# First Citizens Portfolio and Investment Management Services Limited
# (A Subsidiary of First Citizens Investment Services Limited)

Financial Statements

30 September 2019

*(Expressed in Trinidad and Tobago Dollars)*

# First Citizens Portfolio and Investment Management Services Limited

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# First Citizens Portfolio and Investment Management Services Limited

## Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of First Citizens Portfolio Investment Management Services Limited (the Company) which comprise the statement of financial position as at 30 September 2019, the statements of 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.

This Company resumed operations on 1 March 2018.

| | |
|---|---|
| General Manager | Head of Finance |
| 26 November 2019 | 26 November 2019 |

pwc

## Independent Auditor's Report

To the shareholder of
First Citizens Portfolio and Investment Management 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 Portfolio and Investment Management 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 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

Port of Spain
Trinidad, West Indies
9 December 2019

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Financial Position
*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | As at 30 September 2019 $ | 2018 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from bank | 5 | 44,702,919 | 33,056,564 |
| Property, plant and equipment | 6 | 93,108 | 237,432 |
| Other assets | 7 | 11,210,175 | 8,454,992 |
| Deferred tax asset | 8 | 637 | 2,481 |
| Tax recoverable | | 3,816,745 | 2,786,142 |
| **Total assets** | | 59,823,584 | 44,537,611 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 9 | 2,254,449 | 12,999,799 |
| Tax Payable | | 6,397,440 | -- |
| **Total liabilities** | | 8,651,889 | 12,999,799 |
| **Capital and reserve attributable to the company's equity holders** | | | |
| Share capital | 10 | 5,594,000 | 5,594,000 |
| Retained earnings | | 45,577,695 | 25,943,812 |
| **Total shareholder's equity** | | 51,171,695 | 31,537,812 |
| **Total equity and liabilities** | | 59,823,584 | 44,537,611 |

The notes on pages 9 to 43 are an integral part of these financial statements.

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

Anthony Isidore Smart Director

Director

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Income
*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | Year ended 30 September 2019 $ | 2018 $ |
|---|---|---|---|
| Fee income | 11 | 69,754,642 | 38,291,683 |
| Interest income | | 24,735 | 7,189 |
| Other income | | 441 | -- |
| Foreign exchange gain | | -- | 85,314 |
| **Total net income** | | 69,779,818 | 38,384,186 |
| Administrative expense | 12 | (3,666,546) | (1,672,057) |
| Other operating expense | 13 | (2,000,167) | (715,073) |
| **Profit before taxation** | | 64,113,105 | 35,997,056 |
| **Taxation** | 14 | (19,319,424) | (10,837,258) |
| **Profit for the year** | | 44,793,681 | 25,159,798 |

The notes on pages 9 to 43 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Comprehensive Income
*(Expressed in Trinidad and Tobago Dollars)*

| | Year ended 30 September 2019 $ | 2018 $ |
|---|---|---|
| **Profit for the year** | 44,793,681 | 25,159,798 |
| **Other comprehensive income for the year, net of tax** | -- | -- |
| **Total comprehensive income for the year** | 44,793,681 | 25,159,798 |

The notes on pages 9 to 43 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Changes in Equity
*(Expressed in Trinidad and Tobago Dollars)*

