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INDEPENDENT AUDITORS' REPORT

To the Members of
STERLING INVESTMENTS LIMITED

Opinion

We have audited the financial statements of Sterling Investments Limited ("the Company") set out on pages 8 to 48, which comprise the statement of financial position as at December 31, 2022, 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 present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Saint Lucia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
STERLING INVESTMENTS LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Fair value of investment securities

Key audit matter	How the matter was addressed in our audit
The Company's investment portfolio includes investment in an unquoted equity security, classified as *equity investment securities at fair value through other comprehensive income (FVOCI)* and measured at fair value. It is classified and disclosed as Level 3 within the fair value hierarchy as its significant inputs are not based on observable market data. Management has determined the fair value of this investment using the net asset approach which involves the valuation of the underlying assets of a business, in the absence of a quoted price for the instrument on a trading market. The key areas requiring greater level of management's judgement and estimate is the expected cash flows to be generated by the underlying assets and the determination of the discount rate to be applied, which is subject to high estimation uncertainty.	Our procedures over the valuation of the Level 3 investments included, but were not limited to: • Documenting and assessing the design and implementation of the investment valuation process and controls in place; Assessing the reasonableness of the cash flow projections by: (i) comparing the underlying data, such as the number of rooms, room rates and occupancy rates provided by management to supporting documents and information and with independent data sources, (ii) challenging management's assumptions such as the timing, amounts and future growth of the cash flows by obtaining an understanding of the relevant activities of the business and determining whether there may be variations to the contractual cash flows expected. • Engaging our own valuation specialist to independently test the application of the valuation methodology and the reasonableness of the assumptions used in determining the discount rate, by comparing the discount rate with published market and industry data and other relevant information.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
STERLING INVESTMENTS LIMITED

Key Audit Matters (continued)

Fair value of investment securities (continued)

	How the matter was addressed in our audit
	• Testing the mathematical accuracy of the cash flows projections. • Testing the calculation of the fair value based on the cash flows and discount rates. • Assessing appropriateness of the disclosures against the requirements of IFRS 13, *Fair Value Measurement.*

Expected credit losses on investment securities

Key audit matter	How the matter was addressed in our audit
Debt investment securities include corporate, municipal and sovereign bonds. IFRS 9 *Financial Instruments*, prescribes a forward looking expected credit loss model reflecting a range of future economic conditions. Significant management judgement is used in determining the forward looking indicators.	Our procedures included, but were not limited to: • Updating our understanding of management's model for the calculation of expected credit losses. • Agreeing the investment listing to the investments included in the model to determine whether all debt securities were included.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
STERLING INVESTMENTS LIMITED

Key Audit Matters (continued)

Expected credit losses on investment securities (continued)

Key audit matter	How the matter was addressed in our audit
We therefore determined that the impairment of investments has a high degree of estimation uncertainty.	• Agreeing the inputs used to calculate the probability of default (PD) and Loss Given Default (LGD), and credit rating to reports from external rating agencies. • Agreeing inputs, including maturity date, credit rating and interest rate, to source documents. • Recalculating the amortised cost for the investment securities, which is the Exposure at Default (EAD). • Involving our own specialists in testing the methodology and assumptions and to evaluate the appropriateness of the Company's methodology for incorporating Forward Looking Information (FLI) by comparing management's FLI with industry benchmark. • Assessing the adequacy of the disclosures under IFRS 9.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
STERLING INVESTMENTS LIMITED

Other Information (continued)

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 Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
STERLING INVESTMENTS LIMITED

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
STERLING INVESTMENTS LIMITED

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, 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 matters 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.

The engagement partner on the audit resulting in this independent auditors' report is Lisa Brathwaite.

KPMG

Chartered Accountants
Castries, Saint Lucia

March 1, 2023

STERLING INVESTMENTS LIMITED

Statement of Financial Position
As at December 31, 2022
(Expressed in Jamaican Dollars)

	Notes	2022 $	2021 $
Assets			
Cash and cash equivalents	4	635,286	1,391,627
Accounts receivable	5	38,036,808	35,849,924
Investment securities	6	1,708,031,139	2,240,316,407
Total assets		1,746,703,233	2,277,557,958
Liabilities			
Margin loans payable	7	460,199,349	637,986,196
Other payables	8	9,030,916	41,149,882
Due to related company	9(c)(i)	4,477,711	30,920,420
Manager's preference shares	10	10,000	10,000
Total liabilities		473,717,976	710,066,498
Equity			
Share capital	11(ii)	1,066,915,010	1,034,495,652
Prepaid share reserve	12	997,970	731,364
Fair value reserve	13	(221,881,184)	73,499,294
Retained earnings		426,953,461	458,765,150
Total equity		1,272,985,257	1,567,491,460
Total liabilities and equity		1,746,703,233	2,277,557,958

The financial statements on pages 8 to 48 were approved for issue by the Board of Directors on March 1, 2023 and signed on its behalf by:

_________________________ Director
Charles Ross

M G Rochester
_________________________ Director
Maxim Rochester

The accompanying notes form an integral part of the financial statements.

STERLING INVESTMENTS LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2022
(Expressed in Jamaican Dollars)

	Notes	2022 $	2021 $
Revenue	14		
Interest income calculated using the effective interest method		148,178,789	145,258,401
Foreign exchange gain		(30,272,790)	110,543,676
Net gain on sale of debt investment securities at FVOCI		6,578,373	37,688,252
		124,484,372	293,490,329
Expenses			
Interest expense calculated using the effective interest method		(16,475,080)	(14,153,207)
Impairment loss on financial instruments	19(a)(v)	(2,519,421)	(14,777,656)
Fair value loss on equity investment securities at FVTPL		(17,572,048)	(22,729,391)
Other operating expenses	15	(45,937,615)	(48,269,872)
		(82,504,165)	(99,930,126)
		41,980,207	193,560,203
Other income		724,819	282,686
Manager's preference share interest expense	9(c)(ii)	-	(32,806,453)
Profit before taxation		42,705,026	161,036,436
Taxation	16	-	(1,223,518)
Profit for the year		42,705,026	159,812,918
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Change in fair value of FVOCI equity investments, net	20	(1,973,703)	8,051,662
Items that are or may be reclassified subsequently to profit or loss:			
Movements in fair value reserve			
Realised (loss)/gain on sale of FVOCI debt investment securities reclassified to profit or loss		(45,819)	32,013,132
Change in fair value of FVOCI debt investment securities		(293,360,956)	(23,475,819)
Total other comprehensive (loss)/income for the year		(295,380,478)	16,588,975
Total comprehensive (loss)/income for the year		(252,675,452)	176,401,893
Earnings per stock unit			
Basic and diluted earnings per stock unit	17(a)	0.10	0.39

The accompanying notes form an integral part of the financial statements.

