</u>	<u>3,381,603</u>



# NOTES TO THE FINANCIAL STATEMENTS

9 Basic earnings per share

Calculated as follows:

	<u>2019</u> G\$	<u>2018</u> G\$
Profit after taxation	<u>104,456,009</u>	<u>82,458,395</u>
Ordinary shares issued and fully paid	<u>249,183,753</u>	<u>249,183,753</u>
Basic earnings per share in dollars	<u>0.42</u>	<u>0.33</u>

10 Property, plant and equipment

	Right of use asset G\$	Land G\$	Motor vehicle G\$	Machinery and equipment G\$	Furniture and fixtures G\$	Accounting software G\$	Total G\$
Cost							
At 1 January 2018	-	-	12,590,586	9,033,332	18,966,708	17,321,284	57,911,910
Additions	-	12,937,500	9,800,000	964,441	343,671	1,344,850	25,390,462
Disposals	-	-	<u>(12,416,006)</u>	<u>(332,850)</u>	<u>(93,293)</u>	-	<u>(12,842,149)</u>
At 31 December 2018	-	12,937,500	9,974,580	9,664,923	19,217,086	18,666,134	70,460,223
Additions	53,472,482	103,500,000	52,675	645,622	200	-	157,670,979
Disposals	-	-	-	<u>(175,910)</u>	-	-	<u>(175,910)</u>
At 31 December 2019	<u>53,472,482</u>	<u>116,437,500</u>	<u>10,027,255</u>	<u>10,134,635</u>	<u>19,217,286</u>	<u>18,666,134</u>	<u>227,955,292</u>
Depreciation							
At 1 January 2018	-	-	12,482,877	5,887,895	5,700,054	74,016	24,144,842
Charge for the year	-	-	1,565,327	1,074,694	1,793,465	-	4,433,486
Write back on disposals	-	-	<u>(12,416,006)</u>	<u>(332,850)</u>	<u>(93,293)</u>	-	<u>(12,842,149)</u>
At 31 December 2018	-	-	1,632,198	6,629,739	7,400,226	74,016	15,736,179
Charge for the year	10,694,496	-	2,004,557	1,045,074	1,813,176	2,799,920	18,357,223
Write back on disposals	-	-	-	<u>(175,910)</u>	-	-	<u>(175,910)</u>
At 31 December 2019	<u>10,694,496</u>	-	<u>3,636,755</u>	<u>7,498,903</u>	<u>9,213,402</u>	<u>2,873,936</u>	<u>33,917,492</u>
Net book values:							
At 31 December 2018	-	<u>12,937,500</u>	<u>8,342,382</u>	<u>3,035,184</u>	<u>11,816,860</u>	<u>18,592,118</u>	<u>54,724,044</u>
At 31 December 2019	<u>42,777,986</u>	<u>116,437,500</u>	<u>6,390,500</u>	<u>2,635,732</u>	<u>10,003,884</u>	<u>15,792,198</u>	<u>194,037,800</u>

11 Investments

	2019 Cost G\$	Fair value G\$	2018 Cost G\$	Fair value G\$
(a) Fair value through other comprehensive income	<u>10,600,000</u>	<u>10,600,000</u>	<u>10,600,000</u>	<u>10,600,000</u>
(b) Income from investment			G\$	G\$
Dividend received			<u>720,000</u>	<u>675,000</u>





# **NOTES TO THE FINANCIAL STATEMENTS**

## 12 Loans

	<u>2019</u> G\$	<u>2018</u> G\$
Loans	1,449,834,546	1,297,509,253
Less: Impairment allowances (Note (a))	90,612,300	90,612,300
At 31 December	<u>1,359,222,246</u>	<u>1,206,896,953</u>
<b>(a) Impairment allowances</b>	<u>2019</u>	<u>2018</u>
Individually assessed impairment	G\$	G\$
Beginning provision	90,612,300	90,612,300
Provision write off	(3,100,000)	-
Specific provision for the year	3,100,000	-
Ending provision	<u>90,612,300</u>	<u>90,612,300</u>
Performing loan accounts	1,309,553,180	1,140,306,798
Non-performing loan accounts	<u>140,281,366</u>	<u>157,202,455</u>
	<u>1,449,834,546</u>	<u>1,297,509,253</u>

Loans are carried at amortized cost subject to an annual test for impairment.

Interest rates ranged from 10.14% to 10.29% and terms of repayments from 1 year to a maximum of 20 years.

