CARIBBEAN ASSURANCE BROKERS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2020

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FINANCIAL STATEMENTS

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Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
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INDEPENDENT AUDITORS' REPORT

To the Members of
Caribbean Assurance Brokers Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Caribbean Assurance Brokers Limited set out on pages 5 to 35, which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including international Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and the Jamaican Companies Act, 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 charge with governance are responsible for overseeing the company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Caribbean Assurance Brokers Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Caribbean Assurance Brokers Limited

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Caribbean Assurance Brokers Limited

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Donna Hobson.

BDO

Chartered Accountants

1 March 2021

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $	2019 $
REVENUE	6	370,639,035	401,478,272
Other operating income	7	26,283,204	33,745,758
		396,922,239	435,224,030
Administrative and other expenses		(232,816,203)	(239,393,974)
Selling expenses		(121,233,919)	(141,662,509)
		(354,050,122)	(381,056,483)
OPERATING PROFIT		42,872,117	54,167,547
Finance costs	8	(5,284,490)	(7,872,310)
PROFIT BEFORE TAXATION		37,587,627	46,295,237
Taxation	11	(6,035,089)	(7,660,475)
NET PROFIT FOR THE YEAR		31,552,538	38,634,762
OTHER COMPREHENSIVE INCOME:			
Item that may not be reclassified to profit or loss			
Unrealised gain on revaluation of property		-	47,499,134
TOTAL COMPREHENSIVE INCOME		31,552,538	86,133,896
EARNINGS PER STOCK UNIT	12	$0.13	$0.18

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2020

	Note	2020 $	2019 $
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	255,732,243	234,130,383
Deferred tax asset	14	12,162,221	15,908,571
Right-of-use assets	15(a)	21,517,847	9,915,131
		289,412,311	259,954,085
CURRENT ASSETS:			
Receivables	16	144,085,587	138,096,421
Taxation recoverable		2,733,163	2,622,018
Cash and bank balances	17	155,791,576	75,799,379
		302,610,326	216,517,818
		592,022,637	476,471,903
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	18	137,589,247	48,765,008
Retained earnings		146,388,275	114,835,737
Capital reserve	19	48,424,370	48,424,370
		332,401,892	212,025,115
NON-CURRENT LIABILITIES:			
Long term loan	20	75,198,594	86,547,672
Lease liabilities	15(b)	15,767,035	6,296,122
		90,965,629	92,843,794
CURRENT LIABILITIES:			
Payables	21	155,580,912	157,133,091
Bank overdraft	17	-	1,421,118
Current portion of long term loan	20	6,881,813	3,261,197
Current portion of lease liabilities	15(b)	6,192,391	3,958,557
Taxation		-	5,829,031
		168,655,116	171,602,994
		592,022,637	476,471,903

Approved for issue by the Board of Directors on 1 March 2021 and signed on its behalf by:

R. Walker

Raymond Walker - Chairman

Barrington Whyte - Director

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital $	Capital Reserve $	Retained Earnings $	Total $
BALANCE AT 31 DECEMBER 2018		48,765,008	925,236	79,700,975	129,391,219
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	38,634,762	38,634,762
Other comprehensive income		-	47,499,134	-	47,499,134
		-	47,499,134	38,634,762	86,133,896
TRANSACTION WITH OWNERS					
Dividends paid	23	-	-	(3,500,000)	(3,500,000)
BALANCE AT 31 DECEMBER 2019		48,765,008	48,424,370	114,835,737	212,025,115
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	31,552,538	31,552,538
TRANSACTION WITH OWNERS					
Issue of shares	18	88,824,239	-	-	88,824,239
BALANCE AT 31 DECEMBER 2020		137,589,247	48,424,370	146,388,275	332,401,892