| | Share capital<br>$ | Other reserves<br>$ | Retained earnings<br>$ | Total equity<br>$ |
|---|---|---|---|---|
| **Balance as at 1 October 2018** | 5,594,000 | -- | 25,943,812 | 31,537,812 |
| **Comprehensive income** | | | | |
| Profit for the period | -- | -- | 44,793,681 | 44,793,681 |
| Other comprehensive income | -- | -- | -- | -- |
| **Total comprehensive income** | -- | -- | 44,793,681 | 44,793,681 |
| **Transactions with owners** | | | | |
| Dividends paid (Note 15) | -- | -- | (25,159,798) | (25,159,798) |
| **Balance at 30 September 2019** | 5,594,000 | -- | 45,577,695 | 51,171,695 |
| **Balance as at 1 October 2017** | 5,594,000 | -- | 784,014 | 6,378,014 |
| **Comprehensive income** | | | | |
| Profit for the period | -- | -- | 25,159,798 | 25,159,798 |
| Other comprehensive income | -- | -- | -- | -- |
| **Total comprehensive income** | -- | -- | 25,159,798 | 25,159,798 |
| **Transactions with owners** | | | | |
| Dividends paid (Note 15) | -- | -- | -- | -- |
| **Balance at 30 September 2018** | 5,594,000 | -- | 25,943,812 | 31,537,812 |

The notes on pages 9 to 43 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management 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 | 64,113,105 | 35,997,056 |
| Adjustments to reconcile profit to net cash provided by operating activities: | | |
| Unrealised foreign exchange loss/(gain) | -- | 3,567 |
| Depreciation expense | 152,762 | 87,758 |
| Tax paid | (13,950,743) | (11,039,642) |
| **Net cash flow from operating activities before changes in operating assets & liabilities** | 50,315,124 | 25,048,739 |
| Net change in other assets | (2,755,183) | (8,454,992) |
| Net change in creditors and accrued expenses | (10,745,350) | 12,906,478 |
| **Net cash inflow from operating activities** | 36,814,591 | 29,500,225 |
| **Investing activity** | | |
| Purchase of property, plant and equipment | (8,438) | (325,190) |
| **Net cash outflow from investing activities** | (8,438) | (325,190) |
| **Financing activities** | | |
| Dividends paid | (25,159,798) | -- |
| **Net cash outflow from financing activities** | (25,159,798) | -- |
| **Net effect of foreign exchange differences** | -- | (3,567) |
| **Net increase/(decrease) in cash and cash equivalents** | 11,646,355 | 29,171,468 |
| At beginning of period | 33,056,564 | 3,885,096 |
| At end of period | 44,702,919 | 33,056,564 |
| **Represented by:** | | |
| Cash and due from bank | 44,702,919 | 33,056,564 |

The notes on pages 9 to 43 are an integral part of these financial statements.

### 1 General Information

First Citizens Portfolio and Investment Management Services Limited (the "Company"), is incorporated in the Republic of Trinidad and Tobago and is engaged in the provision of financial management services as is authorised pursuant to its registration under Section 51 (1) of the Securities Act 2012 as an Investment Advisor. It was a wholly owned subsidiary of First Citizens Bank Limited until 31 August 2018.

Effective 1 September 2018, 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. The financial statements are prepared under the liquidation basis of accounting. The business operations of the Company resumed on 1 March 2018 after being wound up at 30 June 2016.

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 Company'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, amendments and interpretations which are effective and have been adopted by the Company in the current period*

- 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

## 2 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

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

- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments effective 1 January 2018). This amendment 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.

(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 2017 and have not 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 in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance.

- 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

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*

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

b. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements 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). This rate represents the First Citizens Group mid-rate.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency at 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 comprehensive 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 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. *Financial assets and financial liabilities*

(i) *Financial assets*

The Company 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 Company classifies its debt instruments into one of the following three measurement categories:

2 **Summary of significant accounting policies (continued)**

*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 recognised 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.

*Company's Business model*

The business model reflects how the Company 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 Company'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.

## 2 Summary of significant accounting policies (continued)

*Financial assets and financial liabilities (continued)*

(i) *Financial assets (continued)*

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

| Hold to Collect | Hold to Collect & Sell |
|---|---|
| Fee income receivable | Cash |
| Due from related party | |

*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.

2 **Summary of significant accounting policies (continued)**

*Financial assets and financial liabilities (continued)*

(i) *Financial assets (continued)*

*Equity instruments (continued)*

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 recognised 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.

**2 Summary of significant accounting policies (continued)**

c. *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.

d. *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.

e. *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.

