CARIBBEAN ASSURANCE BROKERS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2022

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INDEX

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Chartered Accountants
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Kingston 5, Jamaica

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 36, which comprise the statement of financial position as at 31 December 2022, 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 2022, 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 charged 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 2023

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	2021 $
REVENUE	6	469,200,710	423,440,242
Other operating income	7	36,704,160	39,613,528
		505,904,870	463,053,770
Administrative and other expenses		(280,506,168)	(255,305,591)
Selling expenses		(146,059,063)	(144,879,537)
	8	(426,565,231)	(400,185,128)
OPERATING PROFIT		79,339,639	62,868,642
Finance costs	9	(3,922,701)	(5,764,060)
PROFIT BEFORE TAXATION		75,416,938	57,104,582
Taxation	11	2,568,432	(969,693)
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME		77,985,370	56,134,889
EARNINGS PER STOCK UNIT	12	$0.30	$0.21

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2022

	Note	2022 $	2021 $
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	242,119,831	245,202,022
Deferred tax asset	14	13,760,960	11,192,528
Right-of-use assets	15(a)	9,385,821	15,044,976
		265,266,612	271,439,526
CURRENT ASSETS:			
Receivables	16	183,034,012	150,473,011
Taxation recoverable		3,493,091	3,536,989
Cash and cash equivalents	17	254,664,449	201,557,896
		441,191,552	355,567,896
		706,458,164	627,007,422
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	18	137,589,247	137,589,247
Capital reserve	19	48,424,370	48,424,370
Retained earnings		277,148,544	202,523,164
		463,162,161	388,536,781
NON-CURRENT LIABILITIES:			
Loans	20	-	54,553,238
Lease liabilities	15(b)	6,838,895	10,059,958
		6,838,895	64,613,196
CURRENT LIABILITIES:			
Payables	21	181,892,907	160,668,486
Current portion of loans	20	51,343,142	7,481,882
Current portion of lease liabilities	15(b)	3,221,059	5,707,077
		236,457,108	173,857,445
		706,458,164	627,007,422

Approved for issue by the Board of Directors on 1 March 2023 and signed on its behalf by:

Raymond Walker - Chairman

Barrington Whyte - Director

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2022

	Note	Share Capital $	Capital Reserve $	Retained Earnings $	Total $
BALANCE AT 31 DECEMBER 2020		137,589,247	48,424,370	146,388,275	332,401,892
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	56,134,889	56,134,889
BALANCE AT 31 DECEMBER 2021		137,589,247	48,424,370	202,523,164	388,536,781
TRANSACTION WITH OWNERS					
Dividend paid	23	-	-	(3,359,990)	(3,359,990)
		-	-	(3,359,990)	(3,359,990)
TOTAL COMPREHENSIVE INCOME					
Net profit		-	-	77,985,370	77,985,370
BALANCE AT 31 DECEMBER 2022		137,589,247	48,424,370	277,148,544	463,162,161

CARIBBEAN ASSURANCE BROKERS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2022

	Note	2022 $	2021 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		77,985,370	56,134,889
Items not affecting cash resources:			
Exchange gain on foreign balances		85,498	(8,757,559)
Amortization of right-of-use asset	15	5,659,155	6,472,871
Depreciation	13	10,649,765	11,659,453
Loss/(gain) on disposal of property, plant and equipment		76,487	(14,998)
Interest income	7	(3,492,502)	(3,304,660)
Interest expense	9	1,862,908	4,289,803
Interest expense on lease liabilities	15(b)	2,059,793	1,474,257
Taxation expense	11(a)	(2,568,432)	969,693
		92,318,042	68,923,749
Changes in operating assets and liabilities:			
Receivables		(32,856,061)	(1,957,105)
Payables		23,079,456	1,903,521
Taxation recoverable		43,898	(803,826)
Cash provided by operating activities		82,585,335	68,066,339
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received		3,492,502	3,304,660
Proceeds from sale of property, plant and equipment		11,000	15,000
Purchase of property, plant and equipment	13	(7,655,061)	(1,129,234)
Cash used in investing activities		(4,151,559)	2,190,426
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid on lease liabilities		(2,059,793)	(1,474,257)
Interest paid		(1,862,908)	(4,289,803)
Principal paid on lease liabilities		(5,707,081)	(6,192,391)
Loan repayments	17(c)	(30,849,916)	(28,419,991)
Loan proceeds		21,141,502	3,399,304
Dividend paid		(3,359,990)	-
Cash used in financing activities		(22,698,186)	(36,977,138)
INCREASE IN CASH AND CASH EQUIVALENTS		55,735,590	33,279,627
Effects of exchange rate translation on cash and cash equivalents		(2,629,037)	12,486,693
		53,106,553	45,766,320
Cash and cash equivalents at beginning of year		201,557,896	155,791,576
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)		254,664,449	201,557,896