The undiscounted fair value of collateral that the Company held relating to loans individually determined to be impaired at 31 December, 2019 amounted to G\$255,000,000 (2018:G\$ 299,500,000) The collateral consists of cash, securities and properties.

The fair values of collaterals held for loans not impaired were significantly higher to cover the amount indebted to Trust Co (Guy) Ltd at 31 December 2019

### **Collateral realized**

During the current and prior year, the Company did not realize any collateral.

## 13 Share capital

Number of ordinary shares

Issued and fully paid

249,183,753 ordinary shares

These shares carry equal voting rights and rights to dividend.



# NOTES TO THE FINANCIAL STATEMENTS

14	Other receivables and accrued interest		
		<u>2019</u>	<u>2018</u>
		G\$	G\$
	Other receivables		
	Accrued interest	<u>1,359,343</u>	<u>2,739,786</u>
15	(a) Other payables and accruals	<u>2019</u>	<u>2018</u>
		G\$	G\$
	Accruals	<u>7,001,242</u>	<u>7,722,081</u>
	(b) Lease liability	<u>2019</u>	<u>2018</u>
		G\$	G\$
	Repayment due within one year	10,161,030	-
		33,634,280	
	Repayments due within two to five years	<u>43,795,310</u>	-

This represents an operating lease for the building that houses Trust Company's operations over a period of five (5) years and discounted to present value at a rate of 5%.

16	Customers investment	<u>720,560,000</u>	<u>602,560,000</u>
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Funds held on behalf of specific investment customers are invested into a collective fund with the Trust Company.

Interest is at 2.20% - 2.75% (2018 -2.5%- 2.75%) per annum.

## 17 Related party transactions and other disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Listed below are transactions and balances with related parties:

	<u>2019</u>	<u>2018</u>
	G\$	G\$
<b>Key management personnel</b>		
<b>(i) Compensation of key management personnel</b>		
The company's five (5) (2018 -5) key management personnel comprises of its Managing Director, Finance/Administrative Office and other Managers.		
The remuneration paid to key management personnel during the year was as follows:		
Short term employee benefits	24,935,920	22,358,178
Post-employment benefits	<u>1,202,698</u>	<u>1,155,240</u>
	<u>26,138,618</u>	<u>23,513,418</u>
Directors' emoluments	<u>1,900,000</u>	<u>1,900,000</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 17 Related party transactions and other disclosures - cont'd

	<u>2019</u> G\$	<u>2018</u> G\$
<b>(ii) Loans</b>		
Balance at end of year	<u>35,169,541</u>	<u>35,009,590</u>
Employees of the company are granted loans at concessionary rates of interest. Ranging from 5% - 8%		
<b>(iii) Directors loans</b>		
Balance at end of year (interest rate of 9%)	<u>66,356,799</u>	<u>44,451,758</u>
<b>(iv) Director's investments</b>		
Customer's account (Interest rate of 2.50%)	<u>107,000,000</u>	<u>87,000,000</u>
<b>Other disclosures:</b>		
The following are transactions with companies that share common directors with the company.		
<b>Demerara Bank Limited</b>		
Deposit accounts	<u>46,186,595</u>	<u>134,004,489</u>
Guarantees	<u>284,500,000</u>	<u>299,500,000</u>
<b>Diamond Fire and General Insurance</b>		
Investments in shares	<u>10,500,000</u>	<u>10,500,000</u>
Premium paid	<u>319,499</u>	<u>545,257</u>
Dividend received	<u>720,000</u>	<u>675,000</u>
Customer's account (Interest rate of 2.50%)	<u>-</u>	<u>35,000,000</u>
<b>Demerara Distillers Limited</b>		
Customer's account (Interest rate of 2.50% to 2.75%)	<u>399,000,000</u>	<u>399,000,000</u>
<b>Guyana Unit Trust</b>		
Customer's account (Interest rate 2.5%)	<u>64,000,000</u>	<u>61,000,000</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 18 Analysis of financial assets and liabilities by measurement basis