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		31,552,538	38,634,762
Items not affecting cash resources:			
Exchange gain on foreign balances		(9,248,696)	(6,640,606)
Amortization of right-of-use asset	15	4,487,285	5,569,060
Depreciation	13	8,676,828	10,917,104
Loss on disposal of property, plant and equipment		52,386	77,037
Interest income	7	(3,766,171)	(2,249,183)
Interest expense	8	4,625,319	6,954,082
Interest expense on lease liabilities	15(b)	659,171	918,228
Taxation expense	11(a)	6,035,089	7,660,475
		43,073,749	61,840,959
Changes in operating assets and liabilities:			
Receivables		(2,406,725)	85,981,937
Payables		173,418	16,456,165
		40,840,442	164,279,061
Taxation paid		(8,228,915)	(3,750,344)
Cash provided by operating activities		32,611,527	160,528,717
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		3,766,171	2,249,183
Proceeds from sale of property, plant and equipment		410,703	-
Purchase of property, plant and equipment	13	(30,741,777)	(155,705,377)
Cash used in investing activities		(26,564,903)	(153,456,194)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid on lease liabilities		(659,171)	(918,228)
Interest paid		(4,625,319)	(6,954,082)
Principal paid on lease liabilities		(4,385,254)	(5,229,512)
Loan repayments	17(d)	(14,905,176)	(44,912,976)
Loan proceeds		7,176,714	96,936,101
Dividends paid		-	(3,500,000)
Issue of shares		88,824,239	-
Cash provided by financing activities		71,426,033	35,421,303
INCREASE IN CASH AND CASH EQUIVALENTS		77,472,657	42,493,826
Effects of exchange rate translation on cash and cash equivalents		3,940,658	(186,202)
		81,413,315	42,307,624
Cash and cash equivalents at beginning of year		74,378,261	32,070,637
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)		155,791,576	74,378,261

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

(a) Caribbean Assurance Brokers Limited is a limited liability company incorporated and domiciled in Jamaica and is regulated by the Financial Services Commission of Jamaica. The registered office of the company is 94d Old Hope Road, Kingston 6, St. Andrew, Jamaica.

(b) The principal activity of the company is to search the insurance market place for a company in which to place the insured's business for the lowest cost to the insured.

(c) The company's shares were listed on the Junior Market of Jamaica Stock Exchange on 9 March 2020.

2. **REPORTING CURRENCY:**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

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

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

New, revised and amended standards and interpretations that became effective during the year.

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial period. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards, interpretations and amendments are immediately relevant to its operations.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New, revised and amended standards and interpretations that became effective during the year (cont'd)

The company has adopted the following new and amended standards and interpretations as of 1 January 2020:

Amendments to IAS 1 and IAS 8 on the definition of material (effective for accounting periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

There was no impact on the company's financial statements from the adoption of this amendment.

Standards, amendments and interpretation not yet effective and not early adopted

At the date of authorization of these financial statements, there were certain standards, amendments and interpretation to existing standards which were in issue but not yet effective and which the company has not early adopted.

Those standards which management considered may be relevant to the company are as follows:

Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions (effective for accounting periods beginning on or after 1 June 2020). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The company will assess impact of future adoption of these amendments on its financial statements.

Amendments to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities (effective for accounting periods beginning on or after 1 January 2022). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectation of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarities what IAS 1 means when it refers to the 'settlement' of a liability. The company will assess impact of future adoption of these amendments on its financial statements.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(b) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

(c) **Property, plant and equipment**

Items of property, plant and equipment are recorded at historical cost, less accumulated 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 recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal, of such transaction is recognized in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Property, plant and equipment (cont'd)**

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives of property, plant and equipment are as follows:

Building	40 years
Leasehold improvements	4 and 10 years
Office equipment	4 years
Furniture and fixtures	10 years
Motor vehicles	5 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

(d) **Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) **Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

(i) **Recognition and derecognition**

Financial assets are initially recognised on the settlement date, which is the date that an asset is delivered to the company. This includes regular purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

Financial assets (cont'd)

(i) **Recognition and derecognition (cont'd)**

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognised financial assets that is created or retained by the company is recognised as a separate asset or liability.