2 **Summary of significant accounting policies (continued)**

f. *Income tax*

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 balance sheet date in the countries where the company and its subsidiaries operate 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 balance sheet 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.

g. *Cash and cash equivalents*

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

2 **Summary of significant accounting policies (continued)**

h. *Interest income and expense*

Interest income and interest expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

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.

i. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year, which are declared after the year end, are disclosed in the subsequent events note when applicable.

j. *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.

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.

k. *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.

2 **Summary of significant accounting policies (continued)**

l. *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. As at September 2019 Freehold premises were nil (September 2018: nil).

2 **Summary of significant accounting policies (continued)**

m. *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

(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 years.

2 **Summary of significant accounting policies (continued)**

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.

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. *Employee benefits*

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

Staff members were admitted to the First Citizens (the Group) defined benefit pension plan with effect from 1 January 2010 and their pensionable service in this plan commenced from this date.

The 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.

The Group's defined benefit plan operates as a plan which shares risks among subsidiaries of the Group which are under common control. The Group's policy is to recognise the net defined benefit cost of the plan in the separate financial statements of First Citizens Bank Limited, the entity which is legally considered the sponsoring employer of the plan. The Company recognises a cost equal to its contribution payable for its employees in its separate financial statements. 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 the balance sheet 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. Pension contributions for the year amounted to TT$227,033 (2018: TT$91,486).

2 **Summary of significant accounting policies (continued)**

o. *Employee benefits (continued)*

(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 Company'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 Company 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.

p. *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.

q. *Fee and commission income*

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

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 are very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

Fees and commissions are recognised either at a point in time when the service has been provided or over time as the performance obligations are satisfied. 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.

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.

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

r. *Investment management fees*

Fees and commissions related to the provision of investment management services are recognised monthly based on a fixed Service Level Agreement with its parent, First Citizens Investment Services Limited. The Service Level Agreement came into effect March 2018 for an initial period of two years.

### 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 (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 to monitor and report to the Board of Directors on the overall risks within the Group - the Board Enterprise Risk Committee and the Board Credit Committee; and two Senior Management Committees – the Senior Manager Risk Committee and the Asset Liability Committee.

The Enterprise Risk Unit, headed by the Chief Risk Officer, is responsible for the management, measurement, monitoring and control of operational, market and credit risk for the Company through the Operational Risk Unit, Credit and Risk Administration Unit, Market Risk Unit and Business Continuity Planning Unit. The Enterprise Risk Unit reports into the Senior Management 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 Company'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 Treasury and International Trade Centre. The Treasury and International Trade Centre's primary role and responsibility is to actively manage the Company's liquidity and market risks. The ALCO is also supported in some specific areas of activity by the Group'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 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 most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

### 3 Financial risk management (continued)

a. *Credit risk*

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a Group Credit Risk Management team which reports regularly to the Group Chief Risk Officer and the Board Credit Committee.

(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.

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

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Cash and due from bank | 44,702,919 | 33,056,564 |
| Other debtors | 11,097,101 | 8,454,794 |
| | 55,800,020 | 41,511,358 |

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

## 3 Financial risk management (continued)

a. *Credit risk (continued)*

(ii) *Risk limit control and mitigation policy*

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, industry and country segments. The Company monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Company. These limits are implemented and monitored by the Credit Administration Department via the stipulations of the Group Credit Policy Manual.

(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 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 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 Company's off-shore catchment area and/or 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 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.