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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 and modified by the revaluation of certain property, plant and equipment that are measured at revalued amounts. 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 year. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are immediately relevant to its operations.

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

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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)

Amendment to IAS 16, 'Property, Plant and Equipment', (effective for accounting periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', (effective for accounting periods beginning on or after 1 January 2022). This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Annual Improvements 2018-2021, (effective for accounting periods beginning on or after 1 January 2022). The IASB issued its Annual Improvements to IFRSs 2018-2021 cycle amending a number of standards, of which the following are relevant to the company: IFRS 9, 'Financial Instruments' to clarify the fees that should be included in the 10% test for derecognition of financial liabilities; IFRS 16, 'Leases', in which illustrative example 13 was amended to remove the reimbursement of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

There was no impact on the company's financial statements from the adoption of these amendments.

New standards, amendments and interpretations not yet effective and not early adopted

The following amendments to standards which are not effective and have not been adopted early in these financial statements will or may have an effect on the company's financial statements.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

Amendments to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities (effective for accounting periods beginning on or after 1 January 2023). 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.

Amendments to IAS 12 (Effective for periods beginning on or after 1 January 2023). The main change in *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)* is an exemption from the *initial recognition exemption* provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

(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.

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, except for freehold land and buildings which was measured at valuation, less accumulated depreciation and impairment losses (deemed cost). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

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.

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.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

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.

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 and receivables in the statement of financial position.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

Financial assets (cont'd)

(iii) **Measurement category (cont'd)**

Amortised cost (cont'd)

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.

(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: loans, lease liabilities and trade payables.

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

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

(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.

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.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

(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.

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

31 DECEMBER 2022

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.

As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

(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 simple models and assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of judgements are also required in applying the accounting requirements for measuring ECL, such as:

- 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.

The company has the following types of financial assets that are subject to IFRS 9's expected credit loss model:

- Receivables from policyholders
- Commission due from insurance companies; and
- Cash and cash equivalents.

For cash and cash equivalents, due to its short term nature, the credit exposure is significantly reduced.

The company applies the IFRS 9 simplified approach to measuring expected credit loss (ECL) which uses a life time expected loss allowance for receivables from policyholders and commission receivable from insurance companies. To measure the expected credit losses the total amount receivable from policyholders are matched to the amount payable to the insurance companies.

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)**

The expected credit loss (ECL) provision is measured on the excess of receivables from policyholders against the payable due to the insurance companies. The risk of exposure of policies outstanding is ultimately with the insurance companies. The company's credit risk exposure from receivables due from insurance companies relates to the commission earned.

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:

- Receivables
- Cash and cash equivalents
- Payables
- Loans
- 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 2022 $	Amortised cost 2021 $
Cash and cash equivalents	254,664,449	201,557,896
Receivables	166,940,065	131,459,300
Total financial assets	421,604,514	333,017,196

Financial liabilities

	Financial liabilities at amortised cost 2022 $	Financial liabilities at amortised cost 2021 $
Payables	115,942,419	107,982,202
Lease liabilities	10,059,954	15,767,035
Loans	51,343,142	62,035,120
Total financial liabilities	177,345,515	185,784,357

(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

31 DECEMBER 2022

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:

	2022 $	2021 $
Receivables	58,198,749	48,055,587
Cash and bank balances	229,886,201	177,031,244
Loans	(30,201,640)	(60,035,405)
Payables	(54,352,624)	(46,184,237)
	203,530,686	118,867,189