(ii) **Classification**

The company classifies all its of financial instruments at initial recognition based on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The company classifies its financial assets as those measured at amortised cost.

(iii) **Measurement category**

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). They are initially recognized at fair value plus transaction costs that are directly attributed to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's financial assets measured at amortised cost comprise cash and cash equivalents, receivables and short term deposits in the statement of financial position.

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of three months or less.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(e) **Financial instruments (cont'd)**

Financial assets (cont'd)

(iv) **Impairment**

Impairment provisions for trade receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses (ECL).

During this process the probability of the non-payment of the trade receivables is assessed by taking into consideration historical rates of default for each segment of trade receivables as well as the estimated impact of forward looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within the statement of profit and loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company assesses at each reporting date whether there is objective evidence that a financial asset as a group of financial assets is impaired.

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term loan, lease liabilities and trade payables.

The company derecognizes a financial liability when its contractual obligation expire or are discharged or cancelled.

(f) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

(g) **Current and deferred income taxes**

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) **Current and deferred income taxes (cont'd)**

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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

(h) **Revenue recognition**

Commission income is recognized in the statement of comprehensive income on the effective commencement or renewal dates of the related policies. Commission is decreased by any cancellation of policies by principals with a corresponding reversal of commission earned.

Interest income

Interest income is recognized in the statement of comprehensive income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

(i) **Leases**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Leases (cont'd)**

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Leases (cont'd)**

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the company to use an identified asset and require services to be provided to the company by the lessor, the company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Nature of leasing activities (in the capacity as lessee)

The periodic payment is fixed over the lease term. The company leased motor vehicles. Leases of motor vehicles comprise only fixed payments over the lease terms.

(j) **Dividend distribution**

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

(k) **Share capital**

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

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

Judgements and estimates 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) **Critical judgements in applying the company's accounting policies**

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) **Key sources of estimation uncertainty**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Income taxes**

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

(ii) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(iii) **Measurement of the expected credit loss allowance**

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

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(a) **Key sources of estimation uncertainty (cont'd)**

(iii) **Measurement of the expected credit loss allowance (cont'd)**

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

5. **FINANCIAL RISK MANAGEMENT:**

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the company's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) **Principal financial instruments**

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Long term loan
- Lease liabilities

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(b) **Financial instruments by category**

Financial assets

	Amortised cost 2020 $	Amortised cost 2019 $
Cash and cash equivalents	155,791,576	75,799,379
Receivables	126,766,746	128,548,690
Total financial assets	282,558,322	204,348,069

Financial liabilities

	Financial liabilities at amortised cost 2020 $	Financial liabilities at amortised cost 2019 $
Bank overdraft	-	1,421,118
Payables	103,197,916	103,695,766
Lease liabilities	21,959,427	10,254,679
Long term loan	82,080,407	89,808,869
Total financial liabilities	207,237,750	205,180,432

(c) **Financial risk factors**

The Board of Directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's Finance function. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) **Market risk**

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Currency risk

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

Currency risk arises from US dollar cash and bank balances, receivables, long term loan and payables. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets.

Concentration of currency risk

The company is exposed to foreign currency risk in respect of the US dollars as follows:

	2020 $	2019 $
Receivables	54,159,251	43,685,735
Cash and bank balances	139,253,287	61,157,654
Long-term loan	(82,080,407)	(89,808,869)
Payables	(31,936,963)	(23,026,529)
	79,395,168	(7,992,009)

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank, accounts receivable, accounts payable and long and short-term loan balances, and adjusts their translation at the year-end for 6% (2019 – 6%) depreciation and a 2% (2019 – 4%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2020	Effect on Profit before Tax 31 December 2020 $	% Change in Currency Rate 2019	Effect on Profit before Tax 31 December 2019 $
Currency:				
USD	-6	4,763,710	-6	(479,521)
USD	+2	1,587,903	+4	319,681

CARIBBEAN ASSURANCE BROKERS LIMITED

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(i) **Market risk (cont'd)**

Currency risk (cont'd)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As the company does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Floating rate instruments expose the company to cash flow interest rate risk, whereas fixed rate instruments expose the company to fair value interest rate risk. The company has long and short-term loans which are at fixed rates of interest.