### 3 Financial risk management (continued)

a. *Credit risk (continued)*

(iii) *Definition of default and credit-impaired assets*

The Company 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 start of foreclosure proceedings.
- The obligation is classified doubtful or worse as per the Company'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 Company 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 Company's expected loss calculations. An 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. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

### 3 Financial risk management (continued)

a. *Credit risk (continued)*

(iv) *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, and fees receivables are in one country. Limits for the 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 within the portfolio are as follows:

| | Caribbean<br>$'000 | Total<br>$'000 |
|---|---|---|
| **At 30 September 2019** | | |
| Cash and due from bank | 44,702,919 | 44,702,919 |
| Other assets | 11,097,101 | 11,097,101 |
| **As at 30 September 2019** | 55,800,020 | 55,800,020 |

| | Caribbean<br>$'000 | Total<br>$'000 |
|---|---|---|
| **At 30 September 2018** | | |
| Cash and due from bank | 33,056,564 | 33,056,564 |
| Other assets | 8,454,794 | 8,454,794 |
| **As at 30 September 2018** | 41,511,358 | 41,511,358 |

## 3 Financial risk management (continued)

### b. *Market risk*

The Company takes on exposure to market risk, 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 interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and 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 Company Market Risk department who submit reports to the Senior Management Enterprise Risk Committee on a regular basis. Additionally, on a monthly basis, the Group'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.

Trading portfolios include those portfolios arising from market-making transactions where the Company 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 Company'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.

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 99% of capital (30 September 2018: 93%).

## 3 Financial risk management (continued)

### b. *Market risk (continued)*

#### (i) *Currency 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 table below summarises the Company's exposure to foreign currency exchange rate risk at 30 September 2019. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

| | TT $'000 | US $'000 | Total $'000 |
|---|---|---|---|
| **At 30 September 2019** | | | |
| **Assets** | | | |
| Cash and due from bank | 25,960,734 | 18,742,185 | 44,702,919 |
| Other assets | 9,953,434 | 1,143,667 | 11,097,101 |
| **Total assets** | 35,914,168 | 19,885,852 | 55,800,020 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 1,769,923 | 484,526 | 2,254,449 |
| **Total liabilities** | 1,769,923 | 484,526 | 2,254,449 |
| **Net on statement of financial position** | 34,144,245 | 19,401,326 | 53,545,571 |

| | TT $'000 | US $'000 | Total $'000 |
|---|---|---|---|
| **At 30 September 2018** | | | |
| **Assets** | | | |
| Cash and due from bank | 25,411,012 | 7,645,552 | 33,056,564 |
| Other assets | 7,355,701 | 1,099,093 | 8,454,794 |
| **Total assets** | 32,766,713 | 8,744,645 | 41,511,358 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 12,663,733 | 336,066 | 12,999,799 |
| **Total liabilities** | 12,663,733 | 336,066 | 12,999,799 |
| **Net on statement of financial position** | 20,102,980 | 8,408,579 | 28,511,559 |

If the Trinidad and Tobago dollar depreciates by 250 basis points against the United States dollar, the profits would increase by $485,033 (2018: $210,214).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk*

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. The Company takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks.

Interest earnings are immaterial and the Company does not have any long-term borrowings. Hence, interest rate risk does not have a significant impact on its operations.

The table below summarises the Company's exposure to interest rate risk. The assets and liabilities are categorised by the contractual date.

**As at 30 September 2019**

| **Assets** | **Up to 1 month $** | **1 to 3 months $** | **3 to 12 months $** | **1 to 5 Years $** | **Over 5 Years $** | **Non-interest Bearing $** | **Total $** |
|---|---|---|---|---|---|---|---|
| Cash and due from bank | 18,742,185 | – | – | – | – | 25,960,734 | 44,702,919 |
| Other assets | – | – | – | – | – | 11,097,101 | 11,097,101 |
| **Total assets** | 18,742,185 | – | – | – | – | 37,057,835 | 55,800,020 |
| **Liabilities** | | | | | | | |
| Creditors and accrued expenses | – | – | 82,630 | – | – | 2,171,819 | 2,254,449 |
| **Total liabilities** | – | – | 82,630 | – | – | 2,171,819 | 2,254,449 |
| **Interest sensitivity gap** | 18,742,185 | – | (82,630) | – | – | 34,886,016 | 53,545,571 |

