

**First Citizens Brokerage and Advisory Services Limited
(A Subsidiary of First Citizens Investment Services Limited)**

Financial Statements

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

First Citizens Brokerage and Advisory Services Limited

| Contents | Page |
|--|-------------|
| Statement of Management's Responsibilities | 1 |
| Independent Auditor's Report | 2 - 3 |
| Statement of Financial Position | 4 |
| Statement of Income | 5 |
| Statement of Comprehensive Income | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 - 54 |

First Citizens Brokerage and Advisory Services Limited

Statement of Management's Responsibilities

Management is responsible for the following:


- Preparing and fairly presenting the accompanying financial statements of First Citizens Brokerage and Advisory Services Limited which comprise the statement of financial position as at 30 September 2018 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


General Manager
13 December 2018


Head - Finance
13 December 2018



Independent Auditor's Report

To the shareholders of
First Citizens Brokerage and Advisory Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of First Citizens Brokerage and Advisory Services Limited (the Company) as at 30 September 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 September 2018;
- the statement of income for the year ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

14 December 2018
Port of Spain
Trinidad, West Indies

First Citizens Brokerage and Advisory Services Limited

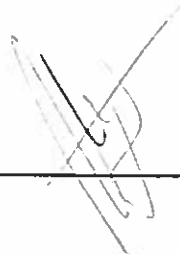
Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

| | Notes | As at 30 September | |
|-------------------------------------|-------|-----------------------|-------------------|
| | | 2018 \$ | 2017 \$ |
| Assets | | | |
| Cash and due from Other Banks | 5 | 40,188,761 | 17,235,905 |
| Financial assets | | | |
| -Fair value through Other | | | |
| Comprehensive Income | 6 | 2,375,808 | 2,639,394 |
| - Fair value through profit or loss | 7 | 148,893 | 655,195 |
| Other debtors and prepayments | 8 | 511,404 | 5,219,341 |
| Intangible assets | 9 | 848,571 | 848,571 |
| Property, plant and equipment | 10 | 316,514 | 35,003 |
| Total assets | | 44,389,951 | 26,633,409 |
| Liabilities | | | |
| Payables and other liabilities | 11 | 13,377,855 | 7,934,206 |
| Deferred tax | 12 | 457,390 | 511,889 |
| | | 13,835,245 | 8,446,095 |
| Shareholders' equity | | | |
| Share capital | 13 | 5,000,000 | 5,000,000 |
| Retained earnings | | 24,041,733 | 11,501,318 |
| Fair value reserve | 14 | 1,512,973 | 1,685,996 |
| Total shareholders' equity | | 30,554,706 | 18,187,314 |
| Total equity and liabilities | | 44,389,951 | 26,633,409 |

The notes on pages 9 to 54 are an integral part of these financial statements.

On 13 December 2018, the Board of Directors of First Citizens Brokerage and Advisory Services Limited authorised these financial statements for issue.



Director



Director

First Citizens Brokerage and Advisory Services Limited

Statement of Income

(Expressed in Trinidad and Tobago Dollars)

| | | Year ended 30 September | |
|--|-------|----------------------------|--------------------|
| | Notes | 2018 \$ | 2017 \$ |
| Brokerage fee and commission income | | 2,466,787 | 2,509,792 |
| Brokerage fee and commission expense | 15 | <u>(117,043)</u> | <u>(101,349)</u> |
| Net brokerage fee and commission income | | 2,349,744 | 2,408,443 |
| Dividend income | | 112,550 | 223,602 |
| Gains from financial assets | 16 | 330,984 | 66,202 |
| Investment management fees | | 600,000 | 600,000 |
| Other income | 17 | <u>30,099,473</u> | <u>8,833,039</u> |
| Total income | | 33,492,751 | 12,131,286 |
| Operating expenses | 18 | <u>(15,562,535)</u> | <u>(2,196,744)</u> |
| Profit before taxation | | 17,930,216 | 9,934,542 |
| Taxation | 19 | <u>(5,389,801)</u> | <u>(2,915,435)</u> |
| Profit after taxation | | <u>12,540,415</u> | <u>7,019,107</u> |

The notes on pages 9 to 54 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

| | | Year ended 30 September | |
|---|------|----------------------------|------------------|
| | Note | 2018 \$ | 2017 \$ |
| Profit for the year | | 12,540,415 | 7,019,107 |
| Effect of change in effective tax rate (from 25% to 30%) | 14 | — | (147,485) |
| Change in fair value of other comprehensive income, net of tax | 14 | (163,834) | 284,884 |
| Net loss on financial assets measured at FVOCI | | (9,189) | -- |
| Other comprehensive income for the year, net of tax | | <u>(173,023)</u> | <u>137,399</u> |
| Total comprehensive income for the year | | <u>12,367,392</u> | <u>7,156,506</u> |

The notes on pages 9 to 54 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

| | Share capital \$ | Retained earnings \$ | Fair value reserve \$ | Total shareholders' equity \$ |
|---|------------------------|----------------------------|-----------------------------|--|
| Balance as at 1 October 2017 | 5,000,000 | 11,501,318 | 1,685,996 | 18,187,314 |
| Change on initial application of IFRS 9 | -- | -- | (9,189) | (9,189) |
| Restated balance as at 1 October 2017 | 5,000,000 | 11,501,318 | 1,676,807 | 18,178,125 |
| Profit for the year | -- | 12,540,415 | -- | 12,540,415 |
| <i>Other comprehensive income:</i> | | | | |
| Change in fair value of Other Comprehensive Income | -- | -- | (163,834) | (163,834) |
| Total comprehensive income for the year | -- | 12,540,415 | (163,834) | 12,376,561 |
| Balance as at 30 September 2018 | 5,000,000 | 24,041,733 | 1,512,973 | 30,554,706 |
| Balance as at 1 October 2016 | 5,000,000 | 4,482,211 | 1,548,597 | 11,030,808 |
| Profit for the year | -- | 7,019,107 | -- | 7,019,107 |
| <i>Other comprehensive income:</i> | | | | |
| Change in fair value of Other Comprehensive Income | -- | -- | 137,399 | 137,399 |
| Total comprehensive income for the year | -- | 7,019,107 | 137,399 | 7,156,506 |
| Balance as at 30 September 2017 | 5,000,000 | 11,501,318 | 1,685,996 | 18,187,314 |

The notes on pages 9 to 54 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

| | Year ended 30 September | |
|---|----------------------------|--------------------|
| | 2018 \$ | 2017 \$ |
| Cash flows from operating activities | | |
| Profit before taxation | 17,930,216 | 9,934,542 |
| Adjustments to reconcile profit to net cash from operating activities: | | |
| Depreciation | 63,123 | 47,840 |
| Fair value loss/(gain) on financial assets | 26,668 | (67,951) |
| (Gain)/loss on disposal of financial assets | (357,652) | 1,749 |
| Income taxes paid | (5,398,366) | (2,484,957) |
| Cash flows from operating profits before changes in operating assets and liabilities | 12,263,989 | 7,431,223 |
| Net change in other debtors and prepayments | 4,707,936 | (3,009,316) |
| Net change in payables and other liabilities | 5,471,868 | (8,145,105) |
| Net cash (outflow)/inflow from operating activities | 22,443,793 | (3,723,198) |
| Cash flows from investing activities | | |
| Purchase of financial assets | -- | (496,000) |
| Sale proceeds of financial assets | 853,697 | 1,625 |
| Purchase of property and equipment | (344,634) | (5,895) |
| Net change in short term investments | (1,714,829) | (46,584) |
| Net cash (outflow)/inflow from investing activities | (1,205,766) | (546,854) |
| Cash flows from financing activities | | |
| Ordinary dividends paid | -- | (2,000,000) |
| Net cash outflow from financing activities | -- | (2,000,000) |
| Net increase in cash and cash equivalent | 21,238,027 | (6,270,052) |
| Cash and cash equivalents at beginning of year | 13,520,163 | 19,790,214 |
| Cash and cash equivalents at end of year | 34,758,190 | 13,520,162 |
| Represented by: | | |
| Cash at bank | 34,060,385 | 12,830,960 |
| Short term deposits | 697,805 | 689,203 |
| Cash and cash equivalents | 34,758,190 | 13,520,163 |

The notes on pages 9 to 54 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

1 General information

First Citizens Brokerage and Advisory Services Limited is incorporated in the Republic of Trinidad and Tobago and its principal business includes dealing in securities on the Trinidad and Tobago Stock Exchange and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

Effective 1 October 2011, First Citizens Investment Services Limited (FCIS) assumed control of the Company. The ultimate parent company is First Citizens Holdings Limited, a company with a 77.2% controlling interest and is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The Company's registered office is 17 Wainwright Street, St. Clair, Port of Spain.

2 Summary of significant accounting policies

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

a. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, fair value through profit and loss and fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(i) Standards, amendment and interpretations which are effective and have been adopted by the Company in the current period

- IAS 7 - Disclosure Initiative (Amendments effective 1 January 2017.) Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- IAS 12 Income taxes (Amendment effective 1 January 2017). Recognition of Deferred Tax Assets for Unrealised Losses –This amendments is to clarify the following aspects:
- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or use.
- The carrying amount of the asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(ii) Standards, amendment and interpretations which are effective and have been adopted by the Company in the current period (continued)

- An entity assesses a deferred tax assets in combination with other deferred assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax assets in combination with other deferred tax assets of the same type.
- IFRS 9, 'Financial instruments part 1: Classification and measurement' (effective 1 January 2018). IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The completed standard was issued in July 2014, with an effective date of 1 January 2018. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The additional amendments in July 2014 introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project and the Standard.

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2017 and have not been early adopted by the Company:

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
 - Identify the contract with the customer
 - Identify the performance obligations in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contracts
 - Recognise revenue when (or as) the entity satisfies a performance obligation.
- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments effective 1 January 2018). This amendments is to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
- IFRIC 22 - Foreign currency transactions and advances consideration (Effective 1 January 2018). This IFRIC addresses foreign currency transactions or part of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provide guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2018). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities' examinations
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - The effect of changes in facts and circumstances

The Company is in the process of assessing the impact of the new and revised standards not yet effective on the Financial Statements.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

b. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was

TT\$6.6926 = US\$1.00 (2017: TT\$6.6926 = US\$1.00), which represent the Company's mid-rate.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in the amortised cost are recognised in the profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are included in other comprehensive income.

c. Derivative financial instruments

Derivative financial instruments including swaps are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when negative.

The carrying values of the interest rate swap, which will vary in response to changes in market conditions, are recorded as assets or liabilities with the corresponding resultant charge or credit in the income statement.

d. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents comprise of cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased net of balances "due to other banks".

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. *Financial assets and financial liabilities*

(i) *Financial assets*

The Group has early adopted IFRS 9 and classifies its financial assets in the following measurement categories:

- Hold for trading
- Hold to collect and sell or
- Hold to collect

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.a. Interest income from these financial assets – cash and due from other banks are included in "Interest income" using the effective interest rate method.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represents solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognized in "Net Investment Income". Financial assets in this category include unlisted equity instruments that are held for investment.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the "income statement within "Gains on investments securities" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented in Investment Interest Income. Financial assets in this category include listed equity instruments that are held for investment.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Group's business model

The business model reflects how the Group manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Group's objective is solely to collect the contractual cash flows from the assets or it to collect both the contractual cash flows and cash flows arising from the sale of the assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel.
- Managements identification of and response to various risks, which includes but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- How managers are compensated for e.g. if compensation is based on fair value of assets managed or contractual cash flows collected

Arising out of the assessment the portfolios were deemed to have the business models identified as follows:

| Hold to Collect | Hold to Collect & Sell | Hold for Trading |
|---|--|--------------------|
| Bonds Issued by or guaranteed by Government of Trinidad & Tobago (GOTT) | Eurobonds | Equity Investments |
| Non-Eurobonds maturing in greater than 3 years on acquisition | Treasury Bills | |
| Loans & receivables | CLICO Bonds | |
| Securities sold under repurchase agreements to clients and brokers | Non-Eurobonds maturing in less than 3 years on acquisition | |
| Long Term Borrowings from brokers in the form of Total Return Swaps | Cash | |
| Medium Term Notes | Fixed NAV Funds** - instruments with duration > 3 years on acquisition | |
| Fixed NAV Funds** - instruments with duration <= 3 years on acquisition | | |

*Floating NAV Funds - Income & Growth Fund & EL Tucuche Fund

**Fixed NAV Funds - The Abercrombie TTD Monthly Fixed Income Fund & The Paria USD Monthly Fixed Income Fund

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
- Note 3.a.iii provides more detail of how the expected credit loss allowance is measured.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Equity instruments (continued)

Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Gain and losses on equity investments classified as FVPL are included in the Income Statement.

(ii) Financial liabilities

(a) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments (see note).

(b) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. *Financial assets and financial liabilities (continued)*

(ii) *Financial liabilities (continued)*

(b) *Derecognition (continued)*

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

f. *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

g. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

h. *Lease transactions*

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases. Leases in which a significant portion of the risks and methods of ownership are retained by another party, the lessor, are classified as operating leases. Leases of assets where the Company has substantially all the risk and rewards of ownership are classified as finance leases.

(i) *The Company as the lessee*

The Company has entered into operating leases where the total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the period has expired, any penalty payment made to the lessor is recognised as an expense in the period in which termination takes place.

When assets are held subject to a finance lease, an asset and liability is recognised in the statement of financial position at amounts equal at inception to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability so as to achieve a constant rate on the finance balance outstanding.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

h. Lease transactions (continued)

(i) The Company as the lessee (continued)

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ii) The Company as the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return on the remaining balance of the asset for each period.

i. Other debtors and prepayments

Other debtors and prepayments consist of amounts due from brokers, clients, staff advances and related parties. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

j. Property, plant and equipment

Freehold premises are shown at fair value based on assessments performed by management or by independent valuers every three years, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment are stated at historical cost less depreciation. The valuation of freehold premises is reviewed annually to ensure it approximately equates to fair value. The valuations of freehold premises are re-assessed when circumstances indicate there may be a material change in value.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

j. *Property, plant and equipment (continued)*

Increases in the carrying amount arising on revaluation of freehold premises are credited to fair value reserves in shareholders' equity. Decreases that affect previous increases of the same assets are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Leasehold improvements and equipment are recorded at cost less accumulated depreciation.

Depreciation and amortisation are computed on all assets except land.

The provision for depreciation and amortisation is computed using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---------------------------------------|--------------------------------------|
| Equipment and furniture | 4-5 years |
| Computer equipment and motor vehicles | 3-5 years |
| Leasehold improvements | Amortised over the life of the lease |

The assets' useful lives are reviewed and adjusted if appropriate at each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the assets fair value less cost to sell and value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised within the income statement. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

k. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Company chooses to use the cost model for the measurement after recognition.

Intangible assets with indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

k. Intangible assets (continued)

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Other intangible assets

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributes to the assets with flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flow.

(iii) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets when the following criteria are met:

- It is technically feasible to complete the software and use it.
- Management intends to complete the software and use it.
- There an ability to use the software.
- Adequate technical, financial and other resources to complete the development and to use it.
- The expenditure attributable to the software during its development can be reliably measured.

The software development costs are amortised using the straight-line method over their useful lives but not exceeding a period of three (3) years.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

l. *Borrowings*

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between proceeds net of transactions costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

m. *Employee benefits*

(i) *Pension Plan - First Citizens Group defined benefit pension plan*

The FCB Group operates a defined benefit plan, which is a pension plan that defines an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. This pension plan is funded by payments from employees and by the Company, taking account of the recommendations of independent qualified actuaries.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in Group's statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated based on cash outflows allocated to current or prior periods using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

(ii) *Profit sharing and bonus plans*

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the Group's profit before taxation. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee stock option plan*

The Group operates a cash-settled based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the income statement. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

n. *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

n. *Provisions (continued)*

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

o. *Payables and other liabilities*

Payables and other liabilities represent short term obligations to brokers, clients, business related expenses and related parties. These are short term in nature and settlement is expected within one year. Payables and other liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised costs

p. *Income taxes*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

q. *Fee and commission income*

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the acquisition or sale of shares or other securities are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportionate basis.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

q. *Fee and commission income (continued)*

Asset management fees related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

r. *Investment management fees*

From October 2011, management fees related to the provision of portfolio and other management advisory services are recognised monthly based on a fixed Service Level Agreement between the Company and its parent which is reviewed annually. This agreement covers the provision of the advisory services.

s. *Interest income and expense*

Interest income and interest expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments and deposits.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

t. *Dividend income*

Dividends are recognised in the statement of income when the Company's right to receive payment is established.

u. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Board of Directors. Dividends for the year, which are declared after the year-end, are disclosed in the subsequent events note when applicable.

v. *Fiduciary activities*

The Company acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

w. Change in accounting policies

The Company has adopted IFRS 9 as issued by the IASB in July 2014, with a date of transition of 1 October 2017, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transitions were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeats those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 "Financial Instruments: Disclosure".

The impact of the adoption of IFRS 9 on the Company is as follows:-

(i) Classification and measurement of financial instruments

| | IAS 39 | Carrying amount | IFRS 9 | Carrying amount |
|-----------------------------------|----------------|-----------------|----------------|-----------------|
| | Measurement | \$ | Measurement | \$ |
| Financial assets | | | | |
| Cash and due from banks | Amortised Cost | 17,235,905 | Amortised Cost | 17,235,905 |
| Available for Sale - equity | FVOCI | 2,639,394 | FVPL | 2,609,856 |
| Fair value through profit or loss | FVPL | 655,195 | FVPL | 684,733 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

w. Change in accounting policies (continued)

(ii) Reconciliation of statement of financial position from IAS 39 to IFRS 9

The Group performed a detail analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amount of the financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 October 2017:-

| | IAS 39 carrying amount 30 September 2017 | Reclassifications | Remeasurements | IFRS 9 Carrying amount 1 October 2017 |
|--|--|-------------------|----------------|--|
| Financial assets | | | | |
| Amortised cost | | | | |
| Cash and due from banks:- | | | | |
| Opening balance | 17,235,905 | -- | -- | 17,235,905 |
| Remeasurement | -- | -- | -- | -- |
| Closing balance | 17,235,905 | -- | -- | 17,235,905 |
| Financial assets | | | | |
| Fair value through Other Comprehensive Income | | | | |
| Available for Sale – Equity | | | | |
| Opening balance | 2,639,394 | (29,538) | -- | 2,609,856 |
| Remeasurement | -- | -- | -- | -- |
| Closing balance | 2,639,394 | (29,538) | - | 2,609,856 |
| Fair value through profit or loss | | | | |
| Opening balance | 655,195 | 29,538 | -- | 684,733 |
| Remeasurement | -- | -- | -- | -- |
| Closing balance | 655,195 | 29,538 | -- | 684,733 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

w. Change in accounting policies (continued)

The following table analyses the impact, net of tax, of transition to IFRS 9 on reverses and retained earnings. The impact relates to the fair value reserve and retained earnings. There is no impact on other component of equity.

| | \$ |
|--|-------------------|
| <i>Fair value reserve</i> | |
| Closing balance under IAS 39 as at 30 September 2017 | 1,685,996 |
| Reclassification of investment securities (debt) from AFS to amortised cost | -- |
| Reclassification of investment securities (debt & equity) from AFS to FVTPL | (9,189) |
| Reclassification of investment securities (equity) from AFS to FVOCI | -- |
| Recognition of expected credit losses under IFRS 9 for debt financial assets at FOCVI | -- |
| | <hr/> |
| Opening balance under IFRS 9 (1 October 2017) | <u>1,676,807</u> |
| <i>Retained earnings</i> | |
| Closing balance under IAS 39 as at 30 September 2017 | 11,501,318 |
| Reclassification under IFRS 9 | 9,189 |
| Recognition of expected credit losses under IFRS 9 (including loan commitments and financial guarantee contracts) | -- |
| | <hr/> |
| Opening balance under IFRS 9 (1 October 2017) | <u>11,510,507</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management framework

The Board of Directors of First Citizens Bank Limited (the Group) has overall responsibility for the establishment and oversight of the Group's risk management framework. To assist the Board of Directors in fulfilling its duties, two Board sub-committees were established at the First Citizens Group level to monitor and report to the Board of Directors on the overall risks within the First Citizens Group - the Board Enterprise Risk Management Committee and the Board Credit Committee, and one management level committee - Asset Liability Committee.

The Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer, reports to both sub-committees of the Board. They are responsible for the management, measurement, monitoring and control of operational, market and credit risk for the Group through the Group Operational Risk & Controls Unit, Group Credit Risk and Administration Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Committee to allow monitoring of the adherence to risk limits and the impact of developments in the aforementioned risk areas on strategy and how strategy should be varied in light of the developments.