STERLING INVESTMENTS LIMITED

Statement of Changes in Equity
Year ended December 31, 2022
(Expressed in Jamaican Dollars)

	Share capital [note 11(ii)] $	Prepaid share reserve (note 12) $	Fair value reserve (note 13) $	Retained earnings $	Total $
Balances at December 31, 2020	**909,347,746**	**221,733**	**56,910,319**	**372,602,214**	**1,339,082,012**
Comprehensive income:					
Profit for the year	-	-	-	159,812,918	159,812,918
Other comprehensive income:					
Fair value reserve					
Change in fair value of FVOCI equity investments	-	-	8,051,662	-	8,051,662
Realised loss on sale of FVOCI debt instrument securities reclassified to profit or loss	-	-	32,013,132	-	32,013,132
Change in fair value of FVOCI debt instrument securities, net	-	-	(23,475,819)	-	(23,475,819)
Total other comprehensive income	-	-	16,588,975	-	16,588,975
Total comprehensive income	-	-	16,588,975	159,812,918	176,401,893
Transactions with owners:					
Shares issued during the year	125,147,906	-	-	-	125,147,906
Transfer of prepayment of shares	-	(221,733)	-	-	(221,733)
Prepayments for share	-	731,364	-	-	731,364
Dividends (note 18)	-	-	-	(73,649,982)	(73,649,982)
Total transactions with owners	125,147,906	509,631	-	(73,649,982)	52,007,555
Balances at December 31, 2021	**1,034,495,652**	**731,364**	**73,499,294**	**458,765,150**	**1,567,491,460**
Comprehensive loss:					
Profit for the year	-	-	-	42,705,026	42,705,026
Other comprehensive income:					
Fair value change on equity	-	-	(1,973,703)	-	(1,973,703)
Realised loss on sale of FVOCI debt instrument securities reclassified to profit or loss	-	-	(45,819)	-	(45,819)
Change in fair value of FVOCI debt instrument securities, net	-	-	(293,360,956)	-	(293,360,956)
Total other comprehensive loss	-	-	(295,380,478)	-	(295,380,478)
Total comprehensive loss	-	-	(295,380,478)	42,705,026	(252,675,452)
Transactions with owners:					
Shares issued during the year	32,419,359	-	-	-	32,419,359
Transfer of prepayment of shares	-	(731,365)	-	-	(731,365)
Prepayments for share	-	997,971	-	-	997,971
Dividends (note 18)	-	-	-	(74,516,715)	(74,516,715)
Total transactions with owner	32,419,359	266,606	-	(74,516,715)	(41,830,750)
Balances at December 31, 2022	**1,066,915,010**	**997,970**	**(221,881,184)**	**426,953,461**	**1,272,985,257**

The accompanying notes form an integral part of the financial statements.

STERLING INVESTMENTS LIMITED

Statement of Cash Flows
Year ended December 31, 2022
(Expressed in Jamaican Dollars)

	Notes	2022 $	Restated* 2021 $
Cash flows from operating activities			
Profit for the year		42,705,026	159,812,918
Adjustments for:			
Interest income		(148,178,789)	(145,258,401)
Interest expense		16,475,080	14,153,207
Impairment loss on investment securities	19(a)(v)	2,519,421	14,777,656
Net gain on sale of debt investment securities at FVOCI		(6,578,373)	(37,688,252)
Unrealised fair value loss on quoted equities at FVTPL		17,572,048	22,729,391
Taxation	16	-	1,223,518
Manager's preference share interest expense	9(c)(ii)	-	32,806,453
		(75,485,588)	62,556,490
Changes in:			
Accounts receivable		253,980	(524,148)
Margin loans payable		(177,786,847)	106,185,430
Other payables		687,488	1,442,455
Due to related company		(26,442,709)	7,055,933
Acquisition of investment securities		(76,596,296)	(1,099,755,749)
Proceeds from sale of investment securities		299,987,991	770,793,887
		(55,381,981)	(152,245,702)
Interest received		145,737,923	137,052,208
Interest paid		(16,475,080)	(14,153,207)
Tax paid		-	(1,097,890)
Net cash provided by/(used in) operating activities		73,880,862	(30,444,591)
Cash flows from financing activities			
Issue of ordinary shares		32,419,359	125,147,906
Complementary share purchase programme		266,606	509,631
Manager's preference shares interest paid		(32,806,453)	(21,624,846)
Dividends paid	18	(74,516,715)	(73,649,982)
Net cash (used in)/provided by financing activities		(74,637,203)	30,382,709
Decrease in cash and cash equivalents		(756,341)	(61,882)
Cash and cash equivalents at beginning of year		1,391,627	1,453,509
Cash and cash equivalents at end of year	4	635,286	1,391,627

*Restated, see note 21
The accompanying notes form an integral part of the financial statements.

1. Incorporation and principal activities

Sterling Investments Limited ("the Company") is incorporated in Saint Lucia under the International Business Companies Act. Its registered office is located at 20 Micoud Street, Castries, Saint Lucia. The principal activities of the Company are holding and trading of securities and other investments. The Company is listed on the Jamaica Stock Exchange.

The Company's activities are administered by Sterling Asset Management Limited to which investment manager's fees are paid [note 9(c)(ii)].

2. Basis of accounting and basis of preparation

(a) Basis of accounting

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the functional currency of the Company, unless otherwise stated.

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make estimates, based on assumptions, and judgements. The estimates and judgements affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates, and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements and estimates made by management in the application of IFRS that have a significant effect on these financial statements and/or have a significant risk of material adjustment in the next financial year are set out below:

(i) Judgements

For the purpose of these financial statements, which are prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2022
(Expressed in Jamaican Dollars)

2. Basis of accounting and basis of preparation (continued)

(c) Use of estimates and judgements (continued)

(i) Judgements (continued)

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(3) Determination of fair values:

The Company's accounting policies and disclosures require the measurement of fair values for financial assets. The determination of whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy (note 20) requires judgement as to whether a market is active.