If interest rates were to move by 2.5% (2018: 1%) the impact on fees & commission will be $466,489 (2018: $74,174).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

**As at 30 September 2018**

| | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and due from bank | 7,645,552 | – | – | – | – | 25,411,012 | 33,056,564 |
| Other Assets | – | – | – | – | – | 8,454,794 | 8,454,794 |
| **Total assets** | 7,645,552 | – | – | – | – | 33,865,806 | 41,511,358 |
| **Liabilities** | | | | | | | |
| Creditors and accrued expenses | – | – | – | 228,132 | – | 12,771,667 | 12,999,799 |
| **Total liabilities** | – | – | – | 228,132 | – | 12,771,667 | 12,999,799 |
| **Interest sensitivity gap** | 7,645,552 | – | – | (228,132) | – | 21,094,139 | 28,511,559 |

## 3 Financial risk management (continued)

### c. *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 Company'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 Company'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 Company 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 Company Market Risk Unit and reported into the Senior Risk Management Committee via the Enterprise Risk Unit to the Board Enterprise Risk Committee.

**As at 30 September 2019**

| **Assets** | **Up to 1 month $** | **1 to 3 months $** | **3 to 12 months $** | **1 to 5 years $** | **Over5 years $** | **Total $** |
|---|---|---|---|---|---|---|
| Cash and due from bank | 44,702,919 | -- | -- | -- | -- | 44,702,919 |
| Other assets | 11,097,101 | -- | -- | -- | -- | 11,097,101 |
| **Total assets** | 55,800,020 | -- | -- | -- | -- | 55,800,020 |
| **Liabilities** | | | | | | |
| Creditors and accrued expenses | 2,187,232 | 30,828 | 61,656 | -- | -- | 2,279,716 |
| **Total liabilities** | 2,187,232 | 30,828 | 61,656 | -- | -- | 2,279,716 |
| **Liquidity gap** | 53,612,788 | (30,828) | (61,656) | -- | -- | 53,520,304 |

### 3 Financial risk management (continued)

c. *Liquidity risk (continued)*

**As at 30 September 2018**

| Assets | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| Cash and due from bank | 33,056,564 | -- | -- | -- | -- | 33,056,564 |
| Other Assets | 8,454,794 | -- | -- | -- | -- | 8,454,794 |
| **Total assets** | 41,511,358 | -- | -- | -- | -- | 41,511,358 |
| **Liabilities** | | | | | | |
| Creditors and accrued expenses | 12,787,081 | 30,828 | 138,726 | 107,898 | -- | 13,064,533 |
| **Total liabilities** | 12,787,081 | 30,828 | 138,726 | 107,898 | -- | 13,064,533 |
| **Liquidity gap** | 28,724,277 | (30,828) | (138,726) | (107,898) | -- | 28,446,825 |

d. *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 not exposed to other price risk as it holds no equity instruments.

3 **Financial risk management (continued)**

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

## 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 and liabilities presented on the Company's statement of financial position at an amount other than their fair value.

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **$** | **$** | **$** | **$** |
| **Financial assets** | | | | |
| Cash and due from bank | 44,702,919 | 33,056,564 | 44,702,919 | 33,056,564 |
| Other assets | 11,097,101 | 8,454,794 | 11,097,101 | 8,454,794 |
| **Financial liabilities** | | | | |
| Creditors and accrued expenses | 2,254,449 | 12,999,799 | 2,254,449 | 12,999,799 |

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 equal to fair value include cash and due from bank.

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

*Cash and cash equivalents*

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.

*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.

## 3 Financial risk management (continued)

### 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.

## 4 Critical accounting estimates and judgements in applying accounting policies

The Company makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. No estimates and assumptions were made which would have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

### a. *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 various 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.