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 loan balances, and adjusts their translation at the year-end for 4% (2021 – 8%) depreciation and a 1% (2021 – 2%) 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 2022	Effect on Profit before Tax 31 December 2022 $	% Change in Currency Rate 2021	Effect on Profit before Tax 31 December 2021 $
Currency:				
USD	-4	8,141,227	-8	9,509,375
USD	+1	(2,035,307)	+2	(2,377,344)

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

(i) **Market 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 loans which is 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 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 2022

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

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

(ii) **Credit risk**

A 1% increase/0.5% decrease (2021 – 1% increase/1% decrease) in interest rates on Jamaican dollar borrowings would result in $211,415 increase/$105,708 decrease (2021 – NIL) in profit before tax for the company.

A 1% increase/0.5% decrease (2021 – 1% increase/1% decrease) in interest rates on US dollar borrowings would result in a $302,016 increase/$151,008 decrease (2021 - $620,351 increase/$620,351 decrease) 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:

Receivables due from policyholders:

	2022 $	2021 $
0 – 30 days	21,678,238	28,840,450
31 – 60 days	30,580,587	33,390,278
61 – 90 days	11,855,251	2,072,859
91 days and over	23,129,085	7,646,974
	87,243,161	71,950,561

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

(ii) **Credit risk (cont'd)**

Maximum exposure to credit risk (cont'd)

Commission due from insurance companies:

	2022 $	2021 $
0 – 30 days	15,907,050	12,772,168
31 – 60 days	371,989	1,240,580
61 – 90 days	1,072,687	1,648,147
91 days and over	20,161,017	9,020,526
	37,512,743	24,681,421
	124,755,904	96,631,982

No ECL provision has been recognized for commission receivable which is due from insurance companies that are past due, as the provision calculated was immaterial. 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.

(iii) **Liquidity risk**

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 2022

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

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

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

Cash flows of financial liabilities (cont'd)

	Within 1 Year $	1 to 2 Years $	2 to 5 Years $	Total $
31 December 2022				
Trade payables	115,942,419	-	-	115,942,419
Loans	55,029,416	-	-	55,029,416
Lease liabilities	3,221,059	3,823,216	7,327,830	14,372,105
Total financial liabilities (contractual maturity dates)	174,192,894	3,823,216	7,327,830	185,343,940

	Within 1 Year $	1 to 2 Years $	2 to 5 Years $	Total $
31 December 2021				
Trade payables	107,982,202	-	-	107,982,202
Loans	10,567,165	10,333,386	78,381,167	99,281,718
Lease liability	5,707,077	3,823,216	7,362,875	16,893,168
Total financial liabilities (contractual maturity dates)	124,256,444	14,156,602	85,744,042	224,157,088

(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 2022

6. REVENUE:

Revenue comprises the fair value of the consideration received or receivable for services provided in the ordinary course of the company's business and is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured taking into account contractually defined terms of payment.

The company has disaggregated commission earned in the following categories:

	2022 $	2021 $
Local	240,495,342	212,598,413
International	228,705,368	210,841,829
	469,200,710	423,440,242

7. OTHER OPERATING INCOME:

	2022 $	2021 $
Agency fee	29,813,227	28,409,878
Interest	3,492,502	3,304,660
Foreign exchange translation	433,738	4,871,487
Miscellaneous	623,841	567,247
(Loss)/gain on disposal of property, plant and equipment	(76,487)	15,000
Rental income	2,417,339	2,445,256
	36,704,160	39,613,528

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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8. **EXPENSES BY NATURE:**

Total administrative, selling and other expenses:

	2022 $	2021 $
Directors' remuneration	29,550,000	27,928,656
Directors' fee	2,286,360	1,854,467
Rent	480,000	480,000
Printing and stationery	1,893,558	2,143,294
Repairs and maintenance	5,932,416	5,750,442
Telephone, cables and postage	3,914,765	3,627,059
Registration fee	30,098,854	24,196,250
Legal and professional fees	19,413,648	14,014,688
Auditors' remuneration	2,350,000	2,300,000
Security	4,339,323	3,852,824
Electricity	4,426,821	3,679,253
Insurance	8,356,018	7,758,906
Subscriptions and donations	1,389,470	322,828
Bank charges	9,143,050	8,877,411
Foreign travel and entertainment	1,065,127	782,613
Amortization	5,659,155	6,472,871
Staff costs (note 10)	274,911,402	259,420,080
Advertising and promotion	4,870,526	8,577,800
Depreciation	10,649,765	11,659,453
Other	5,812,851	6,486,233
Bad debt	22,122	-
	426,565,231	400,185,128