	Fair value through Other comprehensive income	Other financial assets and liabilities at amortized cost	Total
<b>2019</b>			
ASSETS	G\$	G\$	G\$
Investments	10,600,000	-	10,600,000
Loans	-	1,359,222,246	1,359,222,246
Other receivables and accrued interest	-	1,359,343	1,359,343
Tax recoverable	-	8,233,139	8,233,139
Cash on hand and at bank	-	<u>46,317,959</u>	<u>46,317,959</u>
Total assets	<u>10,600,000</u>	<u>1,415,132,687</u>	<u>1,425,732,687</u>
LIABILITIES			
Other payables and accruals	-	7,001,242	7,001,242
Customers investment	-	<u>720,560,000</u>	<u>720,560,000</u>
Total liabilities	-	<u>727,561,242</u>	<u>727,561,242</u>
<b>2018</b>			
ASSETS	G\$	G\$	Total G\$
Investments	10,600,000	-	10,600,000
Loans	-	1,206,896,953	1,206,896,953
Other receivables and accrued interest	-	2,739,786	2,739,786
Tax recoverable	-	8,233,139	8,233,139
Cash on hand and at bank	-	<u>134,251,934</u>	<u>134,251,934</u>
Total assets	<u>10,600,000</u>	<u>1,352,121,812</u>	<u>1,362,721,812</u>
LIABILITIES			
Other payables and accruals	-	7,722,081	7,722,081
Customers investment	-	<u>602,560,000</u>	<u>602,560,000</u>
Total liabilities	-	<u>610,282,081</u>	<u>610,282,081</u>



# **NOTES TO THE FINANCIAL STATEMENTS**

## 19 Financial risk management

### Financial risk management objectives

The company's management monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The company seeks to minimize the effects of these risks by the use of techniques that are governed by management's policies on foreign exchange risk, interest rate risk and credit risk which are approved by the board of directors.

The company's management reports monthly to the board of directors on matters relating to risk and management of risk.

#### (a) Market risk

The company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The company uses gap analysis, interest rate sensitivity and exposure limits to financial instruments to manage its exposure to interest rate and foreign currency risk. There has been no change in the company's exposure to market risks or the manner in which it manages these risks.

#### (i) Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market. Management continually identifies the risk and diversifies the portfolio in order to minimize the risk.

The Company is not significantly exposed to other price risks arising from equity investments.

#### **(ii) Interest rate sensitivity analysis.**

The sensitivity analysis below has been determined based on the exposure to interest rates for all financial instruments at the end of the reporting period. The analysis is prepared assuming the amounts of the financial instruments at the end of the reporting period were in existence throughout the whole year. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2019 would increase/decrease by G\$7,027,701 (2018: G\$6,705,744). This is mainly attributable to the Company's exposure to interest rates on its variable rate loans receivables and balances at banks.



# NOTES TO THE FINANCIAL STATEMENTS

## 19. Financial risk management - cont'd

### (a) Market risk - cont'd

#### (iii) Interest rate risk

Interest risk is the risk that the financial instruments will fluctuate due to changes in market interest rates.

The Company is exposed to various risks that are associated with the effects of variations in interest rates. This impacts directly on its cash flows.

The Company's management continually monitors and manages these risks through the use of appropriate tools and implements relevant strategies to hedge against any adverse effects.

#### Interest rate risk tables

	Average Interest rate %	Maturing 2019			Non- interest Bearing G\$	Total G\$
		Within 1 year G\$	Within 2 to 5 years G\$	Over 5 years G\$		
<b>Assets</b>						
Investments		-			10,600,000	10,600,000
Loans (net)	9.23 - 10.5	123,661,299	-		10,600,000	1,359,222,246
Other receivables and accrued interest	-	-	117,234,339	1,118,326,608	-	1,359,343
Tax recoverable	-	-	-	-	1,359,343	8,233,139
Cash on hand and cash at bank	-	-	-	-	8,233,139	46,317,959
		<u>123,661,299</u>	<u>117,234,339</u>	<u>1,118,326,608</u>	<u>66,510,441</u>	<u>1,425,732,687</u>
<b>Liabilities</b>						
Other payables and accruals	-	-	-	-	7,001,242	7,001,242
Taxes payable	-	-	-	-	5,842,022	5,842,022
Customers investment	1-3	<u>720,560,000</u>	-	-	-	720,560,000
		<u>720,560,000</u>	-	-	<u>12,843,264</u>	<u>733,403,264</u>
Interest sensitivity gap		<u>(596,898,701)</u>	<u>117,234,339</u>	<u>1,118,326,608</u>		

	Average Interest rate %	Maturing 2018			Non- interest Bearing G\$	Total G\$
		Within 1 year G\$	Within 2 to 5 years G\$	Over 5 years G\$		
<b>Assets</b>						
Investments		-	-	-	10,600,000	10,600,000
Loans (net)	9.23 - 10.5	191,035,662	262,204,775	753,656,516	-	1,206,896,953
Other receivables and accrued interest	-	-	-	-	2,739,786	2,739,786
Tax recoverable	-	-	-	-	8,233,139	8,233,139