The Asset Liability Committee (ALCO) was established to manage and monitor the policies and procedures that address financial risks associated with changing interest rates, foreign exchange rates and other factors that can affect the Group's liquidity. The ALCO seeks to limit risk to acceptable levels by monitoring and anticipating possible pricing differences between assets and liabilities across the Bank and the Group's various companies via the Group's Treasury and International Trade Centre. The Group Treasury and International Trade Centre's primary role and responsibility is to actively manage the Group's liquidity and market risks. The ALCO is also supported in some specific areas of activity by the Bank's Market Risk Committee.

As part of its mandate, the Board establishes written principles for overall risk management, as well as ensuring that policies are in place covering specific areas of risk, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Group Internal Audit Department is responsible for the independent review of risk management and the control environment, and reports its findings and recommendation to the Board Audit Committee.

The Board of Directors of the FCIS Group has overall responsibility for the establishment and oversight of the FCIS Group's risk management framework. The Board of FCIS has also established a Risk Management Committee (RMC) which oversees the risk management function of the FCIS Group.

The most important types of risk are credit risk, market risk, liquidity risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk

Credit risk is the risk that a counter party will cause a financial loss for the Company by failing to discharge an obligation. The Company generally does not provide advances to customers nor does it invest in debt securities. As a result, its exposure to credit risk is limited to other registered brokers and client accounts that are substantively supported by underlying securities. At 30 September 2018, the Company had no financial assets which were either impaired or past due.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on-statement of financial position assets are as follows:

| | 2018 \$ | 2017 \$ |
|-------------------------------|-------------------|-------------------|
| Cash and due from other banks | 40,188,761 | 17,235,905 |
| Other debtors | <u>503,753</u> | <u>5,174,751</u> |
| | <u>40,692,514</u> | <u>22,410,656</u> |

There were no credit risk exposures relating to off-statement of financial position items.

(i) Credit risk management

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Committee (SMERC), the Group Chief Risk Officer (GCRO), the Group Credit Risk Management Unit and the Internal Audit Department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management. The SMERC together with the GCRO monitors the effectiveness of credit policies and procedures and may direct changes to strategies to improve the effectiveness of policies. The major focus of the Credit Risk Management Unit is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the Group's written Credit Policy Manual. This document sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Major areas of focus are General Credit Policy Guidelines, Exercise of Lending Authority, Credit Review Process, Credit Risk Rating and Classification System, among others.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(ii) Credit risk measurement (continued)

(a) Other assets

The Company exposure to credit risk is the outstanding amounts due from clients and brokerage company which are settled within three working days following month end.

(iii) Expected credit loss measurement

IFRS9 outlines a 'three stage' mode; for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

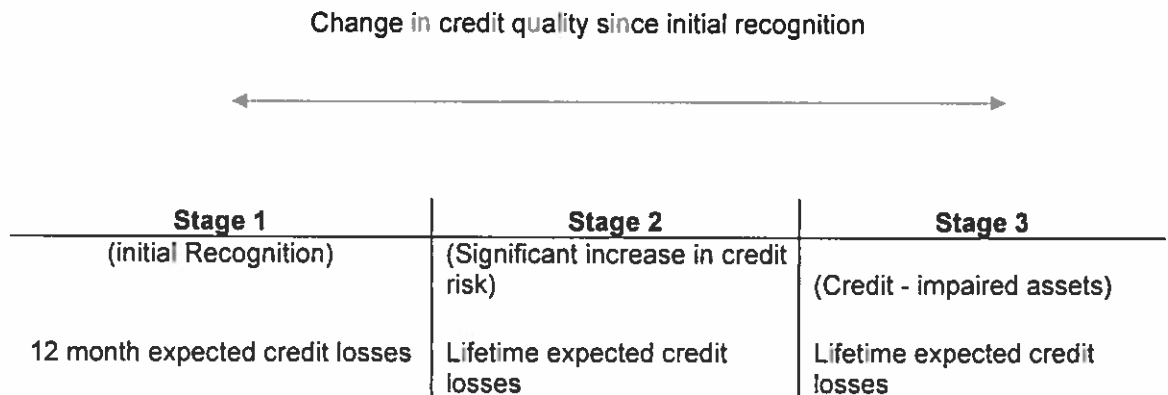
(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(iii) Expected credit loss measurement (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



Investments

| Criteria | Investment Grade Portfolio | Single "B" Speculative Grade Portfolio |
|------------------------------|--|---|
| Absolute Measure | PD- 12.5% or lower | PD -25% or lower |
| AND | AND | AND |
| Relative Measure | Credit rating reverts to level just prior being deemed an having an SICR | One notch downgrade (internal rating scale) |
| OR | OR | OR |
| Special Consideration | No credit stop loss breaches | No credit stop loss breaches |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(iv) Definition of default and credit-impaired assets

The FCB Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified Doubtful or worse as per the Group's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer (investments only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD), throughout the Group's expected loss calculations.

An investment instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

(v) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Investments

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Research & Analytics team on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(v) Forward-looking information incorporated in the ECL models (continued)

Investments (continued)

In addition to the base case scenario the Research & Analytics team also provided other possible scenarios along with scenario weightings. The number of other scenarios used was set with the only exception being the addition of a fourth scenario if the base and current differed. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

(vi) Risk limit control and mitigation policy

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, industry and country segments. The Group monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Group. These limits are implemented and monitored by the Credit Risk Management Unit via the stipulations of the Group Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Group would seek approval on an exception basis for variation to its standard approved limits from the Board of Directors.

(a) Industry exposure limits

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed for the Group for this purpose. The model utilises a scale incorporating scores of 1 to 8 with 1 being the least risky. These have been consolidated into four (4) bands of exposure limits which have been set in relation to the total credit portfolio with a relatively smaller limit being assigned to the more risky industries.

(b) Country exposure limits

Exposure limits have been established for selected countries which are considered to be within the Group's off-shore target market. Five risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Group's own internal assessment of the economic and political stability of the target. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

(c) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group's policies regarding obtaining collateral have not changed significantly during the period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3. Financial risk management (continued)

a. Credit risk (continued)

(vii) Maximum exposure to credit risk before collateral held or other credit enhancement

Credit risk exposures relating to on-balance sheet assets are as follows:

| | Gross maximum exposure 2018 \$'000 | Gross maximum exposure 2017 \$'000 |
|---|--|--|
| Cash and due from other Banks | 40,188,761 | 17,235,905 |
| Financial assets | | |
| - Fair value through Other Comprehensive Income | 2,375,808 | 2,639,394 |
| - Fair value through profit or loss | 148,893 | 655,195 |
| Other assets | 503,753 | 5,174,751 |
| | <u>43,217,215</u> | <u>25,705,245</u> |

The above table represents a worst case scenario of credit risk exposure to the Company as at 30 September 2018 and 30 September 2017, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-statement of financial position items.

As shown above, of the total maximum exposure is derived from cash and due from other banks and receivables is 94% (September 2017: 87%); while represents 6% investments (September: 13%).

Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2018 was \$0 (2017: 0). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(viii) Concentration of risks of financial assets with credit risk exposure – Geographical sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2018. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties. The Company's investment portfolio comprising cash and cash equivalents, financial assets – Fair value through Other Comprehensive Income, Fair value through Profit and Loss and Other Assets and Receivables domiciled within the Caribbean. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into one regional sector and the sector concentration within the portfolio is as follows:

| | Caribbean \$'000 | Total \$'000 |
|--------------------------------|---------------------|-------------------|
| At 30 September 2018 | | |
| Cash and due from other banks | 40,188,761 | 40,188,761 |
| Other assets and receivables | 503,753 | 503,753 |
| As at 30 September 2018 | <u>40,692,514</u> | <u>40,692,514</u> |
| | | |
| | Caribbean \$'000 | Total \$'000 |
| At 30 September 2017 | | |
| Cash and due from other banks | 17,235,905 | 17,235,905 |
| Other assets and receivables | 5,174,751 | 5,174,751 |
| As at 30 September 2017 | <u>22,410,656</u> | <u>22,410,656</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. *Market risk*

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in equity products which are exposed to general and specific market movements and changes in the level of volatility of equity prices. The Company separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk Unit who submit reports to the Senior Management Enterprise Risk Committee on a regular basis and also reports via the Enterprise Risk Unit to the Board Enterprise Risk Committee to enable Board oversight of market risk issues.

Additionally, on a monthly basis, the Bank's Market Risk Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Group ALCO. This Committee also provides for the consideration of the Group ALCO technical information that may be relevant to current and developing market conditions from time to time.

Additionally, on a monthly basis, the FCIS Group Risk Management Committee reviews and approves the prices all investment securities which are valued using valuation techniques. Trading portfolios include those portfolios arising from market-making transactions where the Group acts as a principal with clients or with the market. Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains. Non-trading portfolios primarily arise from the interest-rate management of the Group's retail and commercial banking assets and liabilities.

Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Group's financial assets available-for-sale.

As part of the management of market risk, the Company uses overall exposure in relation to capital as the basis for controlling market risk.

As at 30 September 2018, the total value of assets to which the Company faced market risk represented 50% of capital (30 September 2017: 66%).

(i) *Currency risk sensitivity*

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 30 September 2018, the Company had 8% cash and due from other banks (30 September 2017: 18.9%) and 0.23% liabilities (30 September 2017: 0.62%) denominated in a foreign currency.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(i) Currency risk sensitivity (continued)

Based on net foreign currency positions at 30 September 2018, the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

| | USD \$ | JMD \$ | BBD \$ |
|-----------------------------|-----------|-----------|-----------|
| At 30 September 2018 | | | |
| Loss | (79,703) | (3,100) | (48) |
| At 30 September 2017 | | | |
| Loss | (79,633) | (3,078) | -- |

The effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the US dollar would reduce Net income after tax by 1% (2017: 1%).

The sensitivity analysis for currency rate risk in the following table illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates at the end of the reporting period. For the sensitivity analysis, a 5% movement in USD to TTD exchange rates was used for 30 September 2018 and 30 September 2017.

| | Effects on shareholders' equity | | | |
|---------------------------------|---------------------------------|-----------|---------------------------------|-----------|
| | Year ended 30 September 2018 | | Year ended 30 September 2017 | |
| | + 5% | - 5% | + 5% | - 5% |
| | \$ | \$ | \$ | \$ |
| Effects on shareholders' equity | 163,391 | (163,391) | 163,310 | (163,310) |

(ii) Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Company not to engage in speculative foreign exchange activities, The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Company does not currently engage in any hedging activities to mitigate currency risk. The Company's strategy of managing this risk is to buy low and sell high; establish relationships with corporate foreign exchange earners; limit foreign exchange exposure; avoid speculation with an aim to keep a balanced position; and match foreign currency denominated assets with foreign currency denominated liabilities. The Company does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Company's exposure to foreign currency exchange rate risk at 30 September. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(ii) Foreign exchange risk (continued)

| At 30 September 2018 | TT \$ | US \$ | JMD \$ | BBD \$ | Total \$ |
|--|-------------------|------------------|----------------|----------------|-------------------|
| Assets | | | | | |
| Cash and due from other banks | 36,906,788 | 3,155,624 | 126,349 | -- | 40,188,761 |
| Financial assets | | | | | |
| - Fair value through Other | | | | | |
| Comprehensive Income | 2,375,808 | -- | -- | -- | 2,375,808 |
| - Fair value through profit or loss | 4,830 | 144,063 | -- | -- | 148,893 |
| other assets & receivables | 502,986 | -- | 767 | -- | 503,753 |
| Total | 39,790,412 | 3,299,687 | 127,116 | -- | 43,217,215 |
| Liabilities | | | | | |
| Other liabilities and accrued expenses | 13,347,957 | 31,873 | -- | (1,975) | 13,377,855 |
| Total liabilities | 13,347,957 | 31,873 | -- | (1,975) | 13,377,855 |
| Net on-balance sheet financial position | 26,442,455 | 3,267,814 | 127,116 | (1,975) | 29,839,360 |

| At 30 September 2017 | TT \$ | US \$ | JMD \$ | BBD \$ | Total \$ |
|--|-------------------|------------------|----------------|-----------|-------------------|
| Assets | | | | | |
| Cash and due from other banks | 13,971,690 | 3,138,782 | 125,433 | -- | 17,235,905 |
| Financial assets | | | | | |
| - Fair value through Other | | | | | |
| Comprehensive Income | 2,609,887 | 29,507 | -- | -- | 2,639,394 |
| - Fair value through profit or loss | 545,449 | 109,746 | -- | -- | 655,195 |
| other assets & receivables | 5,173,985 | -- | 766 | -- | 5,174,751 |
| Total | 22,301,011 | 3,278,035 | 126,199 | -- | 25,705,245 |
| Liabilities | | | | | |
| Other liabilities and accrued expenses | 7,921,107 | 13,099 | -- | -- | 7,934,206 |
| Total liabilities | 7,921,107 | 13,099 | -- | -- | 7,934,206 |
| Net on-balance sheet financial position | 14,379,904 | 3,264,936 | 126,199 | -- | 17,771,039 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(iii) Interest rate risk

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the repricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise. The Company's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. The strategy employed to achieve this involves the active pricing of diversifying portfolios in accordance with market trends and reducing funding mismatch through long-term instruments. The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| Interest rate maturities At 30 September 2018 | Up to 1 month \$ | 1 - 3 months \$ | 3 - 12 months \$ | 1 - 5 years \$ | Over 5 years \$ | Non- interest Bearing \$ | Total \$ |
|--|------------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------------------|-------------------|
| Assets | | | | | | | |
| Cash and due from other banks | 33,836,185 | -- | 6,128,376 | -- | -- | 224,200 | 40,188,761 |
| Total | 33,836,185 | -- | 6,128,376 | -- | -- | 224,200 | 40,188,761 |

| Interest rate maturities At 30 September 2017 | Up to 1 month \$ | 1 - 3 months \$ | 3 - 12 months \$ | 1 - 5 years \$ | Over 5 years \$ | Non- interest Bearing \$ | Total \$ |
|--|------------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------------------|-------------------|
| Assets | | | | | | | |
| Cash and due from other banks | 11,183,265 | -- | 6,052,640 | -- | -- | -- | 17,235,905 |
| Total | 11,183,265 | -- | 6,052,640 | -- | -- | -- | 17,235,905 |

If interest rates were to move by 1% the impact on net interest income will be \$769 (2017:\$781).

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

c. Price risk

Price risk arises due to the possibility that the fair value of 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 affected by changing prices of equity instruments mainly classified as available-for-sale securities with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as available-for-sale is immaterial at the end of both periods reported.

The sensitivity analysis for price risk below illustrates how changes in the fair value of the future cash flows of a financial instrument will fluctuate because of changes to prices at the end of the reporting period. Other than assets categorised as investment securities which are carried at fair value, the carrying value of all other financial assets and liabilities as presented on the statement of financial position is not significantly different from their fair value.

For the sensitivity analysis, a 10% movement in prices was used for 30 September 2018 and 30 September 2017: (10%).

| | Effects on profit before tax | | | |
|--|---------------------------------|-----------|---------------------------------|-----------|
| | Year ended 30 September 2018 | | Year ended 30 September 2017 | |
| | + 10% | - 10% | + 10% | - 10% |
| | \$ | \$ | \$ | \$ |
| Financial assets: | | | | |
| - Fair value through other Comprehensive income | 237,581 | (237,581) | 263,939 | (263,939) |
| - Fair value through profit or loss | 14,889 | (14,889) | 65,520 | (65,520) |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

d. *Liquidity risk*

The liquidity risk is the risk that the Company will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuation in cash flows. The undiscounted receivables and payables liquidity exposure is mitigated because these cash flows are generally settled within three to thirty days.

Liquidity risk management process

The Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset and Liability Committee (ALCO). The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-statement of financial position or off-statement of financial position liabilities. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised.

Compliance with liquidity policies and risk limits is tracked by Group Market Risk Unit and reported into the Senior Risk Management Committee via the Group Enterprise Risk Unit to the Board Enterprise Risk Committee.

The Company's financial liabilities are all payable within 1 month as at the statement of financial position date.

e. *Off-statement of financial position items*

(i) *Financial guarantees and other financial facilities*

As of 30 September 2018, the Company had no financial guarantees or other financial facilities that result in a commitment to meet financial obligations (2017: nil).

(ii) *Capital commitments*

The Company had no capital commitments as at 30 September 2018 (2017: nil).

(iii) *Operating lease commitments*

The Company had no operating lease commitments as at 30 September 2018 (2017: nil).

f. *Operational risk*

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. The Company manages this risk by developing standards and guidelines in the following areas:

- Appropriate segregation of duties and access.
- Reconciling and monitoring of transactions.
- Documentation of controls and procedures.
- Training and development of staff.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

f. Operational risk (continued)

- Reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Information security.
- Assessments of the processes.
- Business continuity planning

g. Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets presented on the statement of financial position at an amount other than their fair value.

| | Carrying value | | Fair value | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| <i>Financial assets</i> | | | | |
| Cash and due from other banks | 40,188,761 | 17,235,905 | 40,188,761 | 17,235,905 |
| Other debtors' | 503,753 | 5,174,751 | 503,753 | 5,174,751 |
| | <u>40,692,514</u> | <u>22,410,656</u> | <u>40,692,514</u> | <u>22,410,656</u> |
| <i>Financial liabilities</i> | | | | |
| Other liabilities | 13,377,855 | 7,934,206 | 13,377,855 | 7,934,206 |

The fair values of the Company's financial instruments are determined in accordance with International Accounting Standard (IFRS) 9 "Financial instruments: Recognition and Measurement".

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values.

Financial instruments where carrying value is approximately equal to fair value include cash and cash equivalent, financial assets (available-for-sale and fair value through profit or loss) and other debtors.

Cash and due from other banks

This amount represents short term deposits and other bank balances. The fair value of these short term deposits is approximately equal to their carrying amount.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

g. Fair value of financial assets and liabilities (continued)

(i) Financial instruments not measured at fair value (continued)

Receivables

Receivables are net of provisions for impairment. The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Amortised cost

Fair value for Amortised Cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the held-to-maturity portfolio is computed for disclosure purposes only. There are no observable prices for these instruments and as such they are considered level 3 instruments.

Bank overdraft

The fair values of bank overdraft is equal to its carrying value as such instruments are subject to floating rates of interest which reset on a daily, monthly or quarterly basis.

(ii) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

g. Fair value of financial assets and liabilities (continued)

(ii) Fair value hierarchy (continued)

The following table presents the Company's assets and liabilities that are measured at fair value at:

As at 30 September 2018

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|----------------|---------------|------------------|------------------|
| - Fair value through Other Comprehensive Income | -- | -- | 2,375,808 | 2,375,808 |
| - Fair value through profit and loss | 148,893 | -- | -- | 148,893 |
| Total | 148,893 | -- | 2,375,808 | 2,524,701 |

As at 30 September 2017

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|----------------|---------------|------------------|------------------|
| - Fair value through Other Comprehensive Income | 29,538 | -- | 2,609,856 | 2,639,394 |
| - Fair value through profit and loss | 655,195 | -- | -- | 655,195 |
| Total | 684,733 | -- | 2,609,856 | 3,294,589 |

h. Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators of the securities markets where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the requirements of the Trinidad and Tobago Securities and Exchange Commission (the Authority), for supervisory purposes. The required information is filed with the Authority on a regular basis as required.

The Authority requires each securities company to hold the minimum level of regulatory capital of five million Trinidad and Tobago dollars. During those two periods, the Company complied with all of the externally imposed capital requirements to which they are subject.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

a. *Financial assets at fair value through profit or loss*

This category comprises two sub-categories: financial assets held for trading and financial assets designated by the Group as fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading.

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regular occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. When a market becomes inactive, the valuation technique utilised makes use of the quoted price even though the market is not active.

b. *Fair value through other comprehensive income (FVOCI):*

The Group uses the discounted cash flow method to determine the fair value of Financial Assets through other comprehensive income not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable.