When one is available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates factors that market participants would take into account in pricing a transaction.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2022
(Expressed in Jamaican Dollars)

2. Basis of accounting and basis of preparation (continued)

(c) Use of estimates and judgements (continued)

(i) Judgements (continued)

(3) Determination of fair values (continued)

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The valuation techniques include the fair value of net asset and discounted cash flows model in addition to the weighted average cost of capital and marketability discount factors for which an observable market exist. The objective of the valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the assets in an ordinary transaction between market participants at the measurement date.

In the absence of quoted market prices, the fair value of a significant proportion of the Company's assets was determined using discounted cash flow technique. Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Although management believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty

Allowance for impairment losses

In determining amounts recorded for impairment of debt investment securities, management makes assumptions in determining the inputs to be used in the ECL measurement model, including probability of default and the incorporation of forward-looking information. The use of assumptions make uncertainty inherent in such estimates.

(d) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the inclusion of investment securities at fair value.

3. Significant accounting policies

(a) Financial instruments – Classification, recognition and derecognition, measurement and impairment

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise cash and cash equivalents, accounts receivable, and investment securities. Financial liabilities comprise margin loans payable, other payables, due to related company and manager's preference shares.

(i) Recognition

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

The Company recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Company initially recognises receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL; transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

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 derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset derecognised and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has the legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition, measurement and impairment (continued)

(i) Recognition (continued)

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

(ii) Classification and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income; FVOCI – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition, measurement and impairment (continued)

(ii) Classification and measurement (continued)

Financial assets (continued)

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss. Cumulative gains and losses on debt securities recognised in OCI are transferred to retained earnings on disposal of the investment.

Business model assessments:

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities that are funding these assets or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition, measurement and impairment (continued)

(ii) Classification and measurement (continued)

Financial assets (continued)

Business model assessments (continued):

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Company's objective is achieved by both collecting contractual cash flows and selling financial assets.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers the following:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- leverage features, that modify consideration of the time value of money such as periodic reset of interest rates;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition, measurement and impairment (continued)

(ii) Classification and measurement (continued)

Financial liabilities

The Group classifies non-derivative financial liabilities into the "other financial liabilities" category. These are measured at amortised cost.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first reporting period following the change in business model

(iii) Identification and measurement of impairment

The Company recognises loss allowances for ECL on financial instruments that are not measured at FVTPL, i.e. financial assets that are debt instruments. No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to 12-month ECL on the debt investment securities that are determined to have low credit risk at the reporting date and other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition, measurement and impairment (continued)

(iii) Identification and measurement of impairment (continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the difference between the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive) and;

- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition, measurement and impairment (continued)

(iii) Identification and measurement of impairment (continued)

Credit-impaired financial assets (continued)

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows: *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets

Debt instrument measured at FVOCI; no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is fair value.

Write off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

3. Significant accounting policies (continued)

(b) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are measured at amortised cost.

(c) Accounts receivable

Accounts receivable is measured at amortised cost, less impairment losses.

(d) Margin loans payable and other payables

Margin loans payable and other payables are measured at amortised cost.

(e) Interest

(i) Interest income and expense are recognised in profit or loss by 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.

Effective interest rate

When calculating the effective interest rate for financial instruments other than purchased or originated credit impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

Amortised cost and gross carrying amount

The ‘amortised cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3. Significant accounting policies (continued)

(e) Interest (continued)

(i) (Continued)

Calculation of interest income and interest expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that have become credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

(ii) Gain or loss on holding and trading securities

Gain or loss on securities trading is recognised when the Company becomes a party to a contract to dispose of the securities, or, in the case of financial assets measured at fair value, upon remeasurement of those assets.

(f) Foreign currencies

Foreign currency balances at the reporting date are translated at the foreign exchange rates ruling at that date. Transactions in foreign currencies are converted at the foreign exchange rates ruling at the dates of the transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

3. Significant accounting policies (continued)

(g) Share capital

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

(i) Ordinary stock units

The Company's ordinary stock units are not redeemable by holders and dividends are paid at the sole discretion of the Board of Directors. Accordingly, they are presented within equity and dividends thereon are also recognised in equity.

Incremental costs directly attributable to the issue of ordinary stock units are recognised as deduction from equity.

(ii) Preference shares

Preference share capital is classified as:

- Equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary; in such a case, dividends thereon are recognised as equity distributions.
- Liability if it is redeemable on a specific date or at the option of the stockholders, or if dividends are not discretionary; in such a case, dividends thereon are recognised as interest in profit or loss as accrued.

The Company's preference shares bear contractual entitlements to dividends that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as a financial liability.

(h) Income tax

Income tax on the profit or loss for the period comprises current tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(i) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assesses its performance; and for which discrete financial information is available.

The Company's activities are limited to revenue earned from investment securities, operating in a single segment, therefore no additional segment information is provided.

3. Significant accounting policies (continued)

(j) Amended standards effective during the year

Certain amended standards were effective as at January 1, 2022, which did have any impact on the Company's financial statements.

(k) New and amended standards issued but not yet effective

At the date of authorisation of these financial statements, certain new and amended standards have been issued which were not effective for the current year and which the Company has not early adopted.

(i) Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The Company will apply the amended standard for the reporting period ended December 31, 2023, with changes in disclosures in accounting policies expected.

(ii) Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

(Expressed in Jamaican Dollars)

3. Significant accounting policies (continued)

(k) New and amended standards issued but not yet effective

(ii) Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors (continued)*

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

The effects of changes in such inputs or measurement techniques are changes in accounting estimates, unless they result from the corrections of prior period errors. The definition of accounting policies remains unchanged.

The Company will apply the amendments for the reporting period ended December 31, 2023. The amended standards is not expected to have a significant impact on the Company's financial statements.

Other forthcoming amended standard

The following amended standard is not expected to have a significant impact on the Company's financial statements:

Amendments to IAS 1 *Presentation of Financial Statements*, Classification of liabilities as current or non-current, are effective for annual reporting periods beginning on or after January 1, 2023.

4. Cash and cash equivalents

	2022 $	2021 $
Cash	3,000	3,000
Demand deposit accounts	632,286	1,388,627
	635,286	1,391,627

Demand deposit accounts includes $59,903 (2021: $26,940) [notes 11(v)(a) and 12] received from stockholders as prepayments for the purchase of the Company's stock units.