## NOTES TO THE FINANCIAL STATEMENTS

Cash on hand and cash at bank	-	-	-	-	<u>134,251,934</u>	<u>134,251,934</u>
		<u>191,035,662</u>	<u>262,204,775</u>	<u>753,656,516</u>	<u>155,824,859</u>	<u>1,362,721,812</u>
<b>Liabilities</b>						
Other payables and accruals	-	-	-	-	7,722,081	7,722,081
Taxes payable	-	-	-	-	1,523,656	1,523,656
Customers investment	1-3	<u>602,560,000</u>	-	-	-	<u>602,560,000</u>
		<u>602,560,000</u>	-	-	<u>9,245,737</u>	<u>611,805,737</u>
Interest sensitivity gap		<u>(411,524,338)</u>	<u>262,204,775</u>	<u>753,656,516</u>		

#### (iv) Currency risk

The company's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from cash resources and investments.

The currency which the company is mainly exposed to is United States Dollars. This risk is considered to be insignificant.



## NOTES TO THE FINANCIAL STATEMENTS

### 19. Financial risk management - cont'd

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The Company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

The company's policy is to maintain a strong liquidity position and to manage the liquidity profile of asset, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations met when due.

The table below shows the contractual undiscounted cash flows arising on financial liabilities.

#### **Liquidity risk tables**

	Maturing 2019			
	Within 1 year			
	<u>On demand</u>	<u>Due in 3 mths</u>	<u>Due 3 - 12 mths</u>	<u>Total</u>
	G\$	G\$	G\$	G\$
<b>Liabilities</b>				
Other payables and accruals	-	-	7,001,242	7,001,242
Taxes payable	-	-	5,842,022	5,842,022
Customers investment	<u>720,560,000</u>	-	-	<u>720,560,000</u>
	<u>720,560,000</u>	-	<u>12,843,264</u>	<u>733,403,264</u>

	Maturing 2018			
	Within 1 year			
	<u>On demand</u>	<u>Due in 3 mths</u>	<u>Due 3 - 12 mths</u>	<u>Total</u>
	G\$	G\$	G\$	G\$
<b>Liabilities</b>				
Other payables and accruals	-	-	7,722,081	7,722,081
Taxes payable	-	-	1,523,656	1,523,656
Customers investment	<u>602,560,000</u>	-	-	<u>602,560,000</u>
	<u>602,560,000</u>	-	<u>9,245,737</u>	<u>611,805,737</u>





# **NOTES TO THE FINANCIAL STATEMENTS**

19. Financial risk management - cont'd  
(c) Credit risk

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

The table below shows the Company's maximum exposure to credit risk.

	<u>2019</u>	<u>2018</u>
	G\$	G\$
Gross maximum exposure:		
Investments	10,600,000	10,600,000
Loans	1,449,834,546	1,297,509,253
Other receivables and accrued interest	1,359,343	2,739,786
Cash at bank	46,317,959	134,231,934
Tax recoverable	<u>8,233,139</u>	<u>8,233,139</u>
Total credit risk exposure	<u>1,516,344,987</u>	<u>1,453,314,112</u>

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Cash on hand and at bank are amounts held with banks and in the vault. These banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligations as they fall due. The related risk is therefore considered very low.

**Collateral and other enhancements**

The company maintains credit risk exposure within acceptable parameters through the use of collateral as a risk-mitigation tool. The amounts and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash or securities, charges over real estate properties, inventory and trade receivables and mortgages over residential properties.

Management monitors the market value of collateral, request additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the company's policies to dispose of repossessed properties in an orderly fashion. The proceeds are used to repay the outstanding claim. In general, the company does not occupy repossessed properties for business use.



## **NOTES TO THE FINANCIAL STATEMENTS**

### 19. Financial risk management - cont'd

#### (c) Credit risk - cont'd

**Concentration of risk is managed by client/counterparty, by geographical region and by industry sector as detailed in the following:**

#### (i) Geographical sectors

The company's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held and other credit enhancements, can be analyzed by the following geographical sectors based on the country of domicile of counterparties:

	<u>2019</u> G\$	<u>2018</u> G\$
Guyana	<u>1,449,834,546</u>	<u>1,297,509,253</u>
	<u>1,449,834,546</u>	<u>1,297,509,253</u>

#### (ii) Industry Sector

The following table breaks down the company's maximum credit exposure as categorized by the industry sector:

	<u>2019</u> G\$	<u>2018</u> G\$
Services	586,582,852	700,425,608
Manufacturing	23,560,472	25,643,770
Household	811,575,419	535,850,441
Agriculture	4,254,105	11,877,736
Mining	<u>23,861,698</u>	<u>23,711,698</u>
	1,449,834,546	1,297,509,253
Impairment allowances	<u>(90,612,300)</u>	<u>(90,612,300)</u>
	<u>1,359,222,246</u>	<u>1,206,896,953</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 19. Financial risk management - cont'd

### (c) Credit risk - cont'd

Credit risk is the risk that financial loss arises from failure of customers or counter parties to meet its obligations under a contract.