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

b. *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.

| 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 |
|---|---|---|---|---|
| Pension Fund & Private Portfolio | Revenue are recognised over time for the full completion of the scope of works to the contract | There is no separation of performance obligation | Completion of full service over time | Nil |
| Other | Revenue are recognised over time for the full completion of the scope of works to the contract | There is no separation of performance obligation | Completion of full service over time | Nil |

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

### 5 Cash and due from banks

| | 2019 $ | 2018 $ |
|---|---|---|
| Cash at bank | 44,702,919 | 33,056,564 |
| | 44,702,919 | 33,056,564 |

### 6 Property, plant and equipment

| | Motor vehicles $ | Computer equipment $ | Office Furniture & Fittings $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 September 2019** | | | | |
| Opening net book amount | 222,171 | 15,261 | -- | 237,432 |
| Additions | -- | 8,436 | 2 | 8,438 |
| Disposals at cost | -- | -- | -- | -- |
| Disposal - Acc depreciation | -- | -- | -- | -- |
| Depreciation charge | (140,319) | (12,443) | -- | (152,762) |
| Closing net book amount | 81,852 | 11,254 | 2 | 93,108 |
| **At 30 September 2019** | | | | |
| Cost/revaluation | 304,024 | 29,602 | 2 | 333,628 |
| Accumulated depreciation | (222,172) | (18,348) | -- | (240,520) |
| Net book amount | 81,852 | 11,254 | 2 | 93,108 |

| | Motor vehicles $ | Computer equipment $ | Office Furniture & Fittings $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 September 2018** | | | | |
| Opening net book amount | -- | -- | -- | -- |
| Additions | 304,024 | 21,166 | -- | 325,190 |
| Disposals at cost | -- | -- | -- | -- |
| Disposal - Acc depreciation | -- | -- | -- | -- |
| Depreciation charge | (81,853) | (5,905) | -- | (87,758) |
| Closing net book amount | 222,171 | 15,261 | -- | 237,432 |
| **At 30 September 2018** | | | | |
| Cost/revaluation | 304,024 | 21,166 | -- | 325,190 |
| Accumulated depreciation | (81,853) | (5,905) | -- | (87,758) |
| Net book amount | 222,171 | 15,261 | -- | 237,432 |

### 7 Other assets

| | 2019 $ | 2018 $ |
|---|---|---|
| Fee income receivable | 10,594,354 | 8,439,575 |
| Due from related party | 455,729 | 10,534 |
| Green fund levy recoverable | 47,017 | 4,685 |
| Prepayments | 113,074 | 198 |
| Intangible asset | 1 | -- |
| | 11,210,175 | 8,454,992 |

Fee income receivable in the amount of $1,688,822.36 is past due as at the balance sheet date. Management has considered the duration and probability of default on these receivables based on past experience. TTD 956K has been determined to have an expected credit loss of TTD 94K. This amount is not included in the P&L.

**As at 30 September 2019**

| Fee income receivable | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 Years $ | Over 5 Years $ | Total $ |
|---|---|---|---|---|---|---|
| Pension plan fees | 718,953 | 1,478,117 | 1,339,462 | 35,000 | -- | 3,571,532 |
| Mutual fund fees | 6,408,380 | -- | -- | -- | -- | 6,408,380 |
| Other fund fees | 129,779 | 160,303 | 247,154 | 77,206 | -- | 614,442 |
| | 7,257,112 | 1,638,420 | 1,586,616 | 112,206 | -- | 10,594,354 |