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Notes to the Financial Statements (Continued)
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5. Accounts receivable

	2022 $	2021 $
Interest receivable	37,674,384	35,233,520
Prepayments	362,242	369,678
Other	-	246,726
	38,036,808	35,849,924

Accounts receivable is stated net of impairment provision of $Nil (2021: $Nil) and is due as follows:

	2022 $	2021 $
Due within twelve (12) months	37,674,384	35,233,520
No specific maturity	362,242	616,404
	38,036,808	35,849,924

6. Investment securities

	2022 $	2021 $
Debt investment securities measured at FVOCI		
(i) Corporate bonds US$7,399,772 (2021: US$9,116,512)	1,117,439,601	1,404,216,399
(ii) Municipal bonds US$1,363,155 (2021: US$1,729,765)	205,850,109	266,435,704
(iii) Sovereign bonds US$1,205,600 (2021: US$1,361,000)	182,057,656	209,634,830
	1,505,347,366	1,880,286,933
Equity investment securities measured at FVOCI		
(iv) Unquoted ordinary shares US$653,544 (2021: US$653,544)	98,691,679	100,665,382
Investment securities designated as at fair value through profit or loss		
(v) Structured notes US$658,260 (2021: US$1,523,820)	99,403,843	234,713,995
Quoted ordinary equities	4,588,251	24,650,097
	103,992,093	259,364,092
	1,708,031,139	2,240,316,407

(i) Corporate bonds earn interest at rates ranging from 5.95% to 10.6% (2021: 6.125% to 11.800%) per annum and mature over the period 2023 to 2049 (2021: 2022 to 2049).

(ii) Municipal bonds earn interest at rates ranging from 6.050% to 7.625% (2021: 6.050% to 7.625%) per annum and mature over the period 2029 to 2040 (2021: 2029 to 2040).

(iii) Sovereign bonds earn interest at rates ranging from 7.125% to 8.95% (2021: 7.125% to 8.950%) per annum and mature on 2032 and 2038 (2021: 2032 and 2038).

(iv) The Company holds 4.93% (2021: 4.93%) of ordinary shares in Sterling Development (SKN) Limited ("SDL"), a related party [note 9(c)(i)].

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
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6. Investment securities (continued)

(iv) (Continued)

The investment is designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes. The fair value of the investment in SDL's shares was determined using the net asset approach, which was based on the valuation of SDL's underlying assets using the discounted cash flows. The significant and unobservable inputs used in the valuation of the underlying assets include its expected net cash flows, the weighted average cost of capital ranging from 13% to 14% (2021: 13% to 14%) and marketability discount rate ranging from 25% to 30%. (2021: 25% to 30%). An increase in any of these variables will have a downward impact on the fair value of the unquoted ordinary shares, if all other factors are held constant.

(v) Structured notes being debt obligations that contain an embedded derivative component that adjusts the security's risk-return profile are carried as FVTPL. They represent investments in JP Morgan and Credit Suisse Medium term notes which will mature on March 11, 2024, April 22, 2024, May 13, 2024, and January 21, 2026 respectively. These notes bear interest rates ranging from 8% to 10.6% (2021: 7.75% to 11.8%).

(vi) Investment securities are used to collateralise margin loans with brokers (note 7).

(vii) The maturity profile of investments, in relation to the reporting date are shown as follows:

	2022 $	2021 $
Due within twelve (12) months	1,982,006	1,744,390
Due after twelve (12) months	1,602,769,203	2,113,256,658
No specific maturity	103,279,930	125,315,359
	1,708,031,139	2,240,316,407

7. Margin loans payable

These are margin loans due to overseas brokers of US$3,047,476 (2021: US$4,141,961). The loans bear interest at rates ranging 2.20% to 4.00% (2021: 2.01% to 2.5% per annum, have no set repayment date and are collateralised by securities purchased from the brokers with the loan proceeds [note 6(vi)]. The margin loans would be classified as current.

8. Other payables

	2022 $	2021 $
Manager's preference shares interest payable [US$Nil (2021: US$211,987)] [note 9(c)(i)]	-	32,806,453
Other payables and accruals	9,030,916	8,343,429
	9,030,916	41,149,882

Other payables are due to be settled within twelve (12) months of the reporting date.

9. Related party balances and transactions

(a) Definition of related party

A related party is a person or entity that is related to the Company.

(i) A person or a close member of that person's family is related to the Company if that person:

(1) has control or joint control over the Company;
(2) has significant influence over the Company; or
(3) is a member of the key management personnel of the Company or of a parent of the Company.

(ii) An entity is related to the Company if any of the following conditions applies:

(1) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(3) Both entities are joint ventures of the same third party.
(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(5) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
(6) The entity is controlled, or jointly controlled by a person identified in (i).
(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or the parent of the Company.

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

(b) Identity of related parties

The Company has related party relationships with its directors, investment manager and other entities under the common control of its investment manager.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
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9. Related party balances and transactions (continued)

(c) Related party amounts

(i) The statement of financial position includes balances with related parties, arising in the ordinary course of business, as follows:

	2022 $	2021 $
Entity with common stockholders and directors		
Unquoted ordinary shares [note 6 (iv)]	98,691,679	100,665,382
Investment manager		
Interest payable on Manager's preference shares (note 8)	-	(32,806,453)
Due to related company	4,477,711	30,920,420

The amounts due to the Investment manager and related company are unsecured, interest-free and are repayable within twelve (12) months from reporting date.

(ii) The statement of profit or loss and other comprehensive income includes income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business, as follows:

	2022 $	2021 $
Entity with common stockholders		
Investment manager		
Interest on Manager's preference shares (note 8)	-	(32,806,453)
Management fees (note 15)	(25,371,744)	(30,920,420)
Dividend paid to Directors	(2,643,028)	(2,468,217)
Directors' fees (note 15)	(5,415,340)	(4,500,608)

10. Manager's preference shares

(a) This represents 10,000 manager's cumulative preference shares [see note 11(i)] held by Sterling Asset Management. The terms and conditions of these shares include the following:

(i) The block of manager's cumulative preference shares, at all times, regardless of the number of ordinary stock units issued and held, enjoy voting control to the extent of 51% of such votes as may be cast by stockholders of the Company with respect to any and all decisions by such stockholders;

(ii) The manager's cumulative preference shares rank *pari passu* as between and among themselves;

10. Manager's preference shares (continued)

(a) (Continued)

(iii) The manager's cumulative preference shares are entitled to a cumulative annual preference dividend of twenty five per cent (25%) of the Company's return on equity earned in excess of the hurdle rate (computed in accordance with the formula set out in the terms and conditions of issue) applied to the United States dollar value of the Company's profit and equity. The return on equity is calculated as the profit for the year of the Company divided by the value of the Company's average equity as at the end of the financial year, expressed in United States dollars and substantiated by the audited financial statements;

(iv) Apart from the right to the cumulative annual preference dividend, the manager's cumulative preference shares have no economic rights or entitlements save for the right in a winding up to the repayment of the capital paid thereon on a *pari passu* basis with the capital paid on the ordinary stock units; and

(v) In the event that an entity which is (or becomes) the investment manager subsequently ceases to be the investment manager in accordance with the relevant provisions of the Company's Articles of Association, each of the manager's cumulative preference shares held by that entity shall thereupon automatically be converted into a fully paid ordinary stock units in the Company.