The Company's financial assets at Fair value through other comprehensive income represents equity shares held for Investments. The share price is determined using a projected dividend growth in the Dividend Discount Model (DDM), which values a share price based on its predicted future dividend payments and discounting them back to present value. The expected growth rate is calculated using a five year trend of return of equity by the payout ratio for the dividends received.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

c. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.v, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.a.vi.

d. *Income taxes*

Management judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

The Company is subject to income tax in variance jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change. The Corporation tax rate for Trinidad and Tobago was 30% in 2018 (2017:30%).

e. *Retirement benefits*

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate, salary and pension increases. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds, and where no deep corporate market exist, the Government bonds are used, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. In determining the salary increases, the Group considered long-term salary inflation, age, merit and promotion.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

f. *Fair valuation of properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Bank determines the amount within a range of reasonable fair value estimates. In making the judgement, the Bank considers information from a variety of sources including:

- (i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The valuations are based on current market conditions and thus may change in the future.

g. *Estimated impairment of goodwill*

The FCB Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2 k (ii). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. If the discounted rate used in the value-in-use calculation was increased by 100 basis points from management's estimates, the value in use calculation will still exceed the fair value less cost to sell calculation, and there will be no impairment of goodwill.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

5 Cash and due from Other Banks

| | 2018 | 2017 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash at bank | 34,060,385 | 12,830,960 |
| Short term deposit | 6,128,376 | 4,404,945 |
| | <u>40,188,761</u> | <u>17,235,905</u> |
| | 2018 | 2017 |
| | \$ | \$ |
| Short-term investments: | | |
| - Maturity within 3 months | 697,805 | 689,203 |
| - Maturity over 3 months | 5,430,571 | 3,715,742 |
| | <u>6,128,376</u> | <u>4,404,945</u> |

The average effective interest rate on short-term deposits was 1.23% in September 2018 (2017: 1.23%); these deposits have an average maturity of 90 days (2017: 90 days)

Cash and cash equivalents include the following for the purposes of the statement of cash flow:

| | | |
|---|-------------------|-------------------|
| | 34,060,3 | |
| Cash and bank balances | 85 | 12,830,960 |
| Short-term investments – maturity within three months | 697,805 | 689,203 |
| | <u>34,758,190</u> | <u>13,520,163</u> |

6 Financial assets – other comprehensive income

| | | |
|------------|------------------|------------------|
| - Listed | -- | 29,538 |
| - Unlisted | 2,375,808 | 2,609,856 |
| | <u>2,375,808</u> | <u>2,639,394</u> |

The movement in financial assets available-for-sale may be summarised as follows:

| | | |
|---|------------------|------------------|
| At beginning of year | 2,639,394 | 2,232,633 |
| (Losses)/gains from changes in fair value | (247,176) | 406,761 |
| Reclassification of investment securities (debt & equity) from AFS to FVTPL | -- | (29,538) |
| Fair value through profit and loss | (16,410) | 29,538 |
| At end of year | <u>2,375,808</u> | <u>2,639,394</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

| 7 Financial assets at fair value through profit or loss | 2018 \$ | 2017 \$ |
|---|----------------|----------------|
| Equity securities | | |
| - Listed | <u>148,893</u> | <u>655,195</u> |

The movement in financial assets at fair value through profit or loss may be summarised as follows:

| | | |
|--|----------------|----------------|
| At beginning of year | 655,195 | 94,618 |
| Additions | | 496,000 |
| Disposals | (496,044) | (3,374) |
| (Losses)/gains from changes in fair value (Note 16) | (26,668) | 67,951 |
| Reclassification of Other comprehensive income to Fair value through profit and loss | <u>16,410</u> | <u>--</u> |
| At end of year | <u>148,893</u> | <u>655,195</u> |

The above securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the groups of financial instruments is reported to management on that basis.

| 8 Other debtors and prepayments | 2018 \$ | 2017 \$ |
|---------------------------------|----------------|------------------|
| Due from brokers | 456,181 | 591,986 |
| Due from clients | 56 | 44,445 |
| Other debtors | 47,516 | 4,538,320 |
| Prepayments | <u>7,651</u> | <u>44,590</u> |
| | <u>511,404</u> | <u>5,219,341</u> |

9 Intangible assets

The Company purchased 10 Class "A" shares in the TTSE in 2001. This purchase gave the Company the right to conduct brokerage operations on the TTSE. In 2012, these shares were converted to 110,400 ordinary shares due to a restructuring at the TTSE. The cost of the right obtained is presented as an intangible asset. Although there is no active market for the right, the intangible asset is reviewed annually for impairment.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

10 Property, plant and equipment

| | Computer equipment \$ | Office equipment, furniture & motor vehicles \$ | Total \$ |
|-------------------------------------|-----------------------------|---|----------------|
| Year ended 30 September 2018 | | | |
| Opening net book value | 5,204 | 29,799 | 35,003 |
| Additions | 14,615 | 330,019 | 344,634 |
| Disposals | -- | (178,798) | (178,798) |
| Depreciation on disposals | -- | 178,798 | 178,798 |
| Depreciation charge | (5,822) | (57,301) | (63,123) |
| Closing net book value | 13,997 | 302,517 | 316,514 |
| At 30 September 2018 | | | |
| Cost | 33,248 | 330,019 | 363,267 |
| Accumulated depreciation | (19,251) | (27,502) | (46,753) |
| Net book value | 13,997 | 302,517 | 316,514 |
| Year ended 30 September 2017 | | | |
| Opening net book value | 2,449 | 74,499 | 76,948 |
| Additions | 5,895 | -- | 5,895 |
| Disposals | -- | -- | -- |
| Depreciation on disposals | -- | -- | -- |
| Depreciation charge | (3,140) | (44,700) | (47,840) |
| Closing net book value | 5,204 | 29,799 | 35,003 |
| At 30 September 2017 | | | |
| Cost | 18,633 | 178,798 | 197,431 |
| Accumulated depreciation | (13,429) | (148,999) | (162,428) |
| Net book value | 5,204 | 29,799 | 35,003 |
| At 30 September 2016 | | | |
| Cost | 12,738 | 178,798 | 191,536 |
| Accumulated depreciation | (10,289) | (104,299) | (114,588) |
| Net book value | 2,449 | 74,499 | 76,948 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

11 Payables and other liabilities

| | 2018 \$ | 2017 \$ |
|------------------------|-------------------|------------------|
| Due to brokers | 6,268,802 | 43,795 |
| Due to clients | 2,650,386 | 6,797,907 |
| Due to related parties | 4,082,285 | 687,902 |
| Tax payable | 376,382 | 404,602 |
| | <u>13,377,855</u> | <u>7,394,206</u> |

12 Deferred income tax assets

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%.

The movement on the deferred tax account is as follows:

| | 2018 \$ | 2017 \$ |
|---|----------------|----------------|
| At beginning of year | 511,889 | 226,227 |
| Statement of income charge (Note 19) | 19,656 | 16,300 |
| Effect of change in Tax (from 25% to 30%) | -- | 147,485 |
| Fair value reserve (Note 14) | (74,155) | 121,877 |
| At end of year | <u>457,390</u> | <u>511,889</u> |

| | Opening balance 1 October 2017 \$ | Fair value reserve \$ | Charged to statement of income \$ | Closing balance 30 September 2018 \$ |
|--|---|-----------------------------|--|--|
| <i>Deferred tax assets</i> | | | | |
| Financial assets at fair value through the profit or loss | (168,366) | -- | 8,009 | (160,357) |
| Accelerated tax depreciation | (105,306) | -- | 11,647 | (93,659) |
| Net deferred income tax asset | <u>(273,672)</u> | -- | 19,656 | <u>(254,016)</u> |
| <i>Deferred tax liabilities</i> | | | | |
| Prior period change in Tax | 147,485 | -- | -- | 147,485 |
| Available-for-sale | 638,076 | (74,155) | -- | 563,921 |
| Deferred income tax liability | <u>785,561</u> | <u>(74,155)</u> | -- | <u>711,406</u> |
| Net deferred income tax liability | <u>511,889</u> | <u>(74,155)</u> | 19,656 | <u>457,390</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

12 Deferred income tax assets (continued)

| | Opening balance 1 October 2016 \$ | Fair value reserve \$ | Charged to statement of income \$ | Closing balance 30 September 2017 \$ |
|--|---|-----------------------------|---|--|
| Deferred tax assets | | | | |
| Financial assets at fair value through the profit or loss | (190,876) | -- | 22,510 | (168,366) |
| Accelerated tax depreciation | (99,096) | -- | (6,210) | (105,306) |
| Net deferred income tax asset | (289,972) | -- | 16,300 | (273,672) |
| Deferred tax liabilities | | | | |
| Prior period change in Tax Available-for-sale | -- | 147,485 | -- | 147,485 |
| | 516,199 | 121,877 | -- | 638,076 |
| Deferred income tax liability | 516,199 | 269,362 | -- | 785,561 |
| Net deferred income tax liability | 226,227 | 269,362 | 16,300 | 511,889 |

13 Share capital

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| Authorised | | |
| An unlimited number of ordinary shares of no par value | | |
| Issued and fully paid | | |
| 5,000,000 ordinary shares of no par | 5,000,000 | 5,000,000 |

14 Fair value reserve

| | | |
|--|-----------|-----------|
| Fair value through Other Comprehensive Income | 1,512,973 | 1,685,996 |
| <i>Fair value through Other Comprehensive Income</i> | | |
| At beginning of year | 1,685,996 | 1,548,597 |
| Effect of tax rate change (25% to 30%) | -- | (147,485) |
| Net gains from changes in fair value | (247,178) | 406,761 |
| Deferred tax charge (Note 12) | 74,155 | (121,877) |
| At end of year | 1,512,973 | 1,685,996 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

| 15 Brokerage fee and commission expense | 2018 \$ | 2017 \$ |
|--|-------------------|------------------|
| Commission sharing expenses | 17,979 | -- |
| Commission rebate | 49,532 | 50,674 |
| Compensation fund contribution | 49,532 | 50,675 |
| | <u>117,043</u> | <u>101,349</u> |
| | | |
| 16 Gains/(losses) from financial assets | | |
| (Loss)/gain from changes in fair value | (26,668) | 67,951 |
| Gain/(loss) on sale of financial assets | 357,652 | (1,749) |
| | <u>330,984</u> | <u>66,202</u> |
| | | |
| 17 Other income | | |
| Interest income | 76,929 | 78,055 |
| Other fees and commissions | 4,022,515 | 1,249,130 |
| Capital market fee income | 26,000,000 | 7,498,774 |
| Net foreign exchange gain | 29 | 7,080 |
| | <u>30,099,473</u> | <u>8,833,039</u> |
| | | |
| Included within other income are application, processing and sub-distribution fees earned for services provided relating to capital market and structuring transactions. | | |
| | | |
| 18 Operating expenses | | |
| Staff costs | 830,704 | 841,651 |
| Other expenses | 254,652 | 318,170 |
| Depreciation | 63,123 | 47,840 |
| Computer operating expenses | 52,528 | 35,063 |
| Audit fees | 141,750 | 118,126 |
| Legal and professional fees | 79,577 | (1,902) |
| Travel and entertainment | 42,050 | 33,584 |
| Directors emoluments | 134,413 | 132,551 |
| Capital market expenses | 13,963,738 | 671,661 |
| | <u>15,562,535</u> | <u>2,196,744</u> |

Included within legal and professional fees are amounts that were previously provided for that were recovered in the financial year.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

| 18 Operating expenses (continued) | 2018 \$ | 2017 \$ |
|-----------------------------------|----------------|----------------|
| <i>Staff costs</i> | | |
| Wages and salaries | 611,299 | 618,622 |
| National Insurance | 28,725 | 28,725 |
| Bonus and commissions | 119,383 | 128,055 |
| Health plan expense | 6,474 | 5,667 |
| Pension plan expense | 64,823 | 58,042 |
| Staff training | -- | 2,540 |
| | <u>830,704</u> | <u>841,651</u> |

The number of permanently employed staff as at the year-end was 2 (2017: 2).

19 Taxation

| | | |
|------------------------|------------------|------------------|
| Deferred tax (Note 12) | 19,656 | 16,300 |
| Corporation tax | <u>5,370,145</u> | <u>2,899,135</u> |
| | <u>5,389,801</u> | <u>2,915,435</u> |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic rate of tax as follows:

| | | |
|--|-------------------|------------------|
| Profit before tax | <u>17,930,216</u> | <u>9,934,542</u> |
| Tax calculated at 30% | 5,379,065 | 2,980,362 |
| Income exempt from tax | (8,000) | (69,476) |
| Expenses not deductible for tax purposes | 29,905 | 10,958 |
| Net effect of other charges and allowances | <u>(11,169)</u> | <u>(6,409)</u> |
| | <u>5,389,801</u> | <u>2,915,435</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2018

(Expressed in Trinidad and Tobago Dollars)

20 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The parent of the Company as at 30 September 2018 was First Citizens Investment Services Limited. First Citizens Investment Services Limited is incorporated in Trinidad and Tobago with its ultimate parent company being First Citizens Holdings Limited, a company owned by the Government of the Republic of Trinidad and Tobago (GORTT). A number of transactions are entered into with related parties in the normal course of business. These generally relate to purchase and sale of shares on behalf of related parties.

| | Directors | | Related companies | |
|--|--------------|-----------|-------------------|------------|
| | 30 September | | 30 September | |
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Statement of income | | | | |
| Fees and commission income | -- | -- | 67,367 | 7,268 |
| Salaries and other short-term employee benefits | (134,413) | (132,551) | -- | -- |
| | (134,413) | (132,551) | 67,367 | 7,268 |
| Statement of financial position amounts due (to)/from | | | | |
| Cash and due from other banks | -- | -- | 37,464,905 | 14,773,471 |
| Payables and other liabilities | -- | -- | (4,082,285) | (687,902) |
| | -- | -- | 33,382,620 | 14,085,569 |

21 Commitments

The Company has no capital or credit commitments as at 30 September 2018 (2017: nil).

22 Contingent liabilities

The Company is not involved in any claims and counterclaims arising from the conduct of its business.

23 Subsequent events

There were no events after the financial position date which were material to the financial statements and should have resulted in adjustment to the financial statement or disclosures when the financial statements were authorised for issue.

**First Citizens Brokerage and Advisory Services Limited
(A Subsidiary of First Citizens Investment Services Limited)**

Financial Statements

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

First Citizens Brokerage and Advisory Services Limited

| Contents | Page |
|--|-------------|
| Statement of Management's Responsibilities | 1 |
| Independent Auditor's Report | 2 - 3 |
| Statement of Financial Position | 4 |
| Statement of Income | 5 |
| Statement of Comprehensive Income | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 – 49 |

First Citizens Brokerage and Advisory Services Limited

Statement of Management's Responsibilities

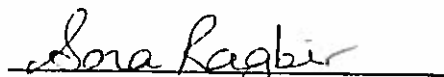
Management is responsible for the following:


- Preparing and fairly presenting the accompanying financial statements of First Citizens Brokerage and Advisory Services Limited which comprise the statement of financial position as at 30 September 2019 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


General Manager
26 November 2019


Head - Finance
26 November 2019



Independent Auditor's Report

To the shareholders of
First Citizens Brokerage and Advisory Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of First Citizens Brokerage and Advisory Services Limited (the Company) as at 30 September 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 September 2019;
- the statement of income for the year ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Price Waterhouse Coopers

Port of Spain
Trinidad, West Indies
9 December 2019

First Citizens Brokerage and Advisory Services Limited

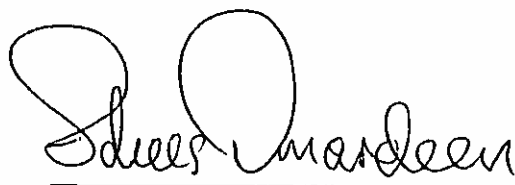
Statement of Financial Position


(Expressed in Trinidad and Tobago Dollars)

| | Notes | As at 30 September | |
|-------------------------------------|-------|-----------------------|-------------------|
| | | 2019 \$ | 2018 \$ |
| Assets | | | |
| Cash and due from Other Banks | 5 | 19,574,052 | 40,188,761 |
| Financial assets | | | |
| - Fair value through Other | | | |
| Comprehensive Income | 6 | 5,602,800 | 2,375,808 |
| - Fair value through profit or loss | 7 | 146,386 | 148,893 |
| Other debtors and prepayments | 8 | 443,595 | 511,404 |
| Tax Recoverable | | 1,435,139 | -- |
| Intangible assets | 9 | 848,571 | 848,571 |
| Property, plant and equipment | 10 | 227,179 | 316,514 |
| Total assets | | 28,277,722 | 44,389,951 |
| Liabilities | | | |
| Payables and other liabilities | 11 | 7,234,133 | 13,377,855 |
| Deferred tax | 12 | 1,435,393 | 457,390 |
| | | 8,669,526 | 13,835,245 |
| Shareholders' equity | | | |
| Share capital | 13 | 5,000,000 | 5,000,000 |
| Retained earnings | | 10,836,329 | 24,041,733 |
| Fair value reserve | 14 | 3,771,867 | 1,512,973 |
| Total shareholders' equity | | 19,608,196 | 30,554,706 |
| Total equity and liabilities | | 28,277,722 | 44,389,951 |

The notes on pages 9 to 49 are an integral part of these financial statements.

On 26 November 2019, the Board of Directors of First Citizens Brokerage and Advisory Services Limited authorised these financial statements for issue.


 Director


 Director

First Citizens Brokerage and Advisory Services Limited

Statement of Income

(Expressed in Trinidad and Tobago Dollars)

| | | Year ended 30 September | |
|--|----|----------------------------|---------------------|
| | | 2019 \$ | 2018 \$ |
| Brokerage fee and commission income | | 2,568,750 | 2,466,787 |
| Brokerage fee and commission expense | 15 | <u>(921,652)</u> | <u>(117,043)</u> |
| Net brokerage fee and commission income | | 1,647,098 | 2,349,744 |
| Dividend income | | 426,321 | 112,550 |
| Gains from financial assets | 16 | 2,269 | 330,984 |
| Investment management fees | | 150,000 | 600,000 |
| Other income | 17 | <u>891,075</u> | <u>30,099,473</u> |
| Total income | | 3,116,763 | 33,492,751 |
| Operating expenses | 18 | <u>(1,600,412)</u> | <u>(15,562,535)</u> |
| Profit before taxation | | 1,516,351 | 17,930,216 |
| Taxation | 19 | <u>(324,528)</u> | <u>(5,389,801)</u> |
| Profit after taxation | | <u>1,191,823</u> | <u>12,540,415</u> |

The notes on pages 9 to 49 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

| | | Year ended 30 September | |
|---|-------|----------------------------|-------------------|
| | Notes | 2019 \$ | 2018 \$ |
| Profit for the year | | 1,191,823 | 12,540,415 |
| Change in fair value of other comprehensive income, net of tax | 14 | 2,258,894 | (163,834) |
| Net loss on financial assets measured at FVOCI | 14 | <u>--</u> | <u>(9,189)</u> |
| Other comprehensive income for the year, net of tax | | <u>2,258,894</u> | <u>(173,023)</u> |
| Total comprehensive income for the year | | <u>3,450,717</u> | <u>12,367,392</u> |

The notes on pages 9 to 49 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

| | Share Capital \$ | Retained Earnings \$ | Fair Value Reserve \$ | Total Shareholders' Equity \$ |
|--|------------------------|----------------------------|-----------------------------|--|
| Balance as at 1 October 2018 | 5,000,000 | 24,041,733 | 1,512,973 | 30,554,706 |
| Profit for the year | - | 34,238 | - | 34,238 |
| <i>Other comprehensive income:</i> | -- | 1,191,823 | -- | 1,191,823 |
| Change in fair value of Other Comprehensive Income | -- | -- | 2,258,894 | 2,258,894 |
| Total Comprehensive Income For The Year | -- | 1,191,823 | 2,258,894 | 3,450,717 |
| <i>Transactions with owners:</i> | | | | |
| Ordinary dividends paid | -- | (6,897,227) | -- | (6,897,227) |
| Extraordinary dividends paid | -- | (7,500,000) | -- | (7,500,000) |
| Total transactions with owners, recognised directly in equity | -- | (14,397,227) | -- | (14,397,227) |
| Balance as at 30 September 2019 | 5,000,000 | 10,836,329 | 3,771,867 | 19,608,196 |
| Balance as at 1 October 2017 | 5,000,000 | 11,501,318 | 1,685,996 | 18,187,314 |
| Change on initial application of IFRS 9 | -- | -- | (9,189) | (9,189) |
| Restated balance as at 1 October 2017 | 5,000,000 | 11,501,318 | 1,676,807 | 18,178,125 |
| Profit for the year | -- | 12,540,415 | -- | 12,540,415 |
| <i>Other comprehensive income:</i> | | | | |
| Change in fair value of Other Comprehensive Income | -- | -- | (163,834) | (163,834) |
| Total comprehensive income for the year | -- | 12,540,415 | (163,834) | 12,376,581 |
| Balance as at 30 September 2018 | 5,000,000 | 24,041,733 | 1,512,973 | 30,554,706 |

The notes on pages 9 to 49 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

| | Year ended 30 September | |
|---|----------------------------|-------------|
| | 2019 \$ | 2018 \$ |
| Cash flows from operating activities | | |
| Profit before taxation | 1,516,351 | 17,930,216 |
| Adjustments to reconcile profit to net cash from operating activities: | | |
| Depreciation | 89,335 | 63,123 |
| Fair value Loss/(Gain) on financial assets | (677) | 26,668 |
| (Gain)/Loss on disposal of financial assets | (1,555) | (357,652) |
| Income taxes paid | (2,126,144) | (5,398,366) |
| Cash flows from operating profits before changes in operating assets and liabilities | (522,690) | 12,263,989 |
| Net change in other debtors and prepayments | (1,367,331) | 4,707,936 |
| Net change in payables and other liabilities | (4,332,201) | 5,471,868 |
| Net cash (outflow)/inflow from operating activities | (6,222,222) | 22,443,793 |
| Cash flows from investing activities | | |
| Sale proceeds of financial assets | 4,740 | 853,697 |
| Purchase of property and equipment | -- | (344,634) |
| Net change in short term investments | (68,530) | (1,714,829) |
| Net cash (outflow)/inflow from investing activities | (63,790) | (1,205,766) |
| Cash flows from financing activities | | |
| Ordinary dividends paid | (6,897,227) | -- |
| Extraordinary dividends paid | (7,500,000) | -- |
| Net cash outflow from financing activities | (14,397,227) | -- |
| Net increase in cash and cash equivalent | (20,683,239) | 21,238,027 |
| Cash and cash equivalents at beginning of year | 34,758,190 | 13,520,163 |
| Cash and cash equivalents at end of year | 14,074,951 | 34,758,190 |
| Represented by: | | |
| Cash at bank | 13,367,852 | 34,060,385 |
| Short term deposits | 707,099 | 697,805 |
| Cash and cash equivalents | 14,074,951 | 34,758,190 |

The notes on pages 9 to 50 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

1 General information

First Citizens Brokerage and Advisory Services Limited is incorporated in the Republic of Trinidad and Tobago and its principal business includes dealing in securities on the Trinidad and Tobago Stock Exchange and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

Effective 1 October 2011, First Citizens Investment Services Limited (FCIS) assumed control of the Company. The ultimate parent company is First Citizens Holdings Limited, a company with a 77.2% controlling interest and is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The Company's registered office is 17 Wainwright Street, St. Clair, Port of Spain.