The company is primarily exposed to fair value interest rate risk on its fixed rate borrowings. The company analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Short term deposits and the long and short-term loans are the only interest bearing assets and liabilities respectively, within the company. The company's short term deposits are due to mature and re-price respectively, within 3 months of the reporting date.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short-term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(ii) **Credit risk**

There is no significant exposure to interest rate risk on borrowings. A 1% increase /1% decrease (2019 – 1% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in Nil effect due to no JMD borrowings (2019 – NIL) in profit before tax for the company.

A 1% increase/1% decrease (2019 – 1% increase/1% decrease) in interest rates on US dollar borrowings would result in a $820,804 decrease/$820,804 increase (2019 - $898,089 decrease/$898,089 increase) in profit before tax for the company.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables and cash and bank balances.

Trade receivables

Revenue transactions in respect of the company's primary operations are settled in cash. For its operations done on a credit basis, the company has policies in place to ensure that sales of insurance policies are made to customers with an appropriate credit history.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

The aging of trade receivables is:

	2020 $	2019 $
0 – 30 days	39,361,180	26,783,816
31 – 60 days	34,236,917	27,582,203
61 – 90 days	12,215,025	12,112,314
91 days and over	20,250,593	46,344,817
	106,063,715	112,823,150

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(iii) **Liquidity risk**

Trade receivables that are past due but not impaired

As at 31 December 2020, trade receivables of $66,702,535 (2019 - $86,039,334) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

No provision for impairment has been made for receivables that are past due as the company has the option of cancelling policies where premiums remain unpaid. The risk of default on payment of insurance premiums also resides with the insurance companies therefore a corresponding payable to the insurance companies for outstanding premiums (net of commission earned) (note 21) is reflected in the financial statements.

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The company's liquidity risk management process, as carried out within the company and monitored by the Finance Department, includes:

(i) Monitoring future cash flows and liquidity on a regular basis.
(ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Maintaining committed lines of credit.
(iv) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(iii) **Liquidity risk (cont'd)**

	Within 1 Year $	1 to 2 Years $	2 to 5 Years $	Total $
31 December 2020				
Trade payables	103,197,916	-	-	103,197,916
Long term loan	11,451,910	11,101,220	9,868,047	32,421,177
Lease liabilities	7,533,382	6,605,840	7,983,713	22,122,935
Total financial liabilities (contractual maturity dates)	122,183,208	17,707,060	17,851,760	157,742,028

	Within 1 Year $	1 to 2 Years $	2 to 5 Years $	Total $
31 December 2019				
Trade payables	103,695,766	-	-	103,695,766
Long term loan	10,808,848	10,482,940	83,943,217	105,235,005
Lease liability	4,725,822	3,710,166	2,782,625	11,218,613
Total financial liabilities (contractual maturity dates)	119,230,436	14,193,106	86,725,842	220,149,384

(d) **Capital management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity.

There are no particular strategies to determine the optimal capital structure. There is a minimum capital maintenance requirement to which the company is subject by the Financial Services Commission.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

6. **REVENUE:**

This represents commission earned from premiums generated during the year.