### 8 Deferred income tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2018: 30%).

The movement on the deferred income tax account is as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| At beginning of year | 2,481 | -- |
| Credit to income statement (Note 14) | (1,844) | 2,481 |
| At end of year | 637 | 2,481 |

| | Balance at 1 October 2018<br>$ | Charge/(credit) to equity<br>$ | Charge/(credit) to income statement<br>$ | Balance at 30 September 2019<br>$ |
|---|---|---|---|---|
| **Deferred income tax assets** | | | | |
| Unrealised exchange gains | 1,070 | -- | -- | 1,070 |
| Accelerated tax depreciation | 1,411 | -- | (1,844) | (433) |
| Net deferred income tax asset | 2,481 | -- | (1,844) | 637 |

| | Balance at 1 October 2017<br>$ | Charge/(credit) to equity<br>$ | Charge/(credit) to income statement<br>$ | Balance at 30 September 2018<br>$ |
|---|---|---|---|---|
| **Deferred income tax assets** | | | | |
| Unrealised exchange gains | -- | -- | 1,070 | 1,070 |
| Accelerated tax depreciation | -- | -- | 1,411 | 1,411 |
| Net deferred income tax asset | -- | -- | 2,481 | 2,481 |

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 relate to the same fiscal authority.

The Company does not have any unrecognised losses. Deferred tax asset is expected to be recovered as follows:

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Within 12 months | 1,070 | 1,070 |
| After 12 months | (433) | 1,411 |
| | 637 | 2,481 |

## 9 Creditors and accrued expenses

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Due to related parties | 1,179,158 | 12,541,318 |
| Accrued expenses | 1,075,291 | 458,481 |
| Other liabilities | -- | -- |
| | 2,254,449 | 12,999,799 |

Included in amounts Due to related parties, $227,391 (2018: $11,339,394) is due to First Citizens Bank (the Bank). This is made up of payments made on behalf of the Company to the directors and other vendors by the Bank. These amounts are non-interest bearing and has no fixed terms of repayment.

## 10 Share capital

| | | |
|---|---|---|
| Authorised | | |
| 5,000,000 shares of no par value | | |
| Issued and fully paid | | |
| 4,999,999 ordinary shares of no par value | 5,594,000 | 5,594,000 |

## 11 Fee income

| | | |
|---|---|---|
| Pension plan fees | 8,942,514 | 4,937,886 |
| Mutual fund fees | 58,960,448 | 33,096,579 |
| Other fund fees | 1,851,680 | 257,218 |
| | 69,754,642 | 38,291,683 |

All fees and commissions are specific to the service contract and are recognised over time for 2019 and 2018.

## 12 Administrative expenses

| | | |
|---|---|---|
| Staff cost (Note 11.1) | 3,334,954 | 1,435,079 |
| Directors' fees and expenses | 178,830 | 149,220 |
| Depreciation expense | 152,762 | 87,758 |
| | 3,666,546 | 1,672,057 |

**Note 11.1 Staff costs**

| | | |
|---|---|---|
| Wages and salaries | 2,202,962 | 808,150 |
| Pension plan expense | 227,033 | 91,486 |
| National Insurance | 85,346 | 41,430 |
| Other benefits | 819,613 | 494,013 |
| | 3,334,954 | 1,435,079 |

The number of permanently employed staff as at the year-end was 6 (2018: 5).

### 13 Other operating expenses

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Travel expenses | 201,445 | 43,859 |
| Consultancy & outside services | 487,916 | 275,671 |
| IT expenses | 709,083 | 261,316 |
| Office expenses | 238,771 | 2,662 |
| Marketing costs | 133,884 | 1,249 |
| Other expenses | 229,068 | 130,316 |
| | 2,000,167 | 715,073 |

### 14 Taxation

| | | |
|---|---|---|
| Current tax | 19,323,692 | 10,840,992 |
| Prior year under/(over) provision | (6,112) | (1,253) |
| Deferred tax (note 8) | 1,844 | (2,481) |
| | 19,319,424 | 10,837,258 |

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

| | | |
|---|---|---|
| Profit before tax | 64,113,105 | 35,997,056 |
| | | |
| Tax calculated at 30% (2018: 30%) | 19,233,931 | 10,799,117 |
| Income exempt from tax | (60,759) | -- |
| Expenses not deductible for tax purposes | 107,648 | 38,967 |
| Net effect of other charges and allowances | 44,716 | -- |
| Net effect of changes in tax rates | -- | 427 |
| Prior year under/(over) provision | (6,112) | (1,253) |
| | 19,319,424 | 10,837,258 |