2 Summary of significant accounting policies

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

a. *Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, fair value through profit and loss and fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(i) *Standards, amendment and interpretations which are effective and have been adopted by the Company in the current period:*

- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments effective 1 January 2018). This amendments is to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. Identify the contract with the customer

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(i) Standards, amendment and interpretations which are effective and have been adopted by the Company in the current period: (continued)

- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

FCBAS business operations is brokerage and financial advisors. Therefore the contract would be specific to the brokerage of equity investments on behalf of the client. Additionally FCBAS major revenue transactions are IPO commission/fees which are generated on the management of public offerings. FCBAS customers are identified based on the customer engagement with FCBAS for the management of their equity investments and public issues. The contracts terms and agreement in additions to the scope of works are agreed and approved by the relevant parties to the contract. The IPO contracts clearly identifies the rights and payment terms regarding the services to be delivered and the structure of the fees and commissions in the form of the consideration. Each contract has a commercial substance and it is probable that the entity will collect the consideration to which it is entitled in exchange for the delivery of its service. The full details of contracts for the services is contract specific and the performance obligation for FCBAS for its IPO fees and commissions are genially tied to the size of the IPO. However, the scope of works are very structured and measured because of the various units and parties involved. Additionally the associated cost incurred and stage of completion can be used to recognised and prorate the revenues.

- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2018). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities' examinations
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - The effect of changes in facts and circumstances

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(ii) Standards, amendment and interpretations to existing standards that are not yet effective and have been early adopted by the Company:

- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance.

The Company is in the process of assessing the impact of the new and revised standards not yet effective on the Financial Statements; we do not anticipate any material impact.

b. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was

TT\$6.6926 = US\$1.00 (2018: TT\$6.6926 = US\$1.00), which represent the Company's mid-rate.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in the amortised cost are recognised in the profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income financial assets are included in other comprehensive income.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

c. *Cash and due from other banks*

For purposes of the statement of cash flows, cash and cash equivalents comprise of cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased.

d. *Financial assets and financial liabilities*

(i) *Financial assets*

The Group classifies its financial assets in the following business models:

- Hold for trading
- Hold to collect and sell or
- Hold to collect

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.a. Interest income from these financial assets – cash and due from other banks are included in “Interest income” using the effective interest rate method.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represents solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognized in “Net Investment Income”. Financial assets in this category include unlisted equity instruments that are held for investment.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the “income statement within “Gains on investments securities” in the period in which it arises, unless it arises from debt instruments that were classified at fair value or which are not held for trading, in which case they are presented in Investment Interest Income. Financial assets in this category include listed equity instruments that are held for investment.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Group's Business model

The business model reflects how the Group manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Group's objective is solely to collect the contractual cash flows from the assets or it to collect both the contractual cash flows and cash flows arising from the sale of the assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel.
- Managements identification of and response to various risks, which includes but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- Management considers, in classifying its assets, the level of historical sales and forecasted liquidity requirements.

Arising out of the assessment the portfolios were deemed to have the business models identified as follows:

| Hold to Collect & Sell | Hold for Trading |
|------------------------|--------------------|
| Cash | Equity Investments |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
- Note 3.a.iii provides more detail of how the expected credit loss allowance is measured.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. *Financial assets and financial liabilities (continued)*

(i) *Financial assets (continued)*

Equity instruments (continued)

Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Gain and losses on equity investments classified as FVPL are included in the Income Statement.

(ii) *Financial liabilities*

(a) *Classification and subsequent measurement*

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

(b) *Derecognition*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

f. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

g. *Lease transactions*

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases. Leases in which a significant portion of the risks and methods of ownership are retained by another party, the lessor, are classified as operating leases. Leases of assets where the Company has substantially all the risk and rewards of ownership are classified as finance leases.

(i) *The Company as the lessee*

The Company has entered into operating leases where the total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the period has expired, any penalty payment made to the lessor is recognised as an expense in the period in which termination takes place.

When assets are held subject to a finance lease, an asset and liability is recognised in the statement of financial position at amounts equal at inception to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.

Lease payments are apportioned between the finance charge and the outstanding liability so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

g. *Lease transactions (continued)*

(ii) *The Company as the lessor*

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return on the remaining balance of the asset for each period.

h. *Other debtors and prepayments*

Other debtors and prepayments consist of amounts due from brokers, clients, staff advances and related parties. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

i. *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold improvements and equipment are recorded at cost less accumulated depreciation.

Depreciation and amortisation are computed on all assets except land.

The provision for depreciation and amortisation is computed using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---------------------------------------|--------------------------------------|
| Equipment and furniture | 4-5 years |
| Computer equipment and motor vehicles | 3-5 years |
| Leasehold improvements | Amortised over the life of the lease |

The assets' useful lives are reviewed and adjusted if appropriate at each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the assets fair value less cost to sell and value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised within the income statement. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

j. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Company chooses to use the cost model for the measurement after recognition.

Intangible assets with indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

(i) *Other Intangible assets*

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributes to the assets with flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flow.

(ii) *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets when the following criteria are met:

- It is technically feasible to complete the software and use it.
- Management intends to complete the software and use it.
- There an ability to use the software.
- Adequate technical, financial and other resources to complete the development and to use it.
- The expenditure attributable to the software during its development can be reliably measured.

The software development costs are amortised using the straight-line method over their useful lives but not exceeding a period of three (3) years.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

k. *Employee benefits*

(i) *Pension Plan - First Citizens Group defined benefit pension plan*

The FCB Group operates a defined benefit plan, which is a pension plan that defines an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. This pension plan is funded by payments from employees and by the Company, taking account of the recommendations of independent qualified actuaries.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in Group's statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated based on cash outflows allocated to current or prior periods using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

(ii) *Profit sharing and bonus plans*

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the Group's profit before taxation. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee stock option plan*

The Group operates a cash-settled based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the income statement. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

l. *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

i. *Provisions (continued)*

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

m. *Payables and other liabilities*

Payables and other liabilities represent short term obligations to brokers, clients, business related expenses and related parties. These are short term in nature and settlement is expected within one year. Payables and other liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised costs

n. *Income taxes*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

o. *Fee and commission income*

IFRS15 core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The performance obligations is very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

o. *Fee and commission income (continued)*

Fees and commissions are recognised at a point in time when the service has been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised at a point in time on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis, which is normally on a monthly billing cycle at a point in time.

Asset management fees related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled at a point in time.

Brokerage & Advisory fees are generally recognized at a point in time upon full completion of the scope of works to the contract, however, for Initial Public Offerings and services of that nature the performance obligation maybe specific to the stage of completion of the services performance obligation. In addition some contracts may require variation to the performance obligation based on the client specifications. These contract would qualify for revenue recognition over time.

The impact from the transition to IFRS 15 as at September 30th, 2019 is Nil.

p. *Investment management fees*

From October 2011, management fees related to the provision of portfolio and other management advisory services are recognised monthly based on a fixed Service Level Agreement between the Company and its parent which is reviewed annually. This agreement covers the provision of the advisory services.

q. *Interest income and expense*

Interest income and interest expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments and deposits.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and include transaction cost, premium, discounts and fees and point paid or received that are integral to the effective interest rate, such as origination fees.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cashflows for the purpose of measuring the impairment loss.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

r. *Dividend income*

Dividends are recognised in the statement of income when the Company's right to receive payment is established.

s. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Board of Directors. Dividends for the year, which are declared after the year-end, are disclosed in the subsequent events note when applicable.

t. *Fiduciary activities*

The Company acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management framework

The Board of Directors of First Citizens Bank Limited (the Group) has overall responsibility for the establishment and oversight of the Group's risk management framework. To assist the Board of Directors in fulfilling its duties, two Board sub-committees were established at the First Citizens Group level to monitor and report to the Board of Directors on the overall risks within the First Citizens Group - the Board Enterprise Risk Management Committee and the Board Credit Committee, and one management level committee - Asset Liability Committee.

The Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer, reports to both sub-committees of the Board. They are responsible for the management, measurement, monitoring and control of operational, market and credit risk for the Group through the Group Operational Risk & Controls Unit, Group Credit Risk and Administration Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Committee to allow monitoring of the adherence to risk limits and the impact of developments in the aforementioned risk areas on strategy and how strategy should be varied in light of the developments.

The Asset Liability Committee (ALCO) was established to manage and monitor the policies and procedures that address financial risks associated with changing interest rates, foreign exchange rates and other factors that can affect the Group's liquidity. The ALCO seeks to limit risk to acceptable levels by monitoring and anticipating possible pricing differences between assets and liabilities across the Bank and the Group's various companies via the Group's Treasury and International Trade Centre. The Group Treasury and International Trade Centre's primary role and responsibility is to actively manage the Group's liquidity and market risks. The ALCO is also supported in some specific areas of activity by the Bank's Market Risk Committee.

As part of its mandate, the Board establishes written principles for overall risk management, as well as ensuring that policies are in place covering specific areas of risk, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Group Internal Audit Department is responsible for the independent review of risk management and the control environment, and reports its findings and recommendation to the Board Audit Committee.

The Board of Directors of the FCIS Group has overall responsibility for the establishment and oversight of the FCIS Group's risk management framework. The Board of FCIS has also established a Risk Management Committee (RMC) which oversees the risk management function of the FCIS Group.

The most important types of risk are credit risk, market risk, liquidity risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

2 Financial risk management (continued)

a. Credit risk

Credit risk is the risk that a counter party will cause a financial loss for the Company by failing to discharge an obligation. The Company generally does not provide advances to customers nor does it invest in debt securities. As a result, its exposure to credit risk is limited to other registered brokers and client accounts that are substantively supported by underlying securities. At 30 September 2019, the Company had no financial assets which were either impaired or past due.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on-statement of financial position assets are as follows:

| | 2019 \$ | 2018 \$ |
|-------------------------------|-------------------|-------------------|
| Cash and due from other banks | 19,574,052 | 40,188,761 |
| Other debtors | <u>404,498</u> | <u>503,753</u> |
| | <u>19,978,550</u> | <u>40,692,514</u> |

There were no credit risk exposures relating to off-statement of financial position items.

(i) Credit risk management

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Committee (SMERC), the Group Chief Risk Officer (GCRO), the Group Credit Risk Management Unit and the Internal Audit Department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board. The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management. The SMERC together with the GCRO monitors the effectiveness of credit policies and procedures and may direct changes to strategies to improve the effectiveness of policies. The major focus of the Credit Risk Management Unit is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the Group's written Credit Policy Manual. This document sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function. Major areas of focus are General Credit Policy Guidelines, Exercise of Lending Authority, Credit Review Process, Credit Risk Rating and Classification System, among others.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(ii) Credit risk measurement (continued)

(a) Other assets

The Company exposure to credit risk is the outstanding amounts due from clients and brokerage company which are settled within three working days following month end.

(iii) Expected credit loss measurement

IFRS9 outlines a 'three stage' mode; for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(iii) Expected credit loss measurement (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition



| Stage 1 (initial Recognition) | Stage 2 (Significant increase in credit risk) | Stage 3 (Credit - impaired assets) |
|----------------------------------|--|---------------------------------------|
| 12 month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses |

Investments

| Criteria | Investment Grade Portfolio | Single "B" Speculative Grade Portfolio |
|------------------------------|--|---|
| Absolute Measure | PD- 12.5% or lower | PD -25% or lower |
| AND | AND | AND |
| Relative Measure | Credit rating reverts to level just prior being deemed an having an SICR | One notch downgrade (internal rating scale) |
| OR | OR | OR |
| Special Consideration | No credit stop loss breaches | No credit stop loss breaches |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(iv) Definition of default and credit-impaired assets

The FCB Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified Doubtful or worse as per the Group's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer (investments only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD), throughout the Group's expected loss calculations.

(v) Risk limit control and mitigation policy

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, industry and country segments. The Group monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Group. These limits are implemented and monitored by the Credit Risk Management Unit via the stipulations of the Group Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Group would seek approval on an exception basis for variation to its standard approved limits from the Board of Directors.

(a) Industry exposure limits

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed for the Group for this purpose. The model utilises a scale incorporating scores of 1 to 8 with 1 being the least risky. These have been consolidated into four (4) bands of exposure limits which have been set in relation to the total credit portfolio with a relatively smaller limit being assigned to the more risky industries.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(v) Risk limit control and mitigation policy (continued)

(b) Country exposure limits

Exposure limits have been established for selected countries which are considered to be within the Group's off-shore target market. Five risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Group's own internal assessment of the economic and political stability of the target. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

(c) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group's policies regarding obtaining collateral have not changed significantly during the period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

(vi) Maximum exposure to credit risk before collateral held or other credit enhancement

Credit risk exposures relating to on-balance sheet assets are as follows:

| | Gross maximum exposure 2019 \$'000 | Gross maximum exposure 2018 \$'000 |
|---|---|---|
| Cash and due from Other Banks | 19,574,052 | 40,188,761 |
| Financial assets | | |
| - Fair value through Other Comprehensive Income | 5,602,800 | 2,375,808 |
| - Fair value through profit or loss | 146,386 | 148,893 |
| Other assets | 404,498 | 503,753 |
| | <u>25,727,736</u> | <u>43,217,215</u> |

The above table represents a worst case scenario of credit risk exposure to the Company as at 30 September 2019 and 30 September 2018, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-statement of financial position items.

As shown above, of the total maximum exposure is derived from cash and due from other banks and receivables is 67% (September 2018: 94%); while 33% represents investments (September: 6%).

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3. Financial risk management (continued)

a. Credit risk (continued)

Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2019 was \$55,999.32 (2018: nil). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(viii) *Concentration of risks of financial assets with credit risk exposure – Geographical sectors*

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2019. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties. The Company's investment portfolio comprising cash and cash equivalents, financial assets – Fair value through Other Comprehensive Income, Fair value through Profit and Loss and Other Assets and Receivables domiciled within the Caribbean. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into one regional sector and the sector concentration within the portfolio is as follows:

| | Caribbean \$'000 | Total \$'000 |
|--------------------------------|-----------------------------|-------------------------|
| At 30 September 2019 | | |
| Cash and due from other banks | 19,574,052 | 19,574,052 |
| Other assets and receivables | 404,498 | 404,498 |
| | <u>19,978,550</u> | <u>19,978,550</u> |
| As at 30 September 2019 | | |
| | <u>19,978,550</u> | <u>19,978,550</u> |
| | | |
| | Caribbean \$'000 | Total \$'000 |
| At 30 September 2018 | | |
| Cash and due from other banks | 40,188,761 | 40,188,761 |
| Other assets and receivables | 503,753 | 503,753 |
| | <u>40,692,514</u> | <u>40,692,514</u> |
| As at 30 September 2018 | | |
| | <u>40,692,514</u> | <u>40,692,514</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. *Market risk*

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in equity products which are exposed to general and specific market movements and changes in the level of volatility of equity prices. The Company separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk Unit who submit reports to the Senior Management Enterprise Risk Committee on a regular basis and also reports via the Enterprise Risk Unit to the Board Enterprise Risk Committee to enable Board oversight of market risk issues.

Additionally, on a monthly basis, the Bank's Market Risk Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Group ALCO. This Committee also provides for the consideration of the Group ALCO technical information that may be relevant to current and developing market conditions from time to time.

Additionally, on a monthly basis, the FCIS Group Risk Management Committee reviews and approves the prices all investment securities which are valued using valuation techniques. Trading portfolios include those portfolios arising from market-making transactions where the Group acts as a principal with clients or with the market. Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains. Non-trading portfolios primarily arise from the interest-rate management of the Group's retail and commercial banking assets and liabilities.

Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Company's financial assets held at fair value through other comprehensive income.

As part of the management of market risk, the Company uses overall exposure in relation to capital as the basis for controlling market risk.

As at 30 September 2019, the total value of assets to which the Company faced market risk represented 50% of capital (30 September 2018: 50%).

(i) *Currency risk sensitivity*

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 30 September 2019, the Company had 19% cash and due from other banks (30 September 2018: 8%) and 0.45% liabilities (30 September 2018: 0.23%) denominated in a foreign currency.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(i) Currency risk sensitivity (continued)

Based on net foreign currency positions at 30 September 2019 the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

| | USD \$ | JMD \$ | BBD \$ |
|-----------------------------|-----------|-----------|-----------|
| At 30 September 2019 | | | |
| Loss | (92,429) | (3,104) | (75) |
| At 30 September 2018 | | | |
| Loss | (79,703) | (3,100) | (48) |

The effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the US dollar would reduce Net income after tax by 8% (2018: 1%).