7. **OTHER OPERATING INCOME:**

	2020 $	2019 $
Agency fee	22,796,032	27,023,087
Interest	3,766,171	2,249,183
Foreign exchange translation	(1,375,607)	3,549,654
Miscellaneous	1,096,608	923,834
	26,283,204	33,745,758

8. **FINANCE COSTS:**

	2020 $	2019 $
Loan interest	4,625,319	6,954,082
Interest – lease liabilities	659,171	918,228
	5,284,490	7,872,310

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. EXPENSES BY NATURE:

Total administrative, selling and other expenses:

	2020 $	2019 $
Directors' remuneration	17,128,656	13,134,618
Directors' fee	2,368,750	1,751,356
Rent	683,131	1,663,331
Printing and stationery	2,591,961	2,306,045
Repairs and maintenance	5,985,083	7,132,301
Telephone, cables and postage	3,387,438	3,309,708
Registration fee	18,558,049	15,519,389
Legal and professional fees	12,519,414	12,054,017
Auditors' remuneration	1,850,000	1,512,000
Security	4,408,289	3,640,510
Electricity	4,704,343	4,817,622
Insurance	6,717,311	5,710,855
Subscriptions and donations	800,283	824,908
Bank charges	8,769,515	9,678,480
Foreign travel and entertainment	874,882	4,989,236
Loss on disposal of property, plant and equipment	52,386	77,037
Amortization	4,487,285	5,569,060
Staff costs (note 10)	238,594,666	262,753,663
Advertising and promotion	2,994,558	6,394,325
Depreciation	8,676,828	10,917,104
Other	7,897,294	7,300,918
	354,050,122	381,056,483

10. STAFF COSTS:

	2020 $	2019 $
Salaries, wages and statutory contributions	106,646,851	110,117,432
Commission	109,360,868	124,472,177
Travel and accommodation	8,364,589	10,171,318
Staff training and welfare	2,915,493	5,976,797
Group health	9,503,905	10,210,228
Pension	1,802,960	1,805,711
	238,594,666	262,753,663

The company employed eighty-eight (88) persons at the end of the year (2019 - 83).

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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11. **TAXATION EXPENSE:**

(a) Taxation is computed on the profit for the year, adjusted for taxation purposes, and comprises income tax at 33 1/3%:

	2020 $	2019 $
Current taxation	12,317,176	16,214,112
Deferred tax (note 14)	3,746,350	(8,553,637)
	16,063,526	7,660,475
Adjustment for the effect of tax remission:		
Current tax	(10,028,437)	-
Tax charge in income statement	6,035,089	7,660,475

(b) The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 33 1/3%, as follows:

	2020 $	2019 $
Profit before taxation	37,587,627	46,295,237
Tax calculated at applicable tax rate	12,529,209	15,431,746
Adjusted for the effects of:		
Expenses not deducted for tax purposes	4,949,007	4,431,145
Net effect of other charges and allowances	(1,414,690)	(12,202,416)
	16,063,526	7,660,475
Adjustment for the effect of tax remission:		
Current tax	(10,028,437)	-
Tax charge in income statement	6,035,089	7,660,475

(c) Remission for income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 9 March 2020. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5	100%
Years 6 to 10	50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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12. EARNINGS PER STOCK UNIT:

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue at year end. The weighted average number of shares in issue for both years reflects the 6 split in the number of shares in issue up to 21 January 2020.

	2020	2019
Net profit attributable to stockholders ($)	31,552,538	38,634,762
Weighted average number of ordinary shares (units)	242,704,918	210,000,000
Earnings per stock unit ($)	$0.13	$0.18

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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13. **PROPERTY, PLANT AND EQUIPMENT:**