(b) The dividend payment is recorded as interest on manager's preference shares in the statement of profit or loss and other comprehensive income.

11. Share capital

	Number of units	
	2022	2021
(i) Authorised:		
Ordinary stock units of no par value	2,000,000,000	2,000,000,000
Manager's cumulative preference shares of no par value	10,000	10,000
	2,000,010,000	2,000,010,000

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
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11. Share capital (continued)

(ii) Issued and fully paid:

	Number of units		Total	
	2022	2021	2022	2021
			$	$
Ordinary stock units Balance at beginning of year	418,608,941	377,028,367	1,034,495,652	909,347,746
Issued during the year: Dividend Reinvestment Programme [note 11(v)(a)]	1,639,993	1,700,108	4,935,701	4,304,253
Complementary Share Purchase Programme [note 11(v)(b)]	9,366,104	39,880,466	27,483,657	120,843,653
Net proceeds from issuance	11,006,097	41,580,574	32,419,358	125,147,906
Balance at end of year	429,615,038	418,608,941	1,066,915,010	1,034,495,652
Manager's cumulative preference shares	10,000	10,000	10,000	10,000
	429,625,038	418,618,941	1,066,925,010	1,034,502,652
Less: Manager's preference shares reclassified to liability (note 10)	(10,000)	(10,000)	(10,000)	(10,000)
	429,615,038	418,608,941	1,066,915,010	1,034,495,652

(iii) The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

(iv) The rights and entitlements of the holders of the preference shares are set out in note 10.

(v) Dividend Reinvestment and Complementary Share Purchase Programme

The Company operates two (2) share incentive programmes as follows:

(a) Dividend Reinvestment Programme

Under the Dividend Reinvestment Programme (DRIP), the stockholders of the Company may elect to reinvest their dividend in new ordinary stock units, rounded down to the nearest stock unit at the closing price applicable on the record date and without incurring fees. Residual unallocated dividends as at December 31, 2022 amounted to $59,903 (2021: $26,940) (note 4) and are included in other payables and accruals.

During the year, 1,639,993 (2021: 1,700,108) stock units were issued to the stockholders, under this programme.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2022
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11. Share capital (continued)

(v) (Continued)

(b) Complementary Share Purchase Programme

Under the Complementary Share Purchase Programme (CSPP), the stockholders of the Company may purchase new ordinary stock units at the closing price applicable for the last day of the relevant quarter and without incurring fees.

Funds received are recorded as prepaid share reserve (note 12) and transferred to share capital when the stocks are issued.

During the year, 9,243,840 (2021: 39,880,466) stock units were issued to the stockholders, under this programme.

12. Prepaid share reserve

This represents funds received from stockholders during the last quarter of the previous financial year to purchase the Company's stock units under the CSPP [note 11(v)(b)]. Subsequently, stock units were issued on January 24, 2023 (2021: January 21, 2022) at a stock unit price of $2.72 (2021: $2.87).

13. Fair value reserve

This represents the cumulative net change in the fair value of investment securities measured at FVOCI until assets are derecognised or reclassified, net of expected credit loss.

14. Revenue

This represents income earned from holding and trading investment securities.

15. Other operating expenses

	2022	2021
	$	$
Management fees [note 9(c)(ii)]	25,371,744	30,920,420
Auditors' remuneration	5,398,689	5,165,428
Directors' fees [note 9(c)(ii)]	5,415,340	4,500,608
Stock exchange listing fees	2,800,817	2,480,685
Professional fees	1,107,156	2,421,649
Other	5,843,869	2,781,082
	45,937,615	48,269,872

(Expressed in Jamaican Dollars)

16. Taxation

The Company had elected to be charged at the rate of 1% under the International Business Companies Act ("Act"). Under the amendments to the Act, the Company continued to benefit from the pre-amendment provisions until June 30, 2021. After the grandfathering period ended, all companies in Saint Lucia are subject to tax at 30%. However, notwithstanding, the income earned outside of Saint Lucia is not subject to income tax. In 2022, all the income earned by the Company is outside of Saint Lucia, thus the Company is exempt from paying income tax during the year. The effective tax rate is Nil % (2021: 0.72%).

	2022 $	2021 $
Profit before taxation	42,705,026	161,036,436
Computed "expected" tax charge 30% (2021: 1% & 30%)	12,811,508	17,800,414
Tax effect of differences between profit for financial statements and tax reporting purposes:		
Unrealised foreign exchange gain	-	(1,108,264)
Unrealised loss on revaluation of investment securities	-	227,294
Exempt income	(12,811,508)	(16,190,050)
Impairment loss on debt investment securities	-	166,059
Manager's preference share interest expense	-	328,065
Current tax charge, being total taxation charge	-	1,223,518

17. Earnings per stock unit

(a) Basic earnings per stock unit

Basic earnings per stock unit is calculated by dividing the profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2022	2021
Profit attributable to ordinary stockholders	$ 42,705,026	159,812,918
Weighted average number of ordinary stock units in issue	424,734,523	413,442,100
Basic earnings per stock unit	$ 0.10	0.39

(b) Diluted earnings per stock unit

Diluted earnings per stock unit is calculated by dividing the profit attributable to ordinary stockholders by the weighted average number of ordinary stock units outstanding after adjustment for the effects of all dilutive potential ordinary stock units. The effect of conversion of convertible preference shares, the only potential ordinary stock units, is excluded from the computation as it is antidilutive; thus, the diluted earnings per stock unit is equal to the basic earnings per stock unit of $0.10 (2021: $0.39).

(Expressed in Jamaican Dollars)

18. Dividends

	2022 $	2021 $
Distribution to ordinary stockholders at $0.01153 (2021: $0.18) per stock unit	74,516,715	73,649,982

During the year, certain stockholders elected to reinvest their dividends earned of $4,935,701 (2021: $4,304,253) [note 11(v)(a)].