The sensitivity analysis for currency rate risk in the following table illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates at the end of the reporting period. For the sensitivity analysis, a 5% movement in USD to TTD exchange rates was used for 30 September 2019 and 30 September 2018.

| | Effects on shareholders' equity | | | |
|---------------------------------|---------------------------------|-------------------|-------------------|-------------------|
| | Year ended | | Year ended | |
| | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| | + 5% | - 5% | + 5% | - 5% |
| | \$ | \$ | \$ | \$ |
| Effects on shareholders' equity | 189,479 | (189,479) | 163,391 | (163,391) |

(ii) Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Company not to engage in speculative foreign exchange activities, The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Company does not currently engage in any hedging activities to mitigate currency risk. The Company's strategy of managing this risk is to buy low and sell high; establish relationships with corporate foreign exchange earners; limit foreign exchange exposure; avoid speculation with an aim to keep a balanced position; and match foreign currency denominated assets with foreign currency denominated liabilities. The Company does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Company's exposure to foreign currency exchange rate risk at September. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(i) Foreign exchange risk (continued)

| At September 30 2019 | TT \$ | US \$ | JMD \$ | BBD \$ | Total \$ |
|---|-------------------|------------------|----------------|----------------|-------------------|
| Assets | | | | | |
| Cash and due from other banks | 15,768,027 | 3,678,746 | 127,279 | -- | 19,574,052 |
| Financial assets | | | | | |
| - Fair value through Other Comprehensive Income | 5,602,800 | -- | -- | -- | 5,602,800 |
| - Fair value through profit or loss | 265 | 146,121 | -- | -- | 146,386 |
| Other Assets & Receivables | 403,829 | 669 | -- | -- | 404,498 |
| Total | 21,774,921 | 3,825,536 | 127,279 | -- | 25,727,736 |
| Liabilities | | | | | |
| Other liabilities and accrued expenses | 7,201,250 | 35,950 | -- | (3,067) | 7,234,133 |
| Total liabilities | 7,201,250 | 35,950 | -- | (3,067) | 7,234,133 |
| Net on-balance sheet financial position | 14,573,671 | 3,789,586 | 127,279 | 3,067 | 18,493,603 |

| At September 30 2018 | TT \$ | US \$ | JMD \$ | BBD \$ | Total \$ |
|---|-------------------|------------------|----------------|----------------|-------------------|
| Assets | | | | | |
| Cash and due from other banks | 36,906,788 | 3,155,624 | 126,349 | -- | 40,188,761 |
| Financial assets | | | | | |
| - Fair value through Other Comprehensive Income | 2,375,808 | -- | -- | -- | 2,375,808 |
| - Fair value through profit or loss | 4,830 | 144,063 | -- | -- | 148,893 |
| Other Assets & Receivables | 502,986 | -- | 767 | -- | 503,753 |
| Total | 39,790,412 | 3,299,687 | 127,116 | -- | 43,217,215 |
| Liabilities | | | | | |
| Other liabilities and accrued expenses | 13,347,957 | 31,873 | -- | (1,975) | 13,377,855 |
| Total liabilities | 13,347,957 | 31,873 | -- | (1,975) | 13,377,855 |
| Net on-balance sheet financial position | 26,442,455 | 3,267,814 | 127,116 | (1,975) | 29,839,360 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(ii) Interest rate risk

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the repricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise. The Company's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. The strategy employed to achieve this involves the active pricing of diversifying portfolios in accordance with market trends and reducing funding mismatch through long-term instruments. The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| Interest rate maturities At 30 September 2019 | Up to 1 month \$ | 1 - 3 months \$ | 3 - 12 months \$ | 1 - 5 years \$ | Over 5 years \$ | Non- interest Bearing \$ | Total \$ |
|--|------------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------------------|-------------------|
| Assets | | | | | | | |
| Cash and due from other banks | 13,367,852 | -- | 6,206,200 | -- | -- | -- | 19,574,052 |
| Total | 13,367,852 | -- | 6,206,200 | -- | -- | -- | 19,574,052 |

| Interest rate maturities At 30 September 2018 | Up to 1 month \$ | 1 - 3 months \$ | 3 - 12 months \$ | 1 - 5 years \$ | Over 5 years \$ | Non- interest Bearing \$ | Total \$ |
|--|------------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------------------|-------------------|
| Assets | | | | | | | |
| Cash and due from other banks | 33,836,185 | -- | 6,128,376 | -- | -- | 224,200 | 40,188,761 |
| Total | 33,836,185 | -- | 6,128,376 | -- | -- | 224,200 | 40,188,761 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(iii) Interest rate risk (continued)

If interest rates were to move by 1% the impact on net interest income will be \$852 (2018: \$769)

c. Price risk

Price risk arises due to the possibility that the fair value of 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 affected by changing prices of equity instruments mainly classified as fair value through other comprehensive income securities with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as fair value through other comprehensive income is immaterial at the end of both periods reported.

The sensitivity analysis for price risk below illustrates how changes in the fair value of the future cash flows of a financial instrument will fluctuate because of changes to prices at the end of the reporting period. Other than assets categorised as investment securities which are carried at fair value, the carrying value of all other financial assets and liabilities as presented on the statement of financial position is not significantly different from their fair value.

For the sensitivity analysis, a 10% movement in prices was used for 30 September 2019 and 30 September 2018: (10%).

| | Effects on profit before tax | | | |
|---|---------------------------------|-----------|---------------------------------|-----------|
| | Year ended 30 September 2019 | | Year ended 30 September 2018 | |
| | + 10% | - 10% | + 10% | - 10% |
| | \$ | \$ | \$ | \$ |
| Financial assets: | | | | |
| -Fair value through other Comprehensive income | 560,280 | (560,280) | 237,581 | (237,581) |
| -Fair value through profit or loss | 14,639 | (14,639) | 14,889 | (14,889) |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

d. *Liquidity risk*

The liquidity risk is the risk that the Company will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuation in cash flows. The undiscounted receivables and payables liquidity exposure is mitigated because these cash flows are generally settled within three to thirty days.

Liquidity risk management process

The Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset and Liability Committee (ALCO). The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-statement of financial position or off-statement of financial position liabilities. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised.

Compliance with liquidity policies and risk limits is tracked by Group Market Risk Unit and reported into the Senior Risk Management Committee via the Group Enterprise Risk Unit to the Board Enterprise Risk Committee.

The Company's financial liabilities are all payable within 1 month as at the statement of financial position date.

e. *Off-statement of financial position items*

(i) *Financial guarantees and other financial facilities*

As of 30 September 2019, the Company had no financial guarantees or other financial facilities that result in a commitment to meet financial obligations (2018: nil).

(ii) *Capital commitments*

The Company had no capital commitments as at 30 September 2019 (2018: nil).

(iii) *Operating lease commitments*

The Company had no operating lease commitments as at 30 September 2019 (2018: nil).

f. *Operational risk*

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. The Company manages this risk by developing standards and guidelines in the following areas:

- Appropriate segregation of duties and access.
- Reconciling and monitoring of transactions.
- Documentation of controls and procedures.
- Training and development of staff.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

f. Operational risk (continued)

- Reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Information security.
- Assessments of the processes.
- Business continuity planning

g. Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets presented on the statement of financial position at an amount other than their fair value.

| | Carrying value | | Fair value | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2019 | 2018 |
| | \$ | \$ | \$ | \$ |
| <i>Financial assets</i> | | | | |
| Cash and due from other banks | 19,574,052 | 40,188,761 | 19,574,052 | 40,188,761 |
| Other debtors' | 404,498 | 503,753 | 404,498 | 503,753 |
| | <u>19,978,550</u> | <u>40,692,514</u> | <u>19,978,550</u> | <u>40,692,514</u> |
| <i>Financial liabilities</i> | | | | |
| Other liabilities | 7,234,133 | 13,377,855 | 7,234,133 | 13,377,855 |

The fair values of the Company's financial instruments are determined in accordance with International Accounting Standard (IFRS) 9 "Financial instruments: Recognition and Measurement".

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values.

Financial instruments where carrying value is approximately equal to fair value include cash and due from other banks, financial assets (fair value through other comprehensive income and fair value through profit or loss) and other debtors.

Cash and due from other banks

This amount represents short term deposits and other bank balances. The fair value of these short term deposits is approximately equal to their carrying amount.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

g. *Fair value of financial assets and liabilities (continued)*

(i) *Financial instruments not measured at fair value (continued)*

Receivables

Receivables are net of provisions for impairment. The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. As at the date of these financial statements the ECL for the receivables is nil.

Amortised cost

Fair value for Amortised Cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the held-to-maturity portfolio is computed for disclosure purposes only. There are no observable prices for these instruments and as such they are considered level 3 instruments. There were no investments held at amortised cost to Sept 2019 (Sept 2018: nil).

Bank overdraft

The fair values of bank overdraft is equal to its carrying value as such instruments are subject to floating rates of interest which reset on a daily, monthly or quarterly basis.

(ii) *Fair value hierarchy*

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

g. Fair value of financial assets and liabilities (continued)

(ii) Fair value hierarchy (continued)

The following table presents the Company's assets and liabilities that are measured at fair value at:

As at 30 September 2019

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|------------------|------------------|
| | \$ | \$ | \$ | \$ |
| -Fair value through Other Comprehensive Income | -- | -- | 5,602,800 | 5,602,800 |
| -Fair value through Profit and Loss | 146,386 | -- | -- | 146,386 |
| Total | 146,386 | -- | 5,602,800 | 5,749,186 |

As at 30 September 2018

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|------------------|------------------|
| | \$ | \$ | \$ | \$ |
| -Fair value through Other Comprehensive Income | -- | -- | 2,375,808 | 2,375,808 |
| -Fair value through Profit and Loss | 148,893 | -- | -- | 148,893 |
| Total | 148,893 | -- | 2,375,808 | 2,524,701 |

h. Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators of the securities markets where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the requirements of the Trinidad and Tobago Securities and Exchange Commission (the Authority), for supervisory purposes. The required information is filed with the Authority on a regular basis as required.

The Authority requires each securities company to hold the minimum level of regulatory capital of five million Trinidad and Tobago dollars. During those two periods, the Company complied with all of the externally imposed capital requirements to which they are subject.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

a. *Financial assets at fair value through profit or loss*

This category comprises two sub-categories: financial assets held for trading and financial assets designated by the Group as fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading.

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regular occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. When a market becomes inactive, the valuation technique utilised makes use of the quoted price even though the market is not active.

b. *Fair value through other comprehensive income (FVOCI):*

The Group uses the discounted cash flow method to determine the fair value of Financial Assets through other comprehensive income not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable.

The Company's financial assets at Fair value through other comprehensive income represents equity shares held for Investments. The share price is determined using a projected dividend growth in the Dividend Discount Model (DDM), which values a share price based on its predicted future dividend payments and discounting them back to present value. The expected growth rate is calculated using a five year trend of return of equity by the payout ratio for the dividends received.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

c. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.v, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.a.vi.

d. *Income taxes*

Management judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

The Company is subject to income tax in variance jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change. The Corporation tax rate for Trinidad and Tobago was 30% in 2019 (2018:30%).

e. *Fees and commissions*

The standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers. IFRS 15 does not distinguish between revenue from sales of goods and services or construction contracts. Instead, it defines transactions based on performance obligations satisfied over time or at a point in time. The core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

e. Fees and commissions (continued)

| Revenue type | Allocate the transaction price to separate performance obligations | Recognise revenue when (or as) each performance obligation is satisfied | Timing of revenue recognition | Impact from adopting IFRS15 |
|----------------------------------|--|--|--|---|
| Capital markets | Revenue are recognized at a point in time upon full completion of the scope of works to the contract | There is not separation of performance obligation | Completion of full service at a point in time | Nil |
| Wealth Management | Revenue are recognized at a point in time upon full completion of the scope of works to the contract | There is not separation of performance obligation | Completion of full service at a point in time | Nil |
| Brokerage & Advisory | For general Brokerage and Advisory revenues are recognized at a point in time upon full completion of the scope of works to the contract, however, for Initial Public offerings the performance obligation maybe specific to stage of completion of the services delivered | The separation of the performance obligation would be specific to the engagement and agreement with the client | For IPO fees it would be based on separation based on performance obligation as be the contact, this would be over time. | As at September 30 th 2019 the impact on the adopting of IFRS15 would be Nil because there were no contract in of that nature at the balance sheet date. |
| Pension Fund & Private Portfolio | Revenue are recognized at a point in time upon full completion of the scope of works to the contract | There is not separation of performance obligation | Completion of full service at a point in time | Nil |
| Other | Revenue are recognized at a point in time upon full completion of the scope of works to the contract | There is not separation of performance obligation | Completion of full service at a point in time | Nil |

The impact from the transition to IFRS 15 as at September 30th, 2019 is Nil.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

5 Cash and due from Other Banks

| | 2019 \$ | 2018 \$ |
|--------------------------------|-------------------|-------------------|
| Cash at bank | 13,367,852 | 34,060,385 |
| Short term deposit | <u>6,206,200</u> | <u>6,128,376</u> |
| | <u>19,574,052</u> | <u>40,188,761</u> |
| | 2019 \$ | 2018 \$ |
| Short-term investments: | | |
| - Maturity within 3 months | 707,099 | 697,805 |
| - Maturity over 3 months | <u>5,499,101</u> | <u>5,430,571</u> |
| | <u>6,206,200</u> | <u>6,128,376</u> |

The average effective interest rate on short-term deposits was 1.18% in September 2019 (2018: 1.23%); these deposits have an average maturity of 90 days (2018: 90 days). The average effective interest rate on investments with a maturity of over 3 months (365 days) is 1.57% (2018: 1.70%).

Cash and cash equivalents include the following for the purposes of the statement of cash flow:

| | | |
|---|-------------------|-------------------|
| Cash and bank balances | 13,367,852 | 34,060,385 |
| Short-term investments – maturity within three months | <u>707,099</u> | <u>697,805</u> |
| Cash and cash equivalents | <u>14,074,951</u> | <u>34,758,190</u> |

6 Financial assets through other comprehensive income

| | | |
|------------|------------------|------------------|
| - Listed | -- | -- |
| - Unlisted | <u>5,602,800</u> | <u>2,375,808</u> |
| | <u>5,602,800</u> | <u>2,375,808</u> |

The movement in financial assets valued at fair value through other comprehensive income may be summarised as follows:

| | | |
|---|------------------|------------------|
| At beginning of year | 2,375,808 | 2,639,394 |
| Gains/(Losses) from changes in fair value | 3,226,992 | (247,176) |
| Fair value through Profit and Loss | <u>--</u> | <u>(16,410)</u> |
| At end of year | <u>5,602,800</u> | <u>2,375,808</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

7 Financial assets at fair value through profit or loss

| | 2019 \$ | 2018 \$ |
|-------------------|----------------|----------------|
| Equity securities | | |
| - Listed | <u>146,386</u> | <u>148,893</u> |

The movement in financial assets at fair value through profit or loss may be summarised as follows:

| | | |
|---|----------------|----------------|
| At beginning of year | 148,893 | 655,195 |
| Disposals | (4,740) | (496,044) |
| (Losses)/Gains from changes in fair value (Note 16) | 2,269 | (26,668) |
| Assets written off | (36) | -- |
| Reclassification of Other comprehensive income to Fair value through profit and loss | <u>--</u> | <u>16,410</u> |
| At end of year | <u>146,386</u> | <u>148,893</u> |

The above securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the groups of financial instruments is reported to management on that basis.

8 Other debtors and prepayments

| | 2019 \$ | 2018 \$ |
|------------------|----------------|----------------|
| Due from brokers | 309,288 | 456,181 |
| Due from clients | 80,688 | 56 |
| Other debtors | 14,522 | 47,516 |
| Prepayments | <u>39,097</u> | <u>7,651</u> |
| | <u>443,595</u> | <u>511,404</u> |

As at the date of these financial statements, the ECL on these receivables is nil.

9 Intangible assets

The Company purchased 10 Class "A" shares in the TTSE in 2001. This purchase gave the Company the right to conduct brokerage operations on the TTSE. In 2012, these shares were converted to 110,400 ordinary shares due to a restructuring at the TTSE. The cost of the right obtained is presented as an intangible asset. Although there is no active market for the right, the intangible asset is reviewed annually for impairment.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

10 Property, plant and equipment

| | Computer equipment \$ | Office equipment, furniture & motor vehicles \$ | Total \$ |
|-------------------------------------|-----------------------------|---|----------------|
| Year ended 30 September 2019 | | | |
| Opening net book value | 13,997 | 302,517 | 316,514 |
| Additions | -- | -- | -- |
| Disposals | -- | -- | -- |
| Depreciation on disposals | -- | -- | -- |
| Depreciation charge | (6,830) | (82,505) | (89,335) |
| Closing net book value | 7,167 | 220,012 | 227,179 |
| At 30 September 2019 | | | |
| Cost | 33,248 | 330,019 | 363,267 |
| Accumulated depreciation | (26,081) | (110,007) | (136,088) |
| Net book value | 7,167 | 220,012 | 227,179 |
| Year ended 30 September 2018 | | | |
| Opening net book value | 5,204 | 29,799 | 35,003 |
| Additions | 14,615 | 330,019 | 344,634 |
| Disposals | -- | (178,798) | (178,798) |
| Depreciation on disposals | -- | 178,798 | 178,798 |
| Depreciation charge | (5,822) | (57,301) | (63,123) |
| Closing net book value | 13,997 | 302,517 | 316,514 |
| At 30 September 2018 | | | |
| Cost | 33,248 | 330,019 | 363,267 |
| Accumulated depreciation | (19,251) | (27,502) | (46,753) |
| Net book value | 13,997 | 302,517 | 316,514 |
| At 30 September 2017 | | | |
| Cost | 18,633 | 178,798 | 197,431 |
| Accumulated depreciation | (13,429) | (148,999) | (162,428) |
| Net book value | 5,204 | 29,799 | 35,003 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

11 Payables and other liabilities

| | 2019 \$ | 2018 \$ |
|------------------------|------------------|-------------------|
| Due to brokers | 344,446 | 6,268,802 |
| Due to clients | 5,280,286 | 2,650,386 |
| Due to related parties | 1,609,401 | 4,082,285 |
| Tax Payable | -- | 376,382 |
| | <u>7,234,133</u> | <u>13,377,855</u> |

The Corporation tax payable for 30 September 2019 was nil (2018: \$376,382)

12 Deferred income tax assets

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%.

The movement on the deferred tax account is as follows:

| | 2019 \$ | 2018 \$ |
|--------------------------------------|------------------|-----------------|
| At beginning of year | 457,390 | 511,889 |
| Statement of income charge (Note 19) | 9,905 | 19,656 |
| Fair value reserve (Note 14) | <u>968,098</u> | <u>(74,155)</u> |
| At end of year | <u>1,435,393</u> | <u>457,390</u> |

| | Opening balance 1 October 2018 \$ | Fair value reserve \$ | Charged to statement of income \$ | Closing balance 30 September 2019 \$ |
|---|---|-----------------------------|--|--|
| <i>Deferred tax assets</i> | | | | |
| Financial assets at fair value through the profit or loss | (160,357) | -- | (203) | (160,560) |
| Accelerated tax depreciation | <u>(93,659)</u> | -- | 10,108 | <u>(83,551)</u> |
| Net deferred income tax asset | <u>(254,016)</u> | -- | 9,905 | <u>(244,111)</u> |
| <i>Deferred tax liabilities</i> | | | | |
| Prior period change in Tax | 147,485 | -- | -- | 147,485 |
| Financial assets at fair value through the profit or loss | <u>563,921</u> | 968,098 | -- | <u>1,532,019</u> |
| Deferred income tax liability | <u>711,406</u> | 968,098 | -- | <u>1,679,504</u> |
| Net deferred income tax liability | <u>457,390</u> | 968,098 | 9,905 | <u>1,435,393</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

12 Deferred income tax assets (continued)

| | Opening balance 1 October 2017 \$ | Fair value reserve \$ | Charged to statement of income \$ | Closing balance 30 September 2018 \$ |
|--|---|-----------------------------|--|--|
| <i>Deferred tax assets</i> | | | | |
| Financial assets at fair value through the profit or loss | (168,366) | -- | 8,009 | (160,357) |
| Accelerated tax depreciation | (105,306) | -- | 11,647 | (93,659) |
| Net deferred income tax asset | (273,672) | -- | 19,656 | (254,016) |
| <i>Deferred tax liabilities</i> | | | | |
| Prior period change in Tax | 147,485 | -- | -- | 147,485 |
| Financial assets at fair value through the profit or loss | 638,076 | (74,155) | -- | 563,921 |
| Deferred income tax liability | 785,561 | (74,155) | -- | 711,406 |
| Net deferred income tax liability | 511,889 | (74,155) | 19,656 | 457,390 |

13 Share capital

| | 2019 \$ | 2018 \$ |
|--|------------------|------------------|
| Authorised | | |
| An unlimited number of ordinary shares of no par value | | |
| Issued and fully paid | | |
| 5,000,000 ordinary shares of no par | <u>5,000,000</u> | <u>5,000,000</u> |

14 Fair value reserve

| | 2019 \$ | 2018 \$ |
|--|------------------|------------------|
| Fair value through Other Comprehensive Income | <u>3,771,867</u> | <u>1,512,973</u> |
| <i>Fair value through Other Comprehensive Income</i> | | |
| At beginning of year | 1,512,973 | 1,685,996 |
| Net gains from changes in fair value | 3,226,992 | (247,178) |
| Deferred tax charge (Note 12) | <u>(968,098)</u> | <u>74,155</u> |
| At end of year | <u>3,771,867</u> | <u>1,512,973</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

15 Brokerage fee and commission expense

| | 2019 \$ | 2018 \$ |
|--------------------------------|----------------|----------------|
| Commission sharing expenses | 818,898 | 17,979 |
| Commission rebate | 51,377 | 49,532 |
| Compensation fund contribution | 51,377 | 49,532 |
| | <u>921,652</u> | <u>117,043</u> |

The business entered into a new commission sharing agreement with internal stakeholders, which has resulted in an increase in commission sharing expenses in 2019: \$674,383.44 (2018: nil).

16 Gains/(losses) from financial assets

| | | |
|--|--------------|----------------|
| Gain / (Loss) from changes in fair value | 677 | (26,668) |
| Gain on sale of financial assets | 1,592 | 357,652 |
| | <u>2,269</u> | <u>330,984</u> |

17 Other income

| | | |
|----------------------------|----------------|-------------------|
| Interest income | 85,174 | 76,929 |
| Other fees and commissions | 54,089 | 4,022,515 |
| Capital market fee income | 751,945 | 26,000,000 |
| Net foreign exchange gain | (133) | 29 |
| | <u>891,075</u> | <u>30,099,473</u> |

Included within other income are application, processing and sub-distribution fees earned for services provided relating to capital market and structuring transactions.