	Land & Building $	Leasehold Improvements $	Office Equipment $	Furniture & Fixtures $	Motor Vehicles $	Total $
At cost/valuation						
1 January 2019	-	51,472,095	46,678,600	11,970,324	1,608,554	111,729,573
Transfer/disposal	24,845,441	(51,472,095)	(459,849)	-	-	(27,086,503)
Additions	152,655,425	-	2,023,385	1,026,567	-	155,705,377
Revaluation	47,499,134	-	-	-	-	47,499,134
31 December 2019	225,000,000	-	48,242,136	12,996,891	1,608,554	287,847,581
Transfer/disposal	-	-	(328,498)	(115,016)	(331,730)	(775,244)
Additions	14,532,753	-	14,640,506	838,904	729,614	30,741,777
31 December 2020	239,532,753	-	62,554,144	13,720,779	2,006,438	317,814,114
Depreciation:						
1 January 2019	-	23,196,470	40,637,511	5,406,671	568,911	69,809,563
Charge for the year	4,050,000	3,430,204	2,327,448	787,741	321,711	10,917,104
Elimination on transfer/disposal	-	(26,626,674)	(382,795)	-	-	(27,009,469)
31 December 2019	4,050,000	-	42,582,164	6,194,412	890,622	53,717,198
Charge for the year	3,739,876	-	3,793,084	764,128	379,740	8,676,828
Elimination on transfer/disposal	-	-	(75,278)	(15,335)	(221,542)	(312,155)
31 December 2020	7,789,876	-	46,299,970	6,943,205	1,048,820	62,081,871
Net Book Value:						
31 December 2020	231,742,877	-	16,254,174	6,777,574	957,618	255,732,243
31 December 2019	220,950,000	-	5,659,972	6,802,479	717,932	234,130,383

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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14. **DEFERRED TAX:**

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3%.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	2020	2019
	$	$
Deferred tax asset	12,162,221	15,908,571

The movement on the deferred tax account is as follows:

Balance at start of year	15,908,571	7,354,934
(Charge)/credit for the year (note 11(a))	(3,746,350)	8,553,637
Balance at end of year	12,162,221	15,908,571

Deferred taxation is due to the following temporary differences:

	2020	2019
	$	$
Decelerated capital allowances	12,162,221	15,908,571

Deferred taxation charges to profit or loss comprises the following temporary differences:

	2020	2019
	$	$
Decelerated capital allowances	12,162,221	15,908,571
Asset at end of year	12,162,221	15,908,571

15. **RIGHT-OF-USE ASSETS:**

(a) **Right-of-use assets:**

	Motor Vehicles	
	2020	2019
	$	$
At 1 January	9,915,131	-
Adoption of IFRS 16	-	15,484,191
Addition	16,090,001	-
Amortization	(4,487,285)	(5,569,060)
At 31 December	21,517,847	9,915,131

CARIBBEAN ASSURANCE BROKERS LIMITED

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15. **RIGHT OF USE ASSETS (CONT'D):**

(b) **Lease liabilities**

	Motor Vehicles 2020 $	Motor Vehicles 2019 $
At 1 January 2020	10,254,679	-
Adoption of IFRS 16	-	15,484,191
Addition	16,090,001	-
Interest expense	659,171	918,228
Lease payments	(5,044,425)	(6,147,740)
At 31 December	21,959,426	10,254,679
Less current portion	(6,192,391)	(3,958,557)
	15,767,035	6,296,122

16. **RECEIVABLES:**

	2020 $	2019 $
Trade receivables	106,063,715	112,823,150
Due from employees	1,857,317	1,990,759
Deposits	20,703,031	15,725,540
Prepayments	14,944,858	5,448,457
Other receivables	516,666	2,108,515
	144,085,587	138,096,421

17. **CASH AND CASH EQUIVALENTS:**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and cash in hand as follows:

	2020 $	2019 $
Cash and bank balances -		
Deposits and short-term investments	114,075,389	55,769,681
Foreign currency accounts	35,713,998	9,495,121
Local currency account	5,819,764	10,419,619
Cash in hand	182,425	114,958
	155,791,576	75,799,379
Bank overdraft	-	(1,421,118)
	155,791,576	74,378,261

CARIBBEAN ASSURANCE BROKERS LIMITED

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17. **CASH AND CASH EQUIVALENTS (CONT'D):**

(a) Deposits and short term instruments are interest bearing.

(b) The weighted average effective interest rates on short term deposits at the year end were as follows:

	2020	2019
	%	%
Interest bearing - JA$ account	2.5	3
- US$ account	3.79	1.25

(c) Bank overdraft arose as a result of unpresented cheques at end of the previous reporting period.