19. Financial risk management

The Company has exposure to credit, liquidity and market risks from its use of financial instruments. The Company's affairs are administered by the Investment Manager, a related company, which, together with the Board of Directors, has overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered.

(a) Credit risk

Credit risk is the risk of financial loss to the Company that one party to a financial instrument will fail to discharge its contractual obligations, and arises principally from the Company's investment securities. The Board of Directors is responsible for oversight of the Company's credit risk, including formulating policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties. Additionally, the Investment Manager reports to the Board of Directors on a regular basis about credit quality, and the appropriate action is taken.

(i) Investments in debt securities:

The Company manages the exposure to credit risk in the following way:

It maintains cash and cash equivalents with major financial institutions which management regards as reputable. The financial performance of these financial institutions are continually reviewed by the Investment Manager. Investments are held substantially in United States of America Government Agency and corporate securities.

Total credit exposure is the total of receivables and investment securities recognised in the statement of financial position, as there are no other significant credit exposures.

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
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(Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(a) Credit risk (continued)

(i) Investments in debt securities (continued):

Credit quality

The Company identifies changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company supplements this by reviewing changes in bond yields together with available press and regulatory information on issuers.

Twelve (12)-month and lifetime probabilities of default are based on historical data supplied by each credit rating and are recalibrated based on current bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate of percent except when the security is credit-impaired, in which case the estimate of loss based on the instrument's current market price and original effective interest rate.

The following table sets out the credit quality of debt investment securities based on Standard and Poor's and Moody's ratings as follows:

	2022			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Debt investment securities at FVOCI				
AA	151,663,873	-	-	151,663,873
AA-	66,387,016	-	-	66,387,016
A+	125,958,196	-	-	125,958,196
A-	36,887,968	-	-	36,887,968
BBB+	262,590,534	-	-	262,590,534
BBB	74,893,410	-	-	74,893,410
BB+	103,391,564	-	-	103,391,564
BB	105,273,601	-	-	105,273,601
BB-	43,210,001	-	-	43,210,001
B+	182,057,656	179,159,321	-	361,216,977
B	94,591,154	29,533,781	-	124,124,935
CCC+	32,048,248	-	-	32,048,248
C	-	14,063,634	-	14,063,634
D	-	-	3,637,409	3,637,409
Total carrying amount	1,278,953,221	227,756,736	3,637,409	1,505,347,366
Loss allowance	(4,388,216)	(1,815,152)	(74,684,058)	(80,887,426)

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2022
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19. Financial risk management (continued)

(a) Credit risk (continued)

(i) Investments in debt securities (continued):

	2021			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Debt investment securities at FVOCI				
AA	-	-	-	-
AA-	-	-	-	-
A+	-	-	-	-
A	-	-	-	-
A-	-	-	-	-
BBB+	69,131,437	-	-	69,131,437
BBB	304,972,238	-	-	304,972,238
BBB-	392,425,158	-	-	392,425,158
BB+	139,363,725	-	-	139,363,725
BB	318,477,819	-	-	318,477,819
BB-	79,859,934	124,296,049	-	204,155,983
B+	307,902,889	-	-	307,902,889
B	48,902,985	-	-	48,902,985
B-	47,076,032	-	-	47,076,033
C	-	17,747,648	-	17,747,648
D	-	-	30,131,019	30,131,019
Total carrying amount	1,708,112,217	142,043,697	30,131,019	1,880,286,933
Loss allowance	(5,635,958)	(481,498)	(74,276,963)	(80,394,419)

(ii) Cash resources

Cash resources are held with reputable banks and other financial institutions counterparties.

(iii) Concentration of credit risk

The Company monitors concentration of credit risk by issuer and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	2022	2021
	$	$
Issuer:		
Corporate – unrelated parties	1,245,907,136	1,664,931,137
Municipal bonds	210,255,761	272,264,442
Bahamas	186,262,655	213,923,923
Banks	635,286	1,391,627
Total financial assets	1,643,060,837	2,152,511,129

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2022
(Expressed in Jamaican Dollars)

19. Financial risk management (continued)

(a) Credit risk (continued)

(iii) Concentration of credit risk (continued)

	2022	2021
	$	$
Location:		
Europe	326,203,029	332,739,565
North America	609,286,546	959,307,286
Caribbean	411,369,614	502,648,989
South America	296,201,618	357,815,289
Total financial assets	1,643,060,837	2,152,511,129

(iv) Settlement risk

The Company's activities may give rise to settlement risk at the time of settlement of trades and other transactions. Settlement risk is the risk of loss due to the failure of a party to honour its obligation to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through its broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(v) Impairment

Inputs, assumptions and techniques used for estimating impairment.

See accounting policy at note 3(a)(iv).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and third party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

19. Financial risk management (continued)

(a) Credit risk (continued)

(v) Impairment (continued)

Significant increase in credit risk (continued)

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- the 30 day past due backstop indicator.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Data from credit reference agencies such as standards and Poor and Moody's, press articles, changes in external credit ratings.
- External data from credit reference agencies, including industry-standard credit scores.
- Existing and forecast changes in business, financial and economic conditions.

Definition of default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company;
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

19. Financial risk management (continued)

(a) Credit risk (continued)

(v) Impairment (continued)

Definition of default (continued)

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

For 2022, forward-looking information was incorporated in the ECL computation by use of a management overlay. Based on the economic factors a proxy of 1.07 (2021: 1.07) times ECL was determined to be appropriate.

The economic scenarios used as at December 31, 2022 assumed no significant changes in key indicators within the next year.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying lifetime PD by LGD and EAD. They are calculated on a discounted cash flow basis using the effective interest rate.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD model consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are based on published reports of the major rating agencies: S&P Global and Moody's.

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Notes to the Financial Statements (Continued)
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19. Financial risk management (continued)

(a) Credit risk (continued)

(v) Impairment (continued)

Incorporation of forward-looking information (continued)

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period.