18 Operating expenses

| | | |
|-----------------------------|------------------|-------------------|
| Staff costs | 942,457 | 830,704 |
| Other expenses | 228,355 | 254,652 |
| Depreciation | 89,335 | 63,123 |
| Computer operating expenses | 71,026 | 52,528 |
| Audit fees | 147,656 | 141,750 |
| Legal and professional fees | 81,907 | 79,577 |
| Travel and entertainment | 66,815 | 42,050 |
| Directors emoluments | 134,415 | 134,413 |
| Capital market expenses | (161,554) | 13,963,738 |
| | <u>1,600,412</u> | <u>15,562,535</u> |

Capital market expenses for 2019 reflects a net recovered amount for over accrued fees from 2018 for IPO fees.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

| 18 Operating expenses (continued) | 2019 | 2018 |
|-----------------------------------|----------------|----------------|
| | \$ | \$ |
| <i>Staff costs</i> | | |
| Wages and salaries | 716,274 | 611,299 |
| National Insurance | 30,703 | 28,725 |
| Bonus and commissions | 110,859 | 119,383 |
| Health plan expense | 6,686 | 6,474 |
| Pension plan expense | 73,953 | 64,823 |
| Staff training | 3,982 | -- |
| | <u>942,457</u> | <u>830,704</u> |

The number of permanently employed staff as at the year-end was 2 (2018: 2).

| 19 Taxation | 2019 | 2018 |
|-----------------------------------|----------------|------------------|
| | \$ | \$ |
| Deferred tax (Note 12) | 9,905 | 19,656 |
| Corporation tax | 342,346 | 5,370,145 |
| Prior year under/(over) provision | (27,723) | -- |
| | <u>324,528</u> | <u>5,389,801</u> |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic rate of tax as follows:

| | | |
|--|------------------|-------------------|
| Profit before tax | <u>1,516,351</u> | <u>17,930,216</u> |
| Tax calculated at 30% | 454,905 | 5,379,065 |
| Prior year under/(over) provision | (27,723) | |
| Income exempt from tax | (142,357) | (8,000) |
| Expenses not deductible for tax purposes | 29,595 | 29,905 |
| Net effect of other charges and allowances | <u>10,108</u> | <u>(11,169)</u> |
| | <u>324,528</u> | <u>5,389,801</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

20 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The parent of the Company as at 30 September 2019 was First Citizens Investment Services Limited. First Citizens Investment Services Limited is incorporated in Trinidad and Tobago with its ultimate parent company being First Citizens Holdings Limited, a company owned by the Government of the Republic of Trinidad and Tobago (GORTT). A number of transactions are entered into with related parties in the normal course of business. These generally relate to purchase and sale of shares on behalf of related parties.

| | Directors | | Related companies | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 30 September 2019 \$ | 30 September 2018 \$ | 30 September 2019 \$ | 30 September 2018 \$ |
| Statement of income | | | | |
| Fees and commission income | -- | -- | 74,939 | 67,367 |
| Salaries and other short-term employee benefits | (134,415) | (134,413) | -- | -- |
| | <u>(134,415)</u> | <u>(134,413)</u> | <u>74,939</u> | <u>67,367</u> |
| Statement of financial position amounts due (to)/from | | | | |
| Cash and due from other banks | -- | -- | 18,739,570 | 37,464,905 |
| Payables and other liabilities | -- | -- | (1,609,402) | (4,082,285) |
| | <u>--</u> | <u>--</u> | <u>17,130,168</u> | <u>33,382,620</u> |

21 Commitments

The Company has no capital or credit commitments as at 30 September 2019 (2018: nil).

22 Contingent liabilities

The Company is not involved in any claims and counterclaims arising from the conduct of its business.

23 Subsequent events

There were no events after the financial position date which were material to the financial statements and should have resulted in adjustment to the financial statement or disclosures when the financial statements were authorised for issue.

**First Citizens Brokerage and Advisory Services Limited
(A Subsidiary of First Citizens Investment Services Limited)**

Financial Statements

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

First Citizens Brokerage and Advisory Services Limited

| Contents | Page |
|--|-------------|
| Statement of Management's Responsibilities | 1 |
| Independent Auditor's Report | 2 - 3 |
| Statement of Financial Position | 4 |
| Statement of Income | 5 |
| Statement of Comprehensive Income | 6 |
| Statement of Changes in Equity | 7 |
| Statement of Cash Flows | 8 |
| Notes to the Financial Statements | 9 – 50 |

First Citizens Brokerage and Advisory Services Limited

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of First Citizens Brokerage and Advisory Services Limited (the "Company") which comprise the statement of financial position as at 30 September 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

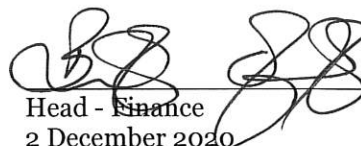
In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



General Manager
2 December 2020


Head - Finance
2 December 2020



Independent Auditor's Report

To the shareholders of
First Citizens Brokerage and Advisory Services Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of First Citizens Brokerage and Advisory Services Limited (the Company) as at 30 September 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 30 September 2020;
- the statement of income for the year ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (Continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Port of Spain
Trinidad, West Indies
8 December 2020

First Citizens Brokerage and Advisory Services Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

| | Notes | As at 30 September | |
|---|-------|-----------------------|-------------------|
| | | 2020 \$ | 2019 \$ |
| Assets | | | |
| Cash and due from other banks | 5 | 19,006,239 | 19,574,052 |
| Financial assets | | | |
| - Fair value through other comprehensive income | 6 | 5,174,465 | 5,602,800 |
| - Fair value through profit or loss | 7 | 127,028 | 146,386 |
| Other debtors and prepayments | 8 | 641,222 | 443,595 |
| Tax recoverable | | 1,450,750 | 1,435,139 |
| Intangible assets | 9 | 848,571 | 848,571 |
| Property, plant and equipment | 10 | 139,148 | 227,179 |
| Total assets | | <u>27,387,423</u> | <u>28,277,722</u> |
| Liabilities | | | |
| Payables and other liabilities | 11 | 4,641,869 | 7,234,133 |
| Tax payable | | 322,016 | -- |
| Deferred tax | 12 | 1,315,872 | 1,435,393 |
| | | <u>6,279,757</u> | <u>8,669,526</u> |
| Shareholders' equity | | | |
| Share capital | 13 | 5,000,000 | 5,000,000 |
| Retained earnings | | 12,635,634 | 10,836,329 |
| Fair value reserve | 14 | 3,472,032 | 3,771,867 |
| Total shareholders' equity | | <u>21,107,666</u> | <u>19,608,196</u> |
| Total equity and liabilities | | <u>27,387,423</u> | <u>28,277,722</u> |

The notes on pages 9 to 50 are an integral part of these financial statements.

On 2 December 2020, the Board of Directors of First Citizens Brokerage and Advisory Services Limited authorised these financial statements for issue.

 Director

 Director

First Citizens Brokerage and Advisory Services Limited

Statement of Income

(Expressed in Trinidad and Tobago Dollars)

| | | Year ended 30 September | |
|--|-------|----------------------------|--------------------|
| | Notes | 2020 \$ | 2019 \$ |
| Brokerage fee and commission income | 15 | 2,751,274 | 2,568,750 |
| Brokerage fee and commission expense | 16 | <u>(1,267,876)</u> | <u>(921,652)</u> |
| Net brokerage fee and commission income | | 1,483,398 | 1,647,098 |
| Dividend income | | 291,458 | 426,321 |
| (Losses)/gains from financial assets | 17 | (19,359) | 2,269 |
| Investment management fees | | -- | 150,000 |
| Other income | 18 | <u>2,688,726</u> | <u>891,075</u> |
| Total income | | 4,444,223 | 3,116,763 |
| Operating expenses | 19 | <u>(1,945,933)</u> | <u>(1,600,412)</u> |
| Profit before taxation | | 2,498,290 | 1,516,351 |
| Taxation | 20 | <u>(698,985)</u> | <u>(324,528)</u> |
| Profit after taxation | | <u>1,799,305</u> | <u>1,191,823</u> |

The notes on pages 9 to 50 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

| | | Year ended 30 September | |
|---|------|----------------------------|------------------|
| | Note | 2020 \$ | 2019 \$ |
| Profit for the year | | 1,799,305 | 1,191,823 |
| Change in fair value of other comprehensive income, net of tax | 14 | <u>(299,835)</u> | <u>2,258,894</u> |
| Other comprehensive (loss)/income for the year, net of tax | | <u>(299,835)</u> | <u>2,258,894</u> |
| Total comprehensive income for the year | | <u>1,499,470</u> | <u>3,450,717</u> |

The notes on pages 9 to 50 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

| | Share capital \$ | Retained earnings \$ | Fair value reserves \$ | Total shareholders' equity \$ |
|---|------------------------|----------------------------|------------------------------|--|
| Balance at 1 October 2019 | 5,000,000 | 10,836,329 | 3,771,867 | 19,608,196 |
| Profit for the year | -- | 1,799,305 | -- | 1,799,305 |
| <i>Other comprehensive income</i> | | | | |
| Net change in fair value of Other Comprehensive Income | -- | -- | (299,835) | (299,835) |
| Total comprehensive income for the year | -- | 1,799,305 | (299,835) | 1,499,470 |
| <i>Transactions with owners</i> | | | | |
| Ordinary dividends paid | -- | -- | -- | -- |
| Extraordinary dividends paid | -- | -- | -- | -- |
| Total transactions with owners | -- | -- | -- | -- |
| Balance at 30 September 2020 | 5,000,000 | 12,635,634 | 3,472,032 | 21,107,666 |
| Balance at 1 October 2018 | 5,000,000 | 24,041,733 | 1,512,973 | 30,554,706 |
| Profit for the year | -- | 1,191,823 | -- | 1,191,823 |
| <i>Other comprehensive income</i> | | | | |
| Net change in fair value of Other Comprehensive Income | -- | -- | 2,258,894 | 2,258,894 |
| Total comprehensive income for the year | -- | 1,191,823 | 2,258,894 | 3,450,717 |
| <i>Transactions with owners</i> | | | | |
| Ordinary dividends paid | -- | (6,897,227) | -- | (6,897,227) |
| Extraordinary dividends paid | -- | (7,500,000) | -- | (7,500,000) |
| Total transactions with owners | -- | (14,397,227) | -- | (14,397,227) |
| Balance at 30 September 2019 | 5,000,000 | 10,836,329 | 3,771,867 | 19,608,196 |

The notes on pages 9 to 50 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

| | Note | Year ended 30 September | |
|---|------|----------------------------|--------------|
| | | 2020 \$ | 2019 \$ |
| Cash flows from operating activities | | | |
| Profit before taxation | | 2,498,290 | 1,516,351 |
| Adjustments to reconcile profit to net cash from operating activities: | | | |
| Depreciation | | 88,031 | 89,335 |
| Fair value loss/(gain) on financial assets | | 19,359 | (677) |
| Gain on disposal of financial assets | | -- | (1,555) |
| Income taxes paid | | (381,792) | (2,126,144) |
| Cash flows from operating profits before changes in operating assets and liabilities | | 2,223,888 | (522,690) |
| Net change in other debtors and prepayments | | (213,237) | (1,367,331) |
| Net change in payables and other liabilities | | (2,578,464) | (4,332,201) |
| Net cash outflow from operating activities | | (567,813) | (6,222,222) |
| Cash flows from investing activities | | | |
| Sale proceeds of financial assets | | -- | 4,740 |
| Net change in short term investments | | (93,690) | (68,530) |
| Net cash outflow from investing activities | | (93,690) | (63,790) |
| Cash flows from financing activities | | | |
| Ordinary dividends paid | | -- | (6,897,227) |
| Extraordinary dividends paid | | -- | (7,500,000) |
| Net cash outflow from financing activities | | -- | (14,397,227) |
| Net decrease in cash and cash equivalent | | (661,503) | (20,683,239) |
| Cash and cash equivalents at beginning of year | | 14,074,951 | 34,758,190 |
| Cash and cash equivalents at end of year | | 13,413,448 | 14,074,951 |
| Represented by: | | | |
| Cash at bank | 5 | 12,695,753 | 13,367,852 |
| Short term investments - maturity within three months | 5 | 717,695 | 707,099 |
| Cash and cash equivalents | | 13,413,448 | 14,074,951 |

The notes on pages 9 to 50 are an integral part of these financial statements.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

1 General information

First Citizens Brokerage and Advisory Services Limited is incorporated in the Republic of Trinidad and Tobago and its principal business includes dealing in securities on the Trinidad and Tobago Stock Exchange and such other business as is authorised pursuant to its registration under the Securities Industry Act 1995 of the Republic of Trinidad and Tobago.

Effective 1 October 2011, First Citizens Investment Services Limited (FCIS) assumed control of the Company. The ultimate parent company is First Citizens Holdings Limited, a company with a 64.43% controlling interest and is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the shares are listed on the Trinidad and Tobago Stock Exchange and are publicly traded.

The Company's registered office is 17 Wainwright Street, St. Clair, Port of Spain.

2 Summary of significant accounting policies

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

a. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold premises, fair value through profit and loss and fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(i) Standards, amendment and interpretations which are effective and have been adopted by the Company in the accounting period

- IFRS 16 Leases (effective 1 January 2019). This standard specifies how an IFRS reporter will recognise, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance (Note 2.1)
- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities' examinations
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - The effect of changes in facts and circumstances

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards are not yet effective for accounting periods beginning on or after 1 January 2020 and have not been early adopted by the Company:

- Amendments to IAS 1 and IAS 8 - Definition of Material (Effective 1 January 2020). The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform (Effective 1 January 2020). The amendments in *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
- Amendment to IFRS 3 –Amendments in *Definition of a Business (Effective 1 January 2020)*. The amendments are changes to Appendix A Defined Terms, the application guidance, and illustrative examples of IFRS are:-
 - clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and substantive process that together significantly contribute to the ability to create outputs
 - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
 - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
 - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
 - add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
- Amendments to IFRS 16- *Covid-19-Related Rent Concessions (Effective 1 June 2020)*. The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The company does not have any rental leases and therefore does not anticipates any impact of the new and revised standards not yet effective on the Financial Statements,

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

b. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT\$6.7124 = US\$1.00 (2019: TT\$6.6926 = US\$1.00), which represent the Company's mid-rate.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in the amortised cost are recognised in the profit or loss and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary items such as equities classified as fair value through other comprehensive income financial assets are included in other comprehensive income.

c. Cash and due from other banks

For purposes of the statement of cash flows, cash and cash equivalents comprise of cash balances on hand, deposits with other banks and short-term highly liquid investments with original maturities of three months or less when purchased.

d. Financial assets and financial liabilities

(i) Financial assets

The Group classifies its financial assets in the following business models:

- Hold for trading
- Hold to collect and sell or
- Hold to collect

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.a. Interest income from these financial assets – cash and due from other banks are included in "Interest income" using the effective interest rate method.

Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represents solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognized in "Net Investment Income". Financial assets in this category include unlisted equity instruments that are held for investment.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the "income statement within "Gains on investments securities" in the period in which it arises, unless it arises from debt instruments that were classified at fair value or which are not held for trading, in which case they are presented in Investment Interest Income. Financial assets in this category include listed equity instruments that are held for investment.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Group's Business model

The business model reflects how the Group manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Group's objective is solely to collect the contractual cash flows from the assets or it to collect both the contractual cash flows and cash flows arising from the sale of the assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel.
- Managements identification of and response to various risks, which includes but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- Management considers, in classifying its assets, the level of historical sales and forecasted liquidity requirements.

Arising out of the assessment the portfolios were deemed to have the business models identified as follows:

| Hold to Collect & Sell | Hold for Trading |
|------------------------|--------------------|
| Cash | Equity Investments |

Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- (i) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (ii) The time value of money; and
- (iii) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
- (iv) Note 3.a.iii provides more detail of how the expected credit loss allowance is measured.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. *Financial assets and financial liabilities (continued)*

(i) *Financial assets (continued)*

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares.

The Company subsequently measures all equity investments at fair value through profit or loss, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Gain and losses on equity investments classified as FVPL are included in the Income Statement.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. *Financial assets and financial liabilities (continued)*

(ii) *Financial liabilities*

(a) *Classification and subsequent measurement*

In both the current and prior period, financial liabilities are classified and subsequently measured at amortised cost.

(b) *Derecognition*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

e. *Impairment of non-financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

f. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The difference between sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective interest method.

g. *Lease transactions*

Policies applicable after 1 October 2019

The Company has adopted IFRS 16 effective October 1 2019, replaces IAS 17 and IFRIC 4. The comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

For all new contracts entered into on or after October 1 2019, the Company assesses whether a contract is, or contains a lease. A lease is defined as "a contract that conveys the right-of-use an asset for a period of time in exchange for consideration". To assess whether a contract conveys the right-of-use of an asset, the Company assesses whether:

- the contract contains an identified assets, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all the economic benefits from use of the assets through the period of use
- the Company has the right to direct the use of the asset throughout the period of use. The Company has this right when it has the rights to direct "how and for what purpose" the asset is used.

(i) *The Company as the lessee*

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From October 1 2019, the Company recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Company. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

g. Lease transactions (continued)

Policies applicable after 1 October 2019 (continued)

(i) The Company as the lessee (continued)

The Company depreciates the right-of-use assets on a straight line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The Company also assess the right-of-use asset for impairment when such indicators exists.

The Company measures the lease liability at the present value of the lease payments not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate, which is the Repos rate. Lease liabilities include the net present value of the following lease payments:-

- fixed payments, including in-substance fixed payments, less any lease incentive
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at the commencement date
- amount expected to be payable by the Company under residual value guarantees
- the exercise price under a purchase option, if the Company is reasonably certain to exercise that option
- lease payments in an optional renewal period, if the Company is reasonable certain to exercise
- penalties for early termination of a lease, if the lease term reflects the Company exercising this option

Payments associated with short-term leases and all low-value assets are recognised on a straight-line basis as an expenses in the income statement. Short-term leases are leases with a term of twelve (12) months or less. Low-value assets comprise IT equipment and small items of office furniture.

Policies applicable prior to 1 October 2019

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

Leases in which a significant portion of the risks and methods of ownership are retained by another party, the lessor, are classified as operating leases. Leases of assets where the Company has substantially all the risk and rewards of ownership are classified as finance leases.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

g. Lease transactions (continued)

Policies applicable prior to 1 October 2019 (continued)

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

Leases in which a significant portion of the risks and methods of ownership are retained by another party, the lessor, are classified as operating leases. Leases of assets where the Company has substantially all the risk and rewards of ownership are classified as finance leases.

(i) *The Company as the lessee*

Should the Company entered into operating leases where the total payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the period has expired, any penalty payment made to the lessor is recognised as an expense in the period in which termination takes place.

When assets are held subject to a finance lease, an asset and liability is recognised in the consolidated statement of financial position at amounts equal at inception to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the outstanding liability so as to achieve a constant rate on the finance balance outstanding.

The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(ii) *The Company as the lessor*

The Company's accounting policy under IFRS 16 has not changed.

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return on the remaining balance of the asset for each period.

There were no Finance leases operating leases recognised by the company at the Statement of Financial Position date.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

h. *Other debtors and prepayments*

Other debtors and prepayments consist of amounts due from brokers, clients, staff advances and related parties. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

i. *Property, plant and equipment*

Property, plant and equipment are stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold improvements and equipment are recorded at cost less accumulated depreciation.

Depreciation and amortisation are computed on all assets except land.

The provision for depreciation and amortisation is computed using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

| | |
|---------------------------------------|--------------------------------------|
| Equipment and furniture | 4-5 years |
| Computer equipment and motor vehicles | 3-5 years |
| Leasehold improvements | Amortised over the life of the lease |

The assets' useful lives are reviewed and adjusted if appropriate at each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the assets fair value less cost to sell and value in use. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recognised within the income statement. When revalued assets are sold, the amounts included in fair value reserves are transferred to retained earnings.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

j. *Intangible assets*

Intangible assets comprise separately identifiable items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight line method over the period that the benefits from these assets are expected to be consumed, generally not exceeding 20 years. Intangible assets with an indefinite useful life are not amortised. At each date of the statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

The Company chooses to use the cost model for the measurement after recognition.

Intangible assets with indefinite useful life are tested annually for impairment and whenever there is an indication that the asset may be impaired.

(i) *Other Intangible assets*

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributes to the assets with flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets are stated at cost less amortisation and provisions for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flow.

(ii) *Computer software*

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets when the following criteria are met:

- It is technically feasible to complete the software and use it.
- Management intends to complete the software and use it.
- There an ability to use the software.
- Adequate technical, financial and other resources to complete the development and to use it.
- The expenditure attributable to the software during its development can be reliably measured.