(d) Reconciliation of movements of liabilities to cash flows from financing activities:

Amounts represent loans, excluding bank overdraft.

	2020	2019
	$	$
At 1 January	89,808,869	25,543,240
Cash –		
Loans received	7,176,714	96,936,101
Loan repaid	(21,618,155)	(34,340,836)
Non-cash -		
Exchange effect	6,712,979	1,670,364
	82,080,407	89,808,869

18. **SHARE CAPITAL:**

	2020	2019
	$	$
Authorised -		
Unlimited Ordinary shares of no par value (2019 - $50,000,000)		
Issued and fully paid –		
35,000,000 Ordinary shares of no par value	48,765,008	48,765,008
262,500,000 Ordinary shares of no par value	100,275,150	-
Less: transaction costs of share issue	(11,450,911)	-
	137,589,247	48,765,008

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

18. **SHARE CAPITAL (CONT'D):**

On 20 December 2019, the company unanimously passed the following resolutions as written resolutions of the company in accordance with Article 85 of the Articles of Incorporation of the company:

(a) That each ordinary share in the capital be divided into 6 ordinary shares for shareholders on record at 20 December 2019.

(b) That the authorised share capital of the company be increased from 50,000,000 to an unlimited number of ordinary shares.

The resolutions along with other documents were lodged with the Companies Office of Jamaica on 21 January 2020, which was deemed to be the effective date.

On 9 March 2020, the company issued 52,500,000 new shares to the public and the shares were listed on the Junior Market of the Jamaica Stock Exchange (see note 1).

19. **CAPITAL RESERVE:**

This represents unrealised gain on revaluation of building and equipment.

20. **LONG TERM LOAN:**

	2020 $	2019 $
Bank of Nova Scotia Jamaica Limited loan	82,080,407	89,808,869
Less: Current portion	(6,881,813)	(3,261,197)
	75,198,594	86,547,672

The Bank of Nova Scotia Jamaica Limited loan is denominated in foreign currency and attracts an interest rate of 5% per annum. It is repayable over 5 years. It is secured by first legal mortgage stamped for US$700,000 or equivalent in JMD over commercial property located at 94D Old Hope Road, Kingston 6, registered at Volume 1286, Folio 396 and 397.

21. **PAYABLES:**

	2020 $	2019 $
Trade payables	103,197,916	103,695,766
Due to employees	18,924,592	16,673,669
Other payables and accruals	33,458,404	36,763,656
	155,580,912	157,133,091

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

22. RELATED PARTY TRANSACTIONS AND BALANCES:

The following were the transactions carried out with related parties during the year, and the year end balances.

	2020 $	2019 $
(a) Key management compensation (included in staff costs - note 10)		
Key management includes directors and senior managers -		
Salaries and other short term benefits	21,454,656	17,426,531
Directors' remuneration		
Fees	2,368,750	1,751,356
Management remuneration (included above)	17,128,656	13,134,618
(b) Year-end balances:		
Due to –		
Directors (included in payables)	75,822	478,474

23. DIVIDENDS:

	2020 $	2019 $
In respect of 31 December 2018	-	3,500,000

24. IMPACT OF COVID-19 PANDEMIC:

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activities and business operations. This could have negative financial effects on the company, depending on factors such as the duration and spread of the outbreak, the effects on the economy overall and the effects on financial markets, all of which are highly uncertain and cannot be estimated reliably.

The impact of the pandemic on the company's product lines was as follows:

- Reduced commissions from the lines of business;
- Inability of the producers to go out and meet with prospective clients;
- Overseas insurance partners imposed restrictions on new business; and
- Travel restrictions and the closing of the borders.

In its response to the COVID-9 global crisis, the management of Caribbean Assurance Brokers Limited has taken the necessary steps to align the business within the current realities. These actions include but are not limited to:

- Minimizing operational expenses;
- Development of a new website which facilitates e-commerce for transactions to be processed on-line for new and renewal business;
- Development of new digitized product offerings.