Loss allowance

The loss allowance recognised is analysed as follow:

	2022			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Debt investment securities:				
Balance at January 1, 2022	5,635,958	481,498	74,276,963	80,394,419
Exchange losses/(gains)	(935,873)	1,138,238	(2,228,779)	(2,026,414)
Net remeasurement of loss allowance	(311,869)	195,416	2,635,874	2,519,421
	(1,247,742)	1,333,654	407,095	493,007
Balance at December 31, 2022	4,388,216	1,815,152	74,684,058	80,887,426

	2021			
	Stage 1 $	Stage 2 $	Stage 3 $	Total $
Debt investment securities:				
Balance at January 1, 2021	5,194,192	310,615	53,652,907	59,157,714
Exchange losses	451,577	27,005	5,980,467	6,459,049
Net remeasurement of loss allowance	(9,811)	143,878	14,643,589	14,777,656
	441,766	170,883	20,624,056	21,236,705
Balance at December 31, 2021	5,635,958	481,498	74,276,963	80,394,419

There has been no change in the Company's exposure to credit risk or the manner in which it measures and manages risk.

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Notes to the Financial Statements (Continued)
Year ended December 31, 2022
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19. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities.

Management of liquidity risk

Due to the dynamic nature of the underlying business, the Company manages this risk by monitoring its cash needs and obtaining liquidity support from custodian brokers and related companies.

The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and abnormal conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The daily liquidity position is monitored and regular liquidity testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The Company maintains the daily balances from the bank and broker accounts in order to ensure that sufficient funds are available to meet the liability demands.

The following table presents the undiscounted cash flows payable (both interest and principal cash flows) based on contractual repayment obligations:

	2022				
	Within 3 months	3 to 12 months	No specific maturity	Gross outflow	Carrying value
	$	$	$	$	$
Margin loans payable	460,199,349	-	-	460,199,349	460,199,349
Other payables	9,030,916	-	-	9,030,916	9,030,916
Due to related company	-	4,477,711	-	4,477,711	4,477,711
Manager's preference shares	-	-	10,000	10,000	10,000
	469,230,265	4,477,711	10,000	473,717,976	473,717,976

	2021				
	Within 3 months	3 to 12 months	No specific maturity	Gross outflow	Carrying value
	$	$	$	$	$
Margin loans payable	637,986,196	-	-	637,986,196	637,986,196
Other payables	41,149,882	-	-	41,149,882	41,149,882
Due to related company	-	30,920,420	-	30,920,420	30,920,420
Manager's preference shares	-	-	10,000	10,000	10,000
	679,136,078	30,920,420	10,000	710,066,498	710,066,498

There has been no change in the Company's exposure to liquidity risk or the manner in which it measures and manages risk.

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Notes to the Financial Statements (Continued)
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19. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns for the given level of risk accepted.

Market risk relevant to the Company includes interest rate risk and foreign currency risk and the manner in which it measures and manages them are as follows:

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to change in interest rates.

The following table summarises the carrying amounts of financial assets and financial liabilities to arrive at the Company's interest rate sensitivity gap, based on the earlier of contractual repricing and maturity dates:

	2022					
	Within 1 year $	1 - 5 years $	Over 5 years $	No specific maturity $	Non-rate sensitive $	Total $
Financial assets						
Cash and cash equivalents	635,286	-	-	-	-	635,286
Accounts receivable	-	-	-	-	38,036,808	38,036,808
Investment securities	1,982,006	185,692,467	1,417,076,736	-	103,279,930	1,708,031,139
	2,617,292	185,692,467	1,417,076,736	-	141,316,738	1,746,703,233
Financial liabilities						
Margin loans payable	460,199,349	-	-	-	-	460,199,349
Other payables	-	-	-	-	9,030,916	9,030,916
Due to related company	-	-	-	-	4,477,711	4,477,711
Manager's preference-- Shares	-	-	-	10,000	-	10,000
	460,199,349	-	-	10,000	13,508,627	473,717,976
Total interest rate sensitivity gap	(457,582,057)	185,692,467	1,417,076,736	(10,000)	127,808,111	1,272,985,257
Cumulative gap	(457,582,027)	(271,889,560)	-	1,145,187,176	1,145,177,176	1,272,985,257

	2021					
	Within 1 year $	1 - 5 years $	Over 5 years $	No specific maturity $	Non-rate sensitive $	Total $
Financial assets						
Cash and cash equivalents	1,391,627	-	-	-	-	1,391,627
Accounts receivable	-	-	-	-	35,849,924	35,849,924
Investment securities	1,744,390	431,887,798	1,681,368,742	-	125,315,477	2,240,316,407
	3,136,017	431,887,798	1,681,368,742	-	161,165,401	2,277,557,958
Financial liabilities						
Margin loans payable	637,986,196	-	-	-	-	637,986,196
Other payables	-	-	-	-	41,149,882	41,149,882
Due to related company	-	-	-	-	30,920,420	30,920,420
Manager's preference Shares	-	-	-	10,000	-	10,000
	637,986,196	-	-	10,000	72,070,302	710,066,498
Total interest rate sensitivity gap	(634,850,179)	431,887,798	1,681,368,742	(10,000)	89,095,099	1,567,491,460
Cumulative gap	(634,850,179)	(202,962,381)	1,478,406,361	1,478,396,361	1,567,491,460	-

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Notes to the Financial Statements (Continued)
Year ended December 31, 2022
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19. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Profile

At year-end, the interest rate profile of the Company's interest-earning financial instruments, are as follows:

	2022 $	2021 $
Fixed interest rates		
Financial assets		
Corporate bonds	1,117,439,601	1,404,216,399
Municipal bonds	205,850,109	266,435,706
Structured notes	99,403,843	234,713,995
Sovereign bond	182,057,656	209,634,830
	1,604,751,209	2,115,000,930
Financial liability		
Margin loans payable	(234,802,704)	(410,088,685)
	1,369,948,505	1,704,912,245
Variable interest rates		
Financial liability		
Margin loans payable	(225,396,645)	(227,897,511)

Sensitivity analysis

The following table indicates the sensitivity to interest rate movements at the reporting date, in terms of the effect on the Company's profit and stockholders' equity of a reasonably probable change in interest rates at the reporting date. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

	2022		2021	
	Effect on profit $	Effect on equity $	Effect on profit $	Effect on equity $
Change in basis points:				
-50bps (2021: -100bps)	3,059,882	40,487,667	5,915,539	59,788,785
+100bps (2021: +100bps)	(7,783,042)	(74,381,493)	(5,895,358)	(56,648,326)

STERLING INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
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19. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on transactions that it undertakes, or balances denominated, in foreign currencies.

The main foreign currencies giving rise to this risk is the United States dollar (US$). The Company ensures that the risk is kept to an acceptable level by monitoring its foreign currency exposure and, when necessary, adjusting its foreign currency positions in response to fluctuations in exchange rates.