The software development costs are amortised using the straight-line method over their useful lives but not exceeding a period of three (3) years.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

k. *Employee benefits*

(i) *Pension Plan - First Citizens Group defined benefit pension plan*

The FCB Group operates a defined benefit plan, which is a pension plan that defines an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. This pension plan is funded by payments from employees and by the Company, taking account of the recommendations of independent qualified actuaries.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in Group's statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is calculated based on cash outflows allocated to current or prior periods using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

(ii) *Profit sharing and bonus plans*

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the Group's profit before taxation. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iii) *Employee stock option plan*

The Group operates a cash-settled based remuneration plan for its employees. A liability is recognised for the fair value of the cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in the fair value recognised in the income statement. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

l. *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

l. Provisions (continued)

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

m. Payables and other liabilities

Payables and other liabilities represent short term obligations to brokers, clients, business related expenses and related parties. These are short term in nature and settlement is expected within one year. Payables and other liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised costs.

n. Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

o. Fee and commission income

IFRS15 core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The performance obligations is very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

o. *Fee and commission income (continued)*

Fees and commissions are recognised at a point in time when the service has been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised at a point in time on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis, which is normally on a monthly billing cycle at a point in time.

Asset management fees related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled at a point in time.

Brokerage & Advisory fees are generally recognized at a point in time upon full completion of the scope of works to the contract, however, for Initial Public Offerings and services of that nature the performance obligation may be specific to the stage of completion of the services performance obligation. In addition some contracts may require variation to the performance obligation based on the client specifications. These contracts would qualify for revenue recognition over time.

p. *Investment management fees*

From October 2011, management fees related to the provision of portfolio and other management advisory services are recognised monthly based on a fixed Service Level Agreement between the Company and its parent which is reviewed annually. This agreement covers the provision of the advisory services.

q. *Interest income and expense*

Interest income and interest expense are recognised in the income statement for all interest bearing instruments on an accrual basis using the effective interest method based on the initial carrying amount. Interest income includes coupons earned on fixed income investments and deposits.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or the amortised cost of a financial liability. The calculation does not consider expected credit losses and include transaction cost, premium, discounts and fees and point paid or received that are integral to the effective interest rate, such as origination fees.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cashflows for the purpose of measuring the impairment loss.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued) 30 September 2020

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

r. *Dividend income*

Dividends are recognised in the statement of income when the Company's right to receive payment is established.

s. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Board of Directors. Dividends for the year, which are declared after the year-end, are disclosed in the subsequent events note when applicable.

t. *Fiduciary activities*

The Company acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Company.

2.1 Change in accounting policies

The Company has adopted IFRS 16 as issued by the IASB in January 2016, with a date of transition of 1 October 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements.

The Company has applied IFRS 16 using the modified retrospective approach which:-

- Requires the Company to recognise the cumulative effect initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application
- Does not permit restatement of comparative, which continue to be presented under IAS 17 and IFIC 43

On adoption of IFRS 16, the Company had no lease liabilities in relations to leases which had previously been classified as "operating leases", under IAS 17 Leases. If liabilities existed those amounts would have been measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate/ funding cost as at October 1 2019, as no implicit interest rate existed in the leases. The present value of the lease liabilities will be determined using the average cost of borrowing for the Group which is 3%.

There were no leases previously classified as finance leases.

The impact of the adoption of IFRS 16 on the Company is as follows:-

On transition to IFRS 16, the Company recognised the following transactions on the Statement of financial position:-

| | |
|--------------------|-----|
| Right of use asset | NIL |
| Lease liability | NIL |
| Retained earnings | NIL |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management framework

The Board of Directors of First Citizens Bank Limited (the Group) has overall responsibility for the establishment and oversight of the Group's risk management framework. To assist the Board of Directors in fulfilling its duties, two Board sub-committees were established at the First Citizens Group level to monitor and report to the Board of Directors on the overall risks within the First Citizens Group - the Board Enterprise Risk Management Committee and the Board Credit Committee, and one management level committee - Asset Liability Committee.

The Group Enterprise Risk Management Unit, headed by the Group Chief Risk Officer, reports to both sub-committees of the Board. They are responsible for the management, measurement, monitoring and control of operational, market and credit risk for the Group through the Group Operational Risk & Controls Unit, Group Credit Risk Management Unit, Group Market Risk Unit and Group Business Continuity Planning Unit. The Group Enterprise Risk Management Unit reports into the Senior Management Enterprise Risk Committee to allow monitoring of the adherence to risk limits and the impact of developments in the aforementioned risk areas on strategy and how strategy should be varied in light of the developments.

The Asset Liability Committee (ALCO) was established to manage and monitor the policies and procedures that address financial risks associated with changing interest rates, foreign exchange rates and other factors that can affect the Group's liquidity. The ALCO seeks to limit risk to acceptable levels by monitoring and anticipating possible pricing differences between assets and liabilities across the Bank and the Group's various companies via the Group's Treasury and International Trade Centre. The Group Treasury and International Trade Centre's primary role and responsibility is to actively manage the Group's liquidity and market risks. The ALCO is also supported in some specific areas of activity by the Bank's Market Risk Committee.

As part of its mandate, the Board establishes written principles for overall risk management, as well as ensuring that policies are in place covering specific areas of risk, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Group Internal Audit Department is responsible for the independent review of risk management and the control environment, and reports its findings and recommendation to the Board Audit Committee.

The Board of Directors of the FCIS Group has overall responsibility for the establishment and oversight of the FCIS Group's risk management framework. The Board of FCIS has also established a Risk Management Committee (RMC) which oversees the risk management function of the FCIS Group.

The most important types of risk are credit risk, market risk, liquidity risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk

Credit risk is the risk that a counter party will cause a financial loss for the Company by failing to discharge an obligation. The Company generally does not provide advances to customers nor does it invest in debt securities. As a result, its exposure to credit risk is limited to other registered brokers and client accounts that are substantively supported by underlying securities. At 30 September 2020, the Company had no financial assets which were either impaired or past due.

Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on-statement of financial position assets are as follows:

| | Gross maximum exposure 2020 \$ | Gross maximum exposure 2019 \$ |
|-------------------------------|--|--|
| Cash and due from other banks | 19,006,239 | 19,574,052 |
| Other debtors | 531,957 | 404,498 |
| | <u>19,538,196</u> | <u>19,978,550</u> |

There were no credit risk exposures relating to off-statement of financial position items. The above table represents a worst case scenario of credit risk exposure to the Company as at 30 September 2020 and 30 September 2019, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-statement of financial position items.

As shown above, the total maximum exposure derived from cash and due from other banks and receivables is 100% (September 2019: 100%); while 0% represents investments (September 2019: 0%).

(i) Credit risk management

In its management of credit risks, the Group has established an organisational structure which supports the lending philosophy of the Group. This structure comprises the Board of Directors, the Board Credit Committee (BCC), Senior Management Enterprise Risk Committee (SMERC), the Group Chief Risk Officer (GCRO), the Group Credit Risk Management Unit and the Internal Audit Department. The Board of Directors maintains general oversight to ensure that policies and procedures are consistent with the strategic direction and credit philosophy of the Group and that they serve to bring the required level of protection over assets that are exposed to credit risks. To facilitate day to day decision making and timely implementation of decisions, the Board has delegated authority for specific areas to specific committees and/or officers with an appropriate reporting system to the Board.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(i) Credit risk management (continued)

The BCC focuses primarily on credit risk appetite and in so doing sanctions amendments to credit policies, delegation of lending authority to senior management and credit requests exceeding the authority of management. The SMERC together with the GCRO monitors the effectiveness of credit policies and procedures and may direct changes to strategies to improve the effectiveness of policies. The major focus of the Group Credit Risk Management Unit is to formulate credit policies, monitor compliance with them and on a continuous basis to assess their relevance to the changing business environment. Most of these policies are established and communicated through the Group's written Credit Policy Manual. This document sets out in detail the current policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function.

(a) Other assets

The Company exposure to credit risk is the outstanding amounts due from clients and brokerage companies which are settled within three working days following month end.

(ii) Expected credit loss measurement

IFRS9 outlines a 'three stage' mode; for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the value of the collectable amount within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

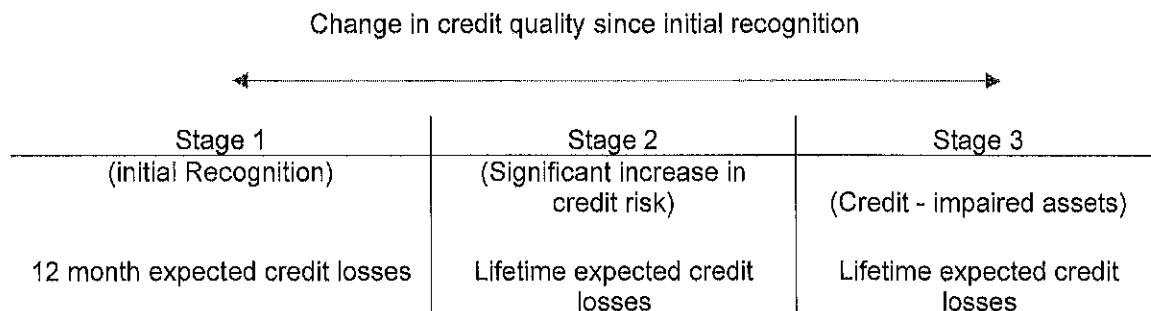
(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(ii) Expected credit loss measurement (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



(iii) Definition of default and credit-impaired assets

The FCB Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified Doubtful or worse as per the Group's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD), throughout the Group's expected loss calculations.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(vi) Risk limit control and mitigation policy

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, groups of borrowers, industry and country segments. The Group monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Group. These limits are implemented and monitored by the Group Credit Risk Management Unit via the stipulations of the Group Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Group would seek approval on an exception basis for variation to its standard approved limits from the Board of Directors.

(a) Industry exposure limits

These limits have been established based on a ranking of the riskiness of various industries. The ranking is guided by a model developed for the Company for this purpose. The model utilises a scale incorporating scores of 1 to 6 with 1 being the least risky. Exposure limits as a percentage of the total credit portfolio have been established for the various country exposure categories based on the risk ranking.

(b) Country exposure limits

Exposure limits have been established for selected countries which are considered to be within the Company's target market. Three risk categories have been developed and the selected countries have been assigned to these categories based either on ratings issued by acceptable rating agencies or the Company's own internal assessment of the economic and political stability of the target. Maximum cross border exposure has been limited to a pre-determined portion of total assets and this amount is allocated to the various risk categories with a larger share being allocated to the more highly rated categories.

(c) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Group's policies regarding obtaining collateral have not changed significantly during the period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(v) Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's effort to dispose of repossess collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 September 2020 was Nil (2019: \$55,999.32). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(vi) Concentration of risks of financial assets with credit risk exposure – Geographical sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region as of 30 September 2020. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties. The Company's investment portfolio comprising cash and cash equivalents, financial assets – Fair value through Other Comprehensive Income, Fair value through Profit and Loss and Other Assets and Receivables domiciled within the Caribbean. Limits for each country are reviewed on an annual or more frequent basis and the exposures are monitored on a daily basis. The country exposures are categorised into one regional sector and the sector concentration within the portfolio is as follows:

| | Caribbean \$'000 | Total \$'000 |
|--------------------------------|---------------------|-------------------|
| At 30 September 2020 | | |
| Cash and due from other banks | 19,006,239 | 19,006,239 |
| Other assets and receivables | 531,957 | 531,957 |
| | <hr/> | <hr/> |
| As at 30 September 2020 | 19,538,196 | 19,538,196 |
| | <hr/> | <hr/> |
| | Caribbean \$'000 | Total \$'000 |
| At 30 September 2019 | | |
| Cash and due from other banks | 19,574,052 | 19,574,052 |
| Other assets and receivables | 404,498 | 404,498 |
| | <hr/> | <hr/> |
| As at 30 September 2019 | 19,978,550 | 19,978,550 |
| | <hr/> | <hr/> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk

The Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in equity products which are exposed to general and specific market movements and changes in the level of volatility of equity prices. The Company separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are measured separately by the Group Market Risk Unit who submit reports to the Senior Management Enterprise Risk Committee on a regular basis and also reports via the Enterprise Risk Unit to the Board Enterprise Risk Committee to enable Board oversight of market risk issues.

Additionally, on a monthly basis, the Group's Pricing Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Group ALCO. This Committee also provides for the consideration of the Group ALCO technical information that may be relevant to current and developing market conditions from time to time.

Trading portfolios include those portfolios arising from market-making transactions where the Group acts as a principal with clients or with the market. Trading portfolios are those positions entered into primarily to take advantage of market movements to generate capital gains. Non-trading portfolios primarily arise from the interest-rate management of the Group's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of interest rate, foreign exchange and equity risks arising from the Company's financial assets held at fair value through other comprehensive income.

As part of the management of market risk, the Company uses overall exposure in relation to capital as the basis for controlling market risk.

As at 30 September 2020, the total value of assets to which the Company faced market risk represented 39.8% (September 2019: 39.8%).

(i) Currency risk sensitivity

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 30 September 2020, the Company had 33% cash and due from other banks (September 2019: 19%) and 35% liabilities (September 2019: 0.45%) denominated in a foreign currency.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(i) Currency risk sensitivity (continued)

Based on net foreign currency positions at 30 September 2020 the effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the respective currencies is as follows:

| | USD \$ | JMD \$ | BBD \$ |
|-----------------------------|-----------|-----------|-----------|
| At 30 September 2020 | | | |
| Loss | (112,968) | (2,632) | (50) |
| At 30 September 2019 | | | |
| Loss | (92,429) | (3,104) | (75) |

The effect of a 2.5% depreciation in the Trinidad and Tobago dollar against the US dollar would reduce Net income after tax by 6% (2019: 8%).

The sensitivity analysis for currency rate risk in the following table illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates at the end of the reporting period. For the sensitivity analysis, a 5% movement in USD to TTD exchange rates was used for 30 September 2020 and 30 September 2019.

| | Effects on shareholders' equity | | | |
|---------------------------------|---------------------------------|-------------------|-------------------|-------------------|
| | Year ended | | Year ended | |
| | 30 September 2020 | 30 September 2019 | 30 September 2020 | 30 September 2019 |
| | + 5% | - 5% | + 5% | - 5% |
| | \$ | \$ | \$ | \$ |
| Effects on shareholders' equity | 231,584 | (231,584) | 189,479 | (189,479) |

(ii) Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. It is the policy of the Company not to engage in speculative foreign exchange activities. The Board sets limits on the level of exposure by currency and in aggregate for all positions, which are monitored periodically. The Company does not currently engage in any hedging activities to mitigate currency risk. The Company's strategy of managing this risk is to buy low and sell high; establish relationships with corporate foreign exchange earners; limit foreign exchange exposure; avoid speculation with an aim to keep a balanced position; and match foreign currency denominated assets with foreign currency denominated liabilities. The Company does not currently engage in any hedging activities to mitigate currency risk. The table below summarises the Company's exposure to foreign currency exchange rate risk at September. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(ii) Foreign exchange risk (continued)

| At September 30 2020 | TT \$ | US \$ | JMD \$ | BBD \$ | Total \$ |
|---|-------------------|------------------|----------------|----------------|-------------------|
| Assets | | | | | |
| Cash and due from other banks | 12,746,845 | 6,151,462 | 107,932 | -- | 19,006,239 |
| Financial assets | | | | | |
| - Fair value through other comprehensive income | 5,174,465 | -- | -- | -- | 5,174,465 |
| - Fair value through profit or loss | 210 | 126,818 | -- | -- | 127,028 |
| Other assets & receivables | 530,020 | 1,937 | -- | -- | 531,957 |
| Total | 18,451,540 | 6,280,217 | 107,932 | -- | 24,839,689 |
| Liabilities | | | | | |
| Other liabilities and accrued expenses | 2,993,591 | 1,648,539 | -- | (2,070) | 4,640,060 |
| Total liabilities | 2,993,591 | 1,648,539 | -- | (2,070) | 4,640,060 |
| Net on-balance sheet financial position | 15,457,949 | 4,631,678 | 107,932 | 2,070 | 20,199,629 |
| | | | | | |
| At September 30 2019 | TT \$ | US \$ | JMD \$ | BBD \$ | Total \$ |
| Assets | | | | | |
| Cash and due from other banks | 15,768,027 | 3,678,746 | 127,279 | -- | 19,574,052 |
| Financial assets | | | | | |
| - Fair value through other comprehensive income | 5,602,800 | -- | -- | -- | 5,602,800 |
| - Fair value through profit or loss | 265 | 146,121 | -- | -- | 146,386 |
| Other assets & receivables | 403,829 | 669 | -- | -- | 404,498 |
| Total | 21,774,921 | 3,825,536 | 127,279 | -- | 25,727,736 |
| Liabilities | | | | | |
| Other liabilities and accrued expenses | 7,201,250 | 35,950 | -- | (3,067) | 7,234,133 |
| Total liabilities | 7,201,250 | 35,950 | -- | (3,067) | 7,234,133 |
| Net on-balance sheet financial position | 14,573,671 | 3,789,586 | 127,279 | 3,067 | 18,493,603 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(iii) Interest rate risk

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise. The Company's objective in the management of its interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. The strategy employed to achieve this involves the active pricing of diversifying portfolios in accordance with market trends and reducing funding mismatch through long-term instruments. The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| Interest rate maturities At 30 September 2020 | Up to 1 month \$ | 1 - 3 months \$ | 3 - 12 months \$ | 1 - 5 years \$ | Over 5 years \$ | Non- interest Bearing \$ | Total \$ |
|--|------------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------------------|-------------------|
| Assets | | | | | | | |
| Cash and due from other banks | 12,695,753 | -- | 6,310,486 | -- | -- | -- | 19,006,239 |
| Total | 12,695,753 | -- | 6,310,486 | -- | -- | -- | 19,006,239 |

| Interest rate maturities At 30 September 2019 | Up to 1 month \$ | 1 - 3 months \$ | 3 - 12 months \$ | 1 - 5 years \$ | Over 5 years \$ | Non- interest Bearing \$ | Total \$ |
|--|------------------------|-----------------------|------------------------|----------------------|-----------------------|-----------------------------------|-------------------|
| Assets | | | | | | | |
| Cash and due from other banks | 13,367,852 | -- | 6,206,200 | -- | -- | -- | 19,574,052 |
| Total | 13,367,852 | -- | 6,206,200 | -- | -- | -- | 19,574,052 |

If interest rates were to move by 1% the impact on net interest income will be \$974 (2019: \$852)

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

c. Price risk

Price risk arises due to the possibility that the fair value of 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 affected by changing prices of equity instruments mainly classified as fair value through other comprehensive income securities with fair value movements recognised in shareholders' equity. Management has determined that the impact of the price risk on equity instruments classified as fair value through other comprehensive income is immaterial at the end of both periods reported.

The sensitivity analysis for price risk below illustrates how changes in the fair value of the future cash flows of a financial instrument will fluctuate because of changes to prices at the end of the reporting period. Other than assets categorised as investment securities which are carried at fair value, the carrying value of all other financial assets and liabilities as presented on the statement of financial position is not significantly different from their fair value.

For the sensitivity analysis, a 10% movement in prices was used for 30 September 2020 and 30 September 2019: (10%).

| | Effects on profit before tax | | | |
|-------------------------------------|------------------------------|-----------|-------------------|-----------|
| | Year ended | | Year ended | |
| | 30 September 2020 | | 30 September 2019 | |
| | + 10% | - 10% | + 10% | - 10% |
| | \$ | \$ | \$ | \$ |
| Financial assets: | | | | |
| - Fair value through other | 517,447 | (517,447) | 560,280 | (560,280) |
| Comprehensive income: | | | | |
| - Fair value through profit or loss | 12,703 | (12,703) | 14,639 | (14,639) |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

d. *Liquidity risk*

The liquidity risk is the risk that the Company will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuation in cash flows. The undiscounted receivables and payables liquidity exposure is mitigated because these cash flows are generally settled within three to thirty days.

Liquidity risk management process

The Group's liquidity management process is carried out by the Treasury and International Trade Centre and monitored by the Group's Asset and Liability Committee (ALCO). The Group's liquidity management framework is designed to ensure that there are adequate reserves of cash and other liquid securities to satisfy current and prospective commitments arising from either on-statement of financial position or off-statement of financial position liabilities. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised.

Compliance with liquidity policies and risk limits is tracked by Group Market Risk Unit and reported into the Senior Management Enterprise Risk Committee via the Group Enterprise Risk Unit to the Board Enterprise Risk Committee.