9. **FINANCE COSTS:**

	2022 $	2021 $
Loan interest	1,862,908	4,289,803
Interest – lease liabilities	2,059,793	1,474,257
	3,922,701	5,764,060

10. **STAFF COSTS:**

	2022 $	2021 $
Salaries, wages and statutory contributions	117,035,459	109,264,591
Commission	127,384,661	125,012,990
Travel and accommodation	12,738,749	10,506,133
Staff training and welfare	4,796,598	1,968,826
Group health	11,565,951	10,531,768
Pension	1,389,984	2,135,772
	274,911,402	259,420,080

The company employed eighty-six (86) persons at the end of the year (2021 - 88).

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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%:

	2022 $	2021 $
Current taxation	24,688,733	18,668,745
Deferred tax (note 14)	(2,568,432)	969,693
	22,120,301	19,638,438
Adjustment for the effect of tax remission:		
Current tax	(24,688,733)	(18,668,745)
Tax (credit)/charge in income statement	(2,568,432)	969,693

(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:

	2022 $	2021 $
Profit before taxation	75,416,938	57,104,582
Tax calculated at applicable tax rate	25,138,979	19,034,861
Adjusted for the effects of:		
Expenses not deducted for tax purposes	6,351,043	6,825,912
Net effect of other charges and allowances	(9,369,721)	(6,222,335)
	22,120,301	19,638,438
Adjustment for the effect of tax remission:		
Current tax	(24,688,733)	(18,668,745)
Tax (credit)/charge in income statement	(2,568,432)	969,693

(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.

	2022	2021
Net profit attributable to stockholders ($)	77,985,370	56,134,889
Weighted average number of ordinary shares (units)	262,500,000	262,500,000
Earnings per stock unit ($)	$0.30	$0.21

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

	Land & Building $	Office Equipment $	Furnitures & Fixtures $	Motor Vehicles $	Total $
At cost/deemed cost:					
31 December 2020	239,532,753	62,554,144	13,720,779	2,006,438	317,814,114
Additions	-	1,129,234	-	-	1,129,234
Disposal	-	-	(24,420)	-	(24,420)
31 December 2021	239,532,753	63,683,378	13,696,359	2,006,438	318,918,928
Additions	380,260	2,024,107	581,860	4,668,834	7,655,061
Disposals	-	-	(102,367)	(1,276,824)	(1,379,191)
31 December 2022	239,913,013	65,707,485	14,175,852	5,398,448	325,194,798
Depreciation:					
31 December 2020	7,789,876	46,299,970	6,943,205	1,048,820	62,081,871
Charge for the year	4,413,319	5,629,231	1,215,615	401,288	11,659,453
Disposal	-	-	(24,418)	-	(24,418)
31 December 2021	12,203,195	51,929,201	8,134,402	1,450,108	73,716,906
Charge for the year	4,417,165	5,183,147	670,089	379,364	10,649,765
Disposal	-	-	(78,720)	(1,212,984)	(1,291,704)
31 December 2022	16,620,360	57,112,348	8,725,771	616,488	83,074,967
Net Book Value:					
31 December 2022	223,292,653	8,595,137	5,450,081	4,781,960	242,119,831
31 December 2021	227,329,558	11,754,177	5,561,957	556,330	245,202,022

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

13. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

Land and building were revalued on 24 September 2018 by Allison Pitter & Company, Chartered (Valuation) Surveyors on an open market value basis. The revaluation of land and building was conducted upon acquisition and represents the deemed cost.

The company's land and building is located at 94D Old Hope Road, Kingston 6. St Andrew. Surplus arising on revaluation has been taken to Capital Reserve.