At the reporting date, exposure to foreign currency risk was as follows:

	2022 US$	2021 US$
Assets:		
Cash and cash equivalents	3,837	6,208
Accounts receivable	251,883	232,746
Investment securities	10,275,948	13,293,530
	10,531,668	13,532,484
Liabilities:		
Margin loans payable	3,047,476	4,141,961
Other payables	59,803	54,168
	3,107,279	4,196,129
Net foreign currency assets	7,424,389	9,336,355

The foreign exchange rates as at the reporting date was as follows: US$1: J$151.01 (2021: US$1: J$154.03).

Sensitivity to foreign exchange rate movements

This sensitivity is computed by simulating the effect on profit and equity of a different but reasonably probable rate at the reporting date.

A weakening or strengthening of the Jamaica dollar against the United States dollar at the reporting date would, respectively, increase or decrease profit by the amounts shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	2022		
	% Change in Currency rate	Effect on profit $	Effect on equity $
Currency:			
USD	1% Revaluation	(12,087,432)	(12,087,432)
USD	6% Devaluation	48,349,729	48,349,729

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Notes to the Financial Statements (Continued)
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19. Financial risk management (continued)

(c) Market risk (continued)

(ii) Foreign currency risk (continued)

Sensitivity to foreign exchange rate movements (continued)

	2021		
	% Change in Currency rate	Effect on profit $	Effect on equity $
Currency:			
USD	2% Revaluation	(28,761,575)	(28,761,575)
USD	8% Devaluation	86,284,726	86,284,726

There has been no change in the Company's exposure to market risk or the manner in which it measures and manages risk.

(iii) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is exposed to equity price risk arising from its equity securities held by the company as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns while managing risk.

The company's exposure to equity price risk is represented by the total carrying value of equity investments in the statement of financial position of $4,588,251 (2021: $24,650,000), excluding unquoted preference shares.

Sensitivity to equity price movements

A 6% (2021: 5%) increase in stock prices at December 31, 2022, would have increased profit by $275,295 (2021: $1,233,000). A 6% (2021: 5%) decrease in stock prices at December 31, 2022, would have decreased profit by $275,295 (2021: $1,233,000).

20. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

The Company's accounting policies and disclosures require the measurement of fair values for certain financial assets and liabilities.

(Expressed in Jamaican Dollars)

20. Fair value of financial instruments (continued)

The techniques used to estimate fair values, together with the input used, are described below. The use of assumptions and estimates means that the estimates arrived at may vary from the actual price of the instrument in an arm's length transaction.

Basis of valuation

	Financial instrument	Method of estimating fair value
(i)	Municipal, corporate, sovereign bonds, structured notes	Estimated using bid-prices published by major overseas brokers/dealers or reputable pricing services such as Bloomberg.
(ii)	Unquoted ordinary shares	Discounted cash flows using an appropriate risk-adjusted discount rate.

The fair values of financial assets and financial liabilities, together with the carrying amounts and their classifications shown in the statement of financial position, are as follows:

	2022						
	Carrying amount			Fair value			
	Fair value through other comprehensive income $	Fair value through profit or loss $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value							
Corporate bonds	1,117,439,601	-	1,117,439,601	-	1,117,439,601	-	1,117,439,601
Municipal bonds	205,850,109	-	205,850,109	-	205,850,109	-	205,850,109
Sovereign bond	182,057,656	-	182,057,656	-	182,057,656	-	182,057,656
Quoted ordinary shares	-	4,588,251	4,588,251	4,588,251	-	-	4,588,251
Structured notes	-	99,403,843	99,403,843	-	99,403,843	-	99,403,843
Unquoted ordinary shares	98,691,679	-	98,691,679	-	-	98,691,679	98,691,679
	1,604,039,045	103,992,094	1,708,031,139	4,588,251	1,604,751,209	98,691,679	1,708,031,139

	2021						
	Carrying amount			Fair value			
	Fair value through other comprehensive income $	Fair value through profit or loss $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value							
Corporate bonds	1,404,216,399	-	1,404,216,399	-	1,404,216,399	-	1,404,216,399
Municipal bonds	266,435,704	-	266,435,704	-	266,435,704	-	266,435,704
Sovereign bond	209,634,830	-	209,634,830	-	209,634,830	-	209,634,830
Quoted ordinary shares	-	24,650,097	24,650,097	24,650,097	-	-	24,650,097
Structured notes	-	234,713,995	234,713,995	-	234,713,995	-	234,713,995
Unquoted ordinary shares	100,665,382	-	100,665,382	-	-	100,665,382	100,665,382
	1,980,952,315	259,364,092	2,240,316,407	24,650,097	2,115,000,928	100,665,382	2,240,316,407

Unobservable inputs used in measuring fair value of unquoted ordinary shares are disclosed in note 6(iv).

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(Expressed in Jamaican Dollars)

20. Fair value of financial instruments (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Unquoted ordinary shares	
	2022	2021
	$	$
Balance at 1 January	100,665,382	92,613,720
Change in fair value recognised in other comprehensive income	(1,973,703)	8,051,662
Balance at 31 December	98,691,679	100,665,382

The Company has not disclosed the fair values of financial instruments such as cash and cash equivalents, accounts receivable, margin loans payable, other payables and due to related company because their carrying amounts are a reasonable approximation of fair values as they will mature within 12 months. There is no immediate intention to settle preference shares; there is no available price for this or similar instruments.

No items were transferred from one level to another.

21. Reclassifications

During the year, certain items in the statement of cash flows that were classified as investing activities have been reclassified to operating activities, in accordance with IFRS and the operations of the Company. The impact of the reclassifications on the prior year statement of cash flows was as follows:

The following items were reclassified from investing activities to operating activities:

	$
Proceeds from sale of investment securities	733,105,635
To gross up net gain on sale of debt investment securities at FVOCI	37,688,252
	770,793,887
Acquisition of investment securities	(1,099,755,749)
Presented as a line item in the statement of cash flows- net gain on sale of debt investment securities at FVOCI	(37,688,252)
Impact on net cash used in operating activities	(366,650,114)

These presentation in the statement of cash flows is as follows:

	As previously presented	Reclassification	Current presentation
	$	$	$
Net cash provided by operating activities	336,205,523	(366,650,114)	(30,444,591)
Cash flows from investing activities:			
Acquisition of investment securities	(1,099,755,749)	1,099,755,749	-
Proceeds from sale of investment securities	733,105,635	(733,105,635)	-
Net cash used by investing activities	(366,650,114)	366,650,114	-