It arises principally from loans, cash resources, investments and receivables.

The objective of the company's credit risk management is to optimally manage its credit risk exposure so as to:

- Not adversely affect its profitability.
- Maintain the public's confidence in its assets quality and to continue as a going concern.
- Assure shareholders of the company's solvency.
- Comply with the requirements of the prevailing laws and Financial Institution regulations.
- Assure an orderly and balanced growth of its assets over time.

In controlling and monitoring credit risk, the company has adopted standard policies and procedures under which each new customer is analyzed individually for credit worthiness. The policies include, but, are not limited to:

- i. An interview, at which information is gathered on the applicant's ability to manage its finances.
- ii. Evaluating collaterals;
- iii. Physically inspecting collateral to ensure that there are no conflicts with the valuator's opinion.
- iv. Loans are generally collateralized with some or all of the following:
  - Cash
  - Mortgages
  - Debentures
  - Bills of sale
  - Shares
  - Guarantees
  - Assignment of salary
  - Assignment of insurance policies
  - Promissory notes
- v. Funds are disbursed only when collateral is perfected.
- vi. If and when credit is granted to the customer, periodic visits are made to customers to assess the state of the collateral and/ or to ensure that the purpose of the loan is being fulfilled.
- vii. The loans officer is required to track all loans approved to ensure repayments are made in accordance with the loan agreements. Potential problems are identified and relevant actions are taken to avoid the loan from becoming non-performing.
- viii. The exposure to any one borrower or group of borrowers is restricted by limits covering on and off-balance sheet exposures set out in the Financial Institutions Act 1995.
- ix. Non-performing accounts are provided for or written-off in accordance with accepted accounting principles and the Financial Institutions Act 1995.



## **NOTES TO THE FINANCIAL STATEMENTS**

19. Financial risk management - cont'd

(c) Credit risk - cont'd

### **Credit quality per category of financial assets**

#### **Loans receivable**

In assessing the credit quality of loans, the company adheres to the requirements set out by the Financial Institutions Act 1995. The following information is based on these requirements.

	<u>2019</u>	<u>2018</u>
	G\$	G\$
Neither past due nor non-performing	929,375,562	685,537,018
Past due receivables but not impaired	380,177,618	454,769,781
Non performing receivables	<u>140,281,366</u>	<u>157,202,454</u>
	<u>1,449,834,546</u>	<u>1,297,509,253</u>

During the year a number of customers who were past due brought their loans up to date.

In addition, three loans were restructured (2018 - three (3)).

#### **Renegotiated Loans.**

The carrying amount of all renegotiated loans aggregated to:

	<u>2019</u>	<u>2018</u>
	G\$	G\$
Renegotiated loans	<u>12,123,355</u>	<u>2,130,757</u>

At the reporting date, there were no significant concentrations of credit risk for loans. There is no special collateral requirement relating to concentration of risks.



## **NOTES TO THE FINANCIAL STATEMENTS**

### 19. Financial risk management - cont'd

#### (d) Operational risk

The growth of the financial sector and the impact of the Global Financial Crisis has made the company's operational risk profile more complex. Operational risk is inherent in all business activities and is the potential for financial or reputational loss arising from inadequate or failed internal controls, operational processes or the systems that support them. It includes errors, omissions, disasters and deliberate acts such as fraud.

The company recognizes that such risk can never be entirely eliminated and manages the risk through a combination of systems and procedures to monitor and document transactions. The company's operational risk committee oversees this and where appropriate, risk is transferred by the placement of adequate insurance coverage.

### 20. Contingent liabilities

The company was contingently liable as at 31 December as Guarantor for credit facilities extended.