The Company's financial liabilities are all payable within 1 month as at the statement of financial position date.

e. *Off-statement of financial position items*

(i) *Financial guarantees and other financial facilities*

As of 30 September 2020, the Company had no financial guarantees or other financial facilities that result in a commitment to meet financial obligations (2019: nil).

f. *Operational risk*

Operating risk is the risk of direct or indirect loss arising from system failure, human error, fraud and external events. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. The Company manages this risk by developing standards and guidelines in the following areas:

- Appropriate segregation of duties and access.
- Reconciling and monitoring of transactions.
- Documentation of controls and procedures.
- Training and development of staff.
- Reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Information security.
- Assessments of the processes.
- Business continuity planning

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

g. Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets presented on the statement of financial position at an amount other than their fair value.

| | Carrying value | | Fair value | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| <i>Financial assets</i> | | | | |
| Cash and due from other banks | 19,006,239 | 19,574,052 | 19,006,239 | 19,574,052 |
| Other debtors' | 531,957 | 404,498 | 531,957 | 404,498 |
| | <u>19,538,196</u> | <u>19,978,550</u> | <u>19,538,196</u> | <u>19,978,550</u> |
| <i>Financial liabilities</i> | | | | |
| Other liabilities | <u>4,640,060</u> | <u>7,234,133</u> | <u>4,640,060</u> | <u>7,234,133</u> |

The fair values of the Company's financial instruments are determined in accordance with International Accounting Standard (IFRS) 9 "Financial instruments: Recognition and Measurement".

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values.

Financial instruments where carrying value is approximately equal to fair value include cash and due from other banks and other debtors.

Cash and due from other banks

This amount represents short term deposits and other bank balances. The fair value of these short term deposits is approximately equal to their carrying amount.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

g. Fair value of financial assets and liabilities (continued)

(i) Financial instruments not measured at fair value (continued)

Receivables

Receivables are net of provisions for impairment. The estimated fair value of receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. As at the date of these financial statements the ECL for the receivables is nil.

Bonds held at amortised cost

Fair value for Amortised Cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the held-to-maturity portfolio is computed for disclosure purposes only. There are no observable prices for these instruments and as such they are considered level 3 instruments. There were no investments held at amortised cost to Sept 2020 (Sept 2019: nil).

Bank overdraft

The fair values of bank overdraft is equal to its carrying value as such instruments are subject to floating rates of interest which reset on a daily, monthly or quarterly basis.

(ii) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

g. Fair value of financial assets and liabilities (continued)

(ii) Fair value hierarchy (continued)

The following table presents the Company's assets and liabilities that are measured at fair value at:

As at 30 September 2020

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|----------------|---------------|------------------|------------------|
| - Fair value through other comprehensive income | -- | -- | 5,174,465 | 5,174,465 |
| - Fair value through profit and loss | 127,028 | -- | -- | 127,028 |
| Total | 127,028 | -- | 5,174,465 | 5,301,493 |

As at 30 September 2019

| | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|---|----------------|---------------|------------------|------------------|
| - Fair value through other comprehensive income | -- | -- | 5,602,800 | 5,602,800 |
| - Fair value through profit and loss | 146,386 | -- | -- | 146,386 |
| Total | 146,386 | -- | 5,602,800 | 5,749,186 |

h. Capital management

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirements set by the regulators of the securities markets where the Company operates;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management, employing techniques based on the requirements of the Trinidad and Tobago Securities and Exchange Commission (the Authority), for supervisory purposes. The required information is filed with the Authority on a regular basis as required.

The Authority requires each securities company to hold the minimum level of regulatory capital of five million Trinidad and Tobago dollars. The Company complied with all of the externally imposed capital requirements to which they are subject for the period ending September 30, 2020 and September 30, 2019.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

a. *Financial assets at fair value through profit or loss*

This category comprises two sub-categories: financial assets held for trading and financial assets designated by the Group as fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading.

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regular occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. When a market becomes inactive, the valuation technique utilised makes use of the quoted price even though the market is not active.

b. *Fair value through other comprehensive income (FVOCI):*

The Group uses the discounted cash flow method to determine the fair value of Financial Assets through other comprehensive income not traded in active markets. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable.

The Company's financial assets at Fair value through other comprehensive income represents equity shares held for Investments. The share price is determined using the Dividend Discount Model (DDM), which values a share's price based on its predicted future dividend payments and discounting them back to present value. The cost of equity is determined using the cost of equity for the US market and adjusting it by a country risk premium. The expected growth rate is calculated using a ten year trend of return of equity by the payout ratio for the dividends received. If the cost of equity was to move by 1%, the price of the shares will fall to \$45.58 resulting in an 85 cent price reduction.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

c. *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for debt securities measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.a.v, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

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

d. *Income taxes*

Management judgment is required in determining provisions for income taxes and there are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

The Company is subject to income tax in variance jurisdictions. Tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Substantive enactment is considered to be achieved when further steps in the enactment process will not change the outcome of a proposed change in tax law. Management considers the legislative process applicable in each jurisdiction in which it operates in determining at what point a proposed change in tax law will be considered substantively enacted by identifying the point after which further steps in the enactment process will not affect the outcome of the proposed change. The Corporation tax rate for Trinidad and Tobago was 30% in 2020 (2019:30%).

e. *Fees and commissions*

The standard outlines a single comprehensive model of accounting for revenue arising from contracts with customers. IFRS 15 does not distinguish between revenue from sales of goods and services or construction contracts. Instead, it defines transactions based on performance obligations satisfied over time or at a point in time. The core underlying principle is that an entity should recognise revenue in a manner that depicts the pattern of transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates and judgements in applying accounting policies (continued)

e. Fees and commissions (continued)

| Revenue type | Allocate the transaction price to separate performance obligations | Recognise revenue when (or as) each performance obligation is satisfied | Timing of revenue recognition | Impact from adopting IFRS15 |
|----------------------|--|--|---|---|
| Capital markets | Revenue are recognized at a point in time upon full completion of the scope of works to the contract | There are not multiple performance obligations | Completion of full service at a point in time | Nil |
| Wealth Management | Revenue are recognized over time upon full completion of the scope of works to the contract | There is not separation of performance obligation | Completion of full service over time | Nil |
| Brokerage & Advisory | For general Brokerage and Advisory revenues are recognized at a point in time upon full completion of the scope of works to the contract, however, for Initial Public offerings the performance obligation maybe specific to stage of completion of the services delivered | The separation of the performance obligation would be specific to the engagement and agreement with the client | For IPO fees it would be based on separation based on performance obligation as be the contact, this would be over time | As at 30 September 2020 the impact on the adopting of IFRS15 would be Nil because there were no contract in of that nature at the balance sheet date. |
| Other | Revenue are recognized at a point in time upon full completion of the scope of works to the contract | There is not separation of performance obligation | Completion of full service at a point in time | Nil |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

5 Cash and due from Other Banks

| | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash at bank | 12,695,753 | 13,367,852 |
| Short term investments | <u>6,310,486</u> | <u>6,206,200</u> |
| | <u>19,006,239</u> | <u>19,574,052</u> |
| | 2020 | 2019 |
| | \$ | \$ |
| Short-term investments: | | |
| - Maturity within 3 months | 717,695 | 707,099 |
| - Maturity over 3 months | <u>5,592,791</u> | <u>5,499,101</u> |
| | <u>6,310,486</u> | <u>6,206,200</u> |

The average effective interest rate on short-term deposits was 1.49% in September 2020 (2019: 1.18%); these deposits have an average maturity of 90 days (2019: 90 days). The average effective interest rate on investments with a maturity of over 3 months (365 days) is 1.57% (2019: 1.57%).

Cash and cash equivalents include the following for the purposes of the statement of cash flow:

| | | |
|---|-------------------|-------------------|
| Cash and bank balances | 12,695,753 | 13,367,852 |
| Short-term investments – maturity within three months | <u>717,695</u> | <u>707,099</u> |
| Cash and cash equivalents | <u>13,413,448</u> | <u>14,074,951</u> |

6 Financial assets through other comprehensive income

| | | |
|------------|------------------|------------------|
| - Listed | -- | -- |
| - Unlisted | <u>5,174,465</u> | <u>5,602,800</u> |
| | <u>5,174,465</u> | <u>5,602,800</u> |

The movement in financial assets valued at fair value through other comprehensive income may be summarised as follows:

| | | |
|---|------------------|------------------|
| At beginning of year | 5,602,800 | 2,375,808 |
| (Losses)/gains from changes in fair value | (428,335) | 3,226,992 |
| Fair value through profit and loss | <u>--</u> | <u>--</u> |
| At end of year | <u>5,174,465</u> | <u>5,602,800</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

7 Financial assets at fair value through profit or loss

| | 2020 \$ | 2019 \$ |
|-------------------------------|----------------|----------------|
| Equity securities - Listed | <u>127,028</u> | <u>146,386</u> |

The movement in financial assets at fair value through profit or loss may be summarised as follows:

| | | |
|---|----------------|----------------|
| At beginning of year | 146,386 | 148,893 |
| Disposals | -- | (4,740) |
| (Losses)/gains from changes in fair value (Note 16) | (19,358) | 2,269 |
| Assets written off | -- | (36) |
| Reclassification of other comprehensive income to fair value through profit and loss | <u>--</u> | <u>--</u> |
| At end of year | <u>127,028</u> | <u>146,386</u> |

The above securities are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy, and information about the groups of financial instruments is reported to management on that basis.

8 Other debtors and prepayments

| | 2020 \$ | 2019 \$ |
|------------------|----------------|----------------|
| Due from brokers | 517,787 | 309,288 |
| Due from clients | 7 | 80,688 |
| Other debtors | 14,163 | 14,522 |
| Prepayments | <u>109,265</u> | <u>39,097</u> |
| | <u>641,222</u> | <u>443,595</u> |

As at the date of these financial statements, the ECL on these receivables is nil.

9 Intangible assets

The Company purchased 10 Class "A" shares in the TTSE in 2001. This purchase gave the Company the right to conduct brokerage operations on the TTSE. In 2012, these shares were converted to 110,400 ordinary shares due to a restructuring at the TTSE. The cost of the right obtained is presented as an intangible asset. Although there is no active market for the right, the intangible asset is reviewed annually for impairment. Intangible asset to 30 Sept 2020 \$848,571 (Sept 2019: \$848,571).

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

10 Property, plant and equipment

| | Computer equipment \$ | Office equipment, furniture & motor vehicles \$ | Total \$ |
|-------------------------------------|-----------------------------|---|----------------|
| Year ended 30 September 2020 | | | |
| Opening net book value | 7,167 | 220,012 | 227,179 |
| Additions | -- | -- | -- |
| Disposals | -- | -- | -- |
| Depreciation on disposals | -- | -- | -- |
| Depreciation charge | (5,527) | (82,504) | (88,031) |
| Closing net book value | 1,640 | 137,508 | 139,148 |
| At 30 September 2020 | | | |
| Cost | 33,248 | 330,019 | 363,267 |
| Accumulated depreciation | (31,608) | (192,511) | (224,119) |
| Net book value | 1,640 | 137,508 | 139,148 |
| Year ended 30 September 2019 | | | |
| Opening net book value | 13,997 | 302,517 | 316,514 |
| Additions | -- | -- | -- |
| Disposals | -- | -- | -- |
| Depreciation on disposals | -- | -- | -- |
| Depreciation charge | (6,830) | (82,505) | (89,335) |
| Closing net book value | 7,167 | 220,012 | 227,179 |
| At 30 September 2019 | | | |
| Cost | 33,248 | 330,019 | 363,267 |
| Accumulated depreciation | (26,081) | (110,007) | (136,088) |
| Net book value | 7,167 | 220,012 | 227,179 |
| At 30 September 2018 | | | |
| Cost | 33,248 | 330,019 | 363,267 |
| Accumulated depreciation | (19,251) | (27,502) | (46,753) |
| Net book value | 13,997 | 302,517 | 316,514 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

11 Payables and other liabilities

| | 2020 \$ | 2019 \$ |
|------------------------|------------------|------------------|
| Due to brokers | 295,439 | 344,446 |
| Due to clients | 3,894,447 | 5,280,286 |
| Due to related parties | 451,983 | 1,609,401 |
| | <u>4,641,869</u> | <u>7,234,133</u> |

Included in due to clients at 30 September 2020, is equity settlement \$2.9m (Sept 2019 \$4.2m). These balances will be cleared within 3 days after the financial period end.

12 Deferred income tax assets

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%.

The movement on the deferred tax account is as follows:

| | 2020 \$ | 2019 \$ |
|--------------------------------------|------------------|------------------|
| At beginning of year | 1,435,393 | 457,390 |
| Statement of income charge (Note 19) | 8,980 | 9,905 |
| Fair value reserve (Note 14) | (128,501) | 968,098 |
| At end of year | <u>1,315,872</u> | <u>1,435,393</u> |

| | Opening balance 1 October 2019 \$ | Fair value reserve \$ | Charged to statement of income \$ | Closing balance 30 September 2020 \$ |
|---|--|-----------------------------|--|--|
| <i>Deferred tax assets</i> | | | | |
| Financial assets at fair value through the profit or loss | (160,560) | -- | (8,775) | (169,335) |
| Accelerated tax depreciation | (83,551) | -- | 17,755 | (65,796) |
| Net deferred income tax asset | <u>(244,111)</u> | -- | 8,980 | <u>(235,131)</u> |
| <i>Deferred tax liabilities</i> | | | | |
| Prior period change in Tax | 147,485 | -- | -- | 147,485 |
| Financial assets at fair value through the profit or loss | 1,532,019 | (128,501) | -- | 1,403,518 |
| Deferred income tax liability | 1,679,504 | (128,501) | -- | 1,551,003 |
| Net deferred income tax liability | <u>1,435,393</u> | <u>(128,501)</u> | 8,980 | <u>1,315,872</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

12 Deferred income tax assets (continued)

| | Opening balance 1 October 2018 \$ | Fair value reserve \$ | Charged to statement of income \$ | Closing balance 30 September 2019 \$ |
|--|---|-----------------------------|--|--|
| <i>Deferred tax assets</i> | | | | |
| Financial assets at fair value through the profit or loss | (160,357) | -- | (203) | (160,560) |
| Accelerated tax depreciation | (93,659) | -- | 10,108 | (83,551) |
| Net deferred income tax asset | (254,016) | -- | 9,905 | (244,111) |
| <i>Deferred tax liabilities</i> | | | | |
| Prior period change in tax | 147,485 | -- | -- | 147,485 |
| Financial assets at fair value through the profit or loss | 563,921 | 968,098 | -- | 1,532,019 |
| Deferred income tax liability | 711,406 | 968,098 | -- | 1,679,504 |
| Net deferred income tax liability | 457,390 | 968,098 | 9,905 | 1,435,393 |

13 Share capital

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Authorised | | |
| An unlimited number of ordinary shares of no par value | | |
| Issued and fully paid | | |
| 5,000,000 ordinary shares of no par | 5,000,000 | 5,000,000 |

14 Fair value reserve

| | | |
|--|-----------|-----------|
| Fair value through other comprehensive income | 3,472,032 | 3,771,867 |
| <i>Fair value through other comprehensive income</i> | | |
| At beginning of year | 3,771,867 | 1,512,973 |
| Net (losses)/gains from changes in fair value | (428,336) | 3,226,992 |
| Deferred tax credit/(charge) (Note 12) | 128,501 | (968,098) |
| At end of year | 3,472,032 | 3,771,867 |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

| | | | |
|-----------|---|------------------|------------------|
| 15 | Brokerage fee and commission income | 2020 | 2019 |
| | | \$ | \$ |
| | Equity commissions TTD | 2,575,425 | 2,568,750 |
| | Equity commissions USD (TTD Equivalent) | 175,849 | -- |
| | | <u>2,751,274</u> | <u>2,568,750</u> |
| 16 | Brokerage fee and commission expense | 2020 | 2019 |
| | | \$ | \$ |
| | Commission sharing expenses | 1,157,826 | 818,898 |
| | Commission rebate | 55,025 | 51,377 |
| | Compensation fund contribution | 55,025 | 51,377 |
| | | <u>1,267,876</u> | <u>921,652</u> |
| | The business entered into a new commission sharing agreement with internal stakeholders in 2019, which has resulted in an increase in commission sharing expenses in 2020: \$1,122,182.54 (2019: \$674,383.44). | | |
| 17 | Gains/(losses) from financial assets | | |
| | (Loss)/gain from changes in fair value | (19,359) | 677 |
| | Gain on sale of financial assets | -- | 1,592 |
| | | <u>(19,359)</u> | <u>2,269</u> |
| 18 | Other income | | |
| | Interest income | 97,432 | 85,174 |
| | Other fees and commissions | 1,698,102 | 54,089 |
| | Capital market fee income | 903,164 | 751,945 |
| | Net foreign exchange loss | (9,972) | (133) |
| | | <u>2,688,726</u> | <u>891,075</u> |

Included within other income are application, processing and sub-distribution fees earned for services provided relating to capital market and structuring transactions. All other income for the year was received at a point in time.

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

| 19 Operating expenses | 2020 \$ | 2019 \$ |
|-----------------------------|------------------|------------------|
| Staff costs | 903,950 | 942,457 |
| Other expenses | 450,306 | 228,355 |
| Depreciation | 88,031 | 89,335 |
| Computer operating expenses | 77,191 | 71,026 |
| Audit fees | 153,563 | 147,656 |
| Legal and professional fees | 74,380 | 81,907 |
| Travel and entertainment | 62,994 | 66,815 |
| Directors emoluments | 134,415 | 134,415 |
| Capital market expenses | 1,103 | (161,554) |
| | <u>1,945,933</u> | <u>1,600,412</u> |

Capital market expenses for 2019 reflects a net recovered amount for over accrued fees from 2018 for IPO fees.

Staff costs

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 694,387 | 716,274 |
| National insurance | 28,725 | 30,703 |
| Bonus and commissions | 90,770 | 110,859 |
| Health plan expense | 7,330 | 6,686 |
| Pension plan expense | 82,363 | 73,953 |
| Staff training | 375 | 3,982 |
| | <u>903,950</u> | <u>942,457</u> |

The number of permanently employed staff as at the year-end was 2 (2019: 2).

20 Taxation

| | | |
|-----------------------------------|----------------|----------------|
| Deferred tax (Note 12) | 8,980 | 9,905 |
| Corporation tax | 690,005 | 342,346 |
| Prior year under/(over) provision | -- | (27,723) |
| | <u>698,985</u> | <u>324,528</u> |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic rate of tax as follows:

| | | |
|--|------------------|------------------|
| Profit before tax | <u>2,498,200</u> | <u>1,516,351</u> |
| Tax calculated at 30% | 749,487 | 454,905 |
| Prior year under/(over) provision | -- | (27,723) |
| Income exempt from tax | (91,775) | (142,357) |
| Expenses not deductible for tax purposes | 32,293 | 29,595 |
| Net effect of other charges and allowances | 8,980 | 10,108 |
| | <u>698,985</u> | <u>324,528</u> |

First Citizens Brokerage and Advisory Services Limited

Notes to the Financial Statements (continued)

30 September 2020

(Expressed in Trinidad and Tobago Dollars)

21 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The parent of the Company as at 30 September 2020 was First Citizens Investment Services Limited. First Citizens Investment Services Limited is incorporated in Trinidad and Tobago with its ultimate parent company being First Citizens Holdings Limited, a company owned by the Government of the Republic of Trinidad and Tobago (GORTT). A number of transactions are entered into with related parties in the normal course of business. These generally relate to purchase and sale of shares on behalf of related parties.

| | Directors | | Related companies | |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 30 September 2020 \$ | 30 September 2019 \$ | 30 September 2020 \$ | 30 September 2019 \$ |
| Statement of income | | | | |
| Fees and commission income | -- | -- | 85,859 | 74,939 |
| Salaries and other short-term employee benefits | (134,415) | (134,415) | -- | -- |
| | <u>(134,415)</u> | <u>(134,415)</u> | <u>85,859</u> | <u>74,939</u> |
| Statement of financial position amounts due (to)/from | | | | |
| Cash and due from other banks | -- | -- | 18,180,507 | 18,739,570 |
| Payables and other liabilities | -- | -- | (451,983) | (1,609,402) |
| | <u>--</u> | <u>--</u> | <u>17,728,524</u> | <u>17,130,168</u> |

22 Commitments

The Company has no capital or credit commitments as at 30 September 2020 (2019: nil).

23 Contingent liabilities

The Company is not involved in any claims and counterclaims arising from the conduct of its business.

24 Subsequent events

There were no events after the financial position date which were material to the financial statements and should have resulted in adjustment to the financial statement or disclosures when the financial statements were authorised for issue.