2. Accounting Policies, continued

(o) Taxation

A subsidiary is subject to income taxes in both Barbados and St. Lucia. Significant estimates are required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable income will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income, together with future tax planning strategies.

(p) Expected credit losses and impairment

Non derivative financial assets

As at April 1, 2018 and thereafter, the Group recognizes a forward looking expected credit loss model on its financial assets measured at amortized cost and loan commitments issued. At each reporting date, the Group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses, if the credit risk on the financial asset has increased significantly since initial recognition (Stage 2) or if there is objective evidence of impairment (Stage 3). If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for the financial asset an amount equal to twelve month expected credit losses (Stage 1).

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability weighted basis.

The ECL allowance associated with financial assets measured at amortized cost are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the assets.
For loan commitments, generally a provision is recognized. In the event the financial instruments includes both a drawn and undrawn component, and the Group cannot identify the ECL on the loan commitment separately from the drawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

No impairment loss is recognized on equity investments.