	<u>2019</u>	<u>2018</u>
	G\$	G\$
Guarantees	<u>379,500,000</u>	<u>299,500,000</u>



## **NOTES TO THE FINANCIAL STATEMENTS**

	<u>2019</u>	<u>2018</u>
	G\$	G\$
21 Dividends		
Prior year dividends paid G\$ 0.27 per share (2017 - G\$0.27)	<u>67,279,612</u>	<u>67,279,612</u>
The Directors recommend a dividend of G\$0.27 per share for the year 2018 (2017 - G\$0.27)	<u>67,279,612</u>	<u>67,279,612</u>

The proposed final dividend is subject to approval by the shareholders at the annual general meeting and has not been included as a liability in the financial statements.

### 22 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Company's overall strategy remains unchanged from 2018.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity shareholders, comprising issued capital, reserves and retained earnings.

### Gearing ratio

The Company's management reviews the capital structure on an on-going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Company has not set a target gearing ratio .

The company has no borrowings and gearing ratio.



# **NOTES TO THE FINANCIAL STATEMENTS**

## 23 Fair value estimation

Fair value measurement recognized in the statement of financial position

Level 1 - Fair value determination is with reference to quoted prices in active markets for identical assets and liabilities. Quotation from recognized stock exchange was used to value investments under this ranking.

Level 2 - Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The following assets and liabilities except fixed assets are carried at amortized cost. However, fair values have been stated for disclosure purposes.

	IFRS 13 Level	Carrying value G\$	Market value G\$	IFRS 13 Level	Carrying value G\$	Market value G\$
<b>Assets</b>						
Fixed assets	2	194,037,800	194,037,800	2	54,724,044	54,724,044
Loans	2	1,359,222,246	1,359,222,246	2	1,206,896,953	1,206,896,953
Other receivables and accrued interest	2	1,359,343	1,359,343	2	2,739,786	2,739,786
Cash on hand and at bank	1	46,317,959	46,317,959	1	134,251,934	134,251,934
Tax recoverable	2	<u>8,233,139</u>	<u>8,233,139</u>	2	<u>8,233,139</u>	<u>8,233,139</u>
		<u>1,609,170,487</u>	<u>1,609,170,487</u>		<u>1,406,845,856</u>	<u>1,406,845,856</u>
<b>Liabilities</b>						
Taxes payable	2	5,842,022	5,842,022	2	1,523,656	1,523,656
Other payables and accruals	2	7,001,242	7,001,242	2	7,722,081	7,722,081
Customers investment	2	<u>720,560,000</u>	<u>720,560,000</u>	2	<u>602,560,000</u>	<u>602,560,000</u>
		<u>733,403,264</u>	<u>733,403,264</u>		<u>611,805,737</u>	<u>611,805,737</u>



## **NOTES TO THE FINANCIAL STATEMENTS**

23 Fair value estimation- cont'd

Valuation techniques and assumptions applied for the purposes of measuring fair value stated for disclosure purpose:

The fair value of financial assets and financial liabilities were determined as follows:

Property, plant and equipment were measured primarily at cost less accumulated depreciation. Management's judgement was used to determine that fair value approximates to the carrying value.

Loans are net of specific and other provisions for impairment. The fair value of loans is based on expected realization of outstanding balances taking into account the company's history with respect to delinquencies.

Financial instruments where the carrying amounts are equal to fair value: - Due to the short maturity, the carrying amounts of certain financial instruments are assumed to approximate their fair value. These includes cash on hand and at bank, other receivables and accrued interest, other payables and accruals, customers investment and taxes payable and recoverable.

Asset carried at fair value

	<u>2019</u> G\$	<u>2018</u> G\$
Fair value through other comprehensive income/available for sale investments - Level 3	<u>10,600,000</u>	<u>10,600,000</u>

Investments are based on director's valuation and are stated at Level 3 as per IFRS 13.

**Pending litigations**

There are several pending litigations against the company, the outcome of which cannot be determined at this date.

**Approval of financial statements**

The financial statements were approved by the board of directors and authorized for issue on April 24, 2020.





# PROXY FORM

**The Secretary  
Trust Company (Guyana) Limited  
11 Lamaha Street, Queenstown  
Georgetown**

I / We  
of

a Member / Members of **TRUST COMPANY (GUYANA) LIMITED** hereby appoint

of

or in his / her absence

of

as my/ or Proxy to vote in my / our names (s) and on my / our behalf upon any matter proposed at the 54th Annual General meeting of the Trust Company to be held on September 4, 2020 or any adjournment thereof in such manner as such Proxy may think proper.

As witness by hand  
Signed by the said

day of 2020.

(Name of Member (s))

(Signature of Member (s))