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:

	2022 $	2021 $
Deferred tax asset	13,760,960	11,192,528

The movement on the deferred tax account is as follows:

Balance at start of year	11,192,528	12,162,221
Credit/(charge) for the year (note 11(a))	2,568,432	(969,693)
Balance at end of year	13,760,960	11,192,528

Deferred taxation is due to the following temporary differences:

	2022 $	2021 $
Decelerated capital allowances	13,760,960	11,192,528

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

	2022 $	2021 $
Decelerated capital allowances	13,760,960	11,192,528
Asset at end of year	13,760,960	11,192,528

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

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

	Motor Vehicles	
	2022	2021
	$	$
At 1 January	15,044,976	21,517,847
Amortization	(5,659,155)	(6,472,871)
At 31 December	9,385,821	15,044,976

(b) **Lease liabilities**

	Motor vehicles	
	2022	2021
	$	$
At 1 January	15,767,035	21,959,426
Interest expense	2,059,793	1,474,257
Lease payments	(7,766,874)	(7,666,648)
At 31 December	10,059,954	15,767,035
Less current portion	(3,221,059)	(5,707,077)
	6,838,895	10,059,958

16. **RECEIVABLES:**

	2022	2021
	$	$
Trade receivables	124,755,904	96,631,982
Due from employees	4,187,158	2,343,331
Deposits	42,184,161	34,827,318
Prepayments	9,575,200	12,401,662
Other receivables	2,331,589	4,268,718
	183,034,012	150,473,011

17. **CASH AND CASH EQUIVALENTS:**

	2022	2021
	$	$
Cash and bank balances -		
Deposits and short-term investments	176,398,250	170,776,790
Foreign currency accounts	62,395,513	8,125,251
Local currency account	15,808,514	22,579,832
Cash in hand	62,172	76,023
	254,664,449	201,557,896

CARIBBEAN ASSURANCE BROKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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:

	2022	2021
	%	%
Interest bearing - JA$ account	2.00	2.25
- US$ account	2.08	3.30

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

Amounts represent loans.

	2022	2021
	$	$
At 1 January	62,035,120	82,080,407
Cash –		
Loans received	21,141,502	3,399,304
Loan repaid	(30,849,916)	(28,419,991)
	52,326,706	57,059,720
Non-cash -		
Foreign exchange effect	(983,564)	4,975,400
	51,343,142	62,035,120

18. **SHARE CAPITAL:**

	2022	2021
	$	$
Authorised -		
Unlimited Ordinary shares of no par value		
Issued and fully paid –		
262,500,000 Ordinary shares of no par value	137,589,247	137,589,247

CARIBBEAN ASSURANCE BROKERS LIMITED

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19. CAPITAL RESERVE:

This represents unrealised gain on the revaluation of land and building.

20. LOANS:

		2022 $	2021 $
(i)	Bank of Nova Scotia Jamaica Limited	30,201,640	62,035,120
(ii)	JMMB Bank (Jamaica) Limited	20,000,000	-
(iii)	JN Finance Limited	1,141,502	-
		51,343,142	62,035,120
	Less: Current portion	(51,343,142)	(7,481,882)
		-	54,553,238

(i) This represents US dollar loan which commenced on 1 January 2019 and attracts an interest rate of 5% per annum. It is repayable over 5 years and 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.

(ii) This loan represents a line of credit at an interest rate of 10.75% per annum.

(iii) This loan represents amount obtained to finance insurance premiums.

21. PAYABLES:

	2022 $	2021 $
Trade payables	115,942,419	107,982,202
Due to employees	16,580,333	21,031,669
Other payables and accruals	49,370,155	31,654,615
	181,892,907	160,668,486

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22. **RELATED PARTY TRANSACTIONS AND BALANCES:**

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

		2022 $	2021 $
(a)	**Key management compensation (included in staff costs - note 10)**		
	Key management includes directors and senior managers -		
	Salaries and other short term benefits	67,991,046	58,571,709
	Directors' remuneration -		
	Fees	2,286,360	1,854,467
	Management remuneration (included above)	29,550,000	27,928,656
(b)	**Year-end balances**		
	Due to –		
	Directors (included in payables)	7,506	5,212,547
	Due from –		
	Directors (included in receivables)	549,687	693,259

23. **DIVIDEND:**

On 6 April 2022, a dividend of $0.0128 per share was approved by the Board of Directors for payment on 20 May 2022.