### 15 Dividends

| | | |
|---|---|---|
| Ordinary dividend paid | 25,159,798 | -- |

## 16 Related party balances and transactions

a. *Directors fees*

Fees paid to directors by the Company for the period ended 30 September 2019 totalled $178,830 (2018 - $149,220).

b. In the normal course of business, the Company maintains account relationships and conducts business with other affiliated companies in accordance with established commercial practice. The significant balances are as follows:

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| *Parent company* | | |
| Due to parent company | 857,959 | 973,791 |
| | | |
| *Related parties* | | |
| Cash and due from bank | 44,702,919 | 33,056,564 |
| Due from related parties | 455,729 | 10,534 |
| Due to related parties | 321,199 | 11,567,527 |

c. The company did not enter into any course of business Government of Trinidad and Tobago, or other state owned institutions, state agencies and local government bodies in 2019 (2018: nil).

## 17 Assets under management

Assets under management, which are not beneficially owned by the Company, but which are managed by the Company on behalf of investors are listed below at carrying amount.

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| Pension and savings plans | 7,894,252,128 | 7,699,132,957 |
| Mutual funds | 6,610,194,117 | 6,676,713,692 |
| Other funds | 442,183,969 | 366,741,566 |
| Off-balance sheet investments | 14,946,630,214 | 14,742,588,215 |

## 18 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 Portfolio and Investment Management Services Limited
# (A Subsidiary of First Citizens Investment Services Limited)

Financial Statements

30 September 2020

*(Expressed in Trinidad and Tobago Dollars)*

# First Citizens Portfolio and Investment Management Services Limited

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# First Citizens Portfolio and Investment Management Services Limited

## Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of First Citizens Portfolio and Investment Management Services Limited (the Company) which comprise the statement of financial position as at 30 September 2020, 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.

General Manager
2 December 2020

Head of Finance
2 December 2020

## Independent Auditor's Report

To the shareholder of
First Citizens Portfolio and Investment Management 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 Portfolio Investment Management 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 then 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.

*PricewaterhouseCoopers, PO Box 550, 11-13 Victoria Avenue, Port of Spain, Trinidad, West Indies*
*T: (868) 299 0700, F: (868) 623 6025,* www.pwc.com/tt

## 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

Port of Spain
Trinidad, West Indies
4 December 2020

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Financial Position

*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | As at 30 September 2020 $ | 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from bank | 5 | 63,848,039 | 44,702,919 |
| Property, plant and equipment | 6 | 13,540 | 93,108 |
| Other assets | 7 | 9,556,714 | 11,210,175 |
| Deferred tax asset | 8 | 20,302 | 637 |
| Tax recoverable | | -- | 3,816,745 |
| **Total assets** | | 73,438,595 | 59,823,584 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 9 | 1,478,853 | 2,254,449 |
| Tax payable | | 2,556,575 | 6,397,440 |
| **Total liabilities** | | 4,035,428 | 8,651,889 |
| **Capital and reserve attributable to the company's equity holders** | | | |
| Share capital | 10 | 5,594,000 | 5,594,000 |
| Retained earnings | | 63,809,167 | 45,577,695 |
| **Total shareholder's equity** | | 69,403,167 | 51,171,695 |
| **Total equity and liabilities** | | 73,438,595 | 59,823,584 |

The notes on pages 9 to 40 are an integral part of these financial statements.

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

Anthony Isidore Smart Director

Director

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Income

*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | Year ended 30 September 2020 $ | 2019 $ |
|---|---|---|---|
| Fee income | 11 | 61,025,636 | 69,754,642 |
| Interest income | | 227,631 | 24,735 |
| Other income | | 586,439 | 68,754 |
| Foreign exchange gain | | 63,949 | -- |
| **Total net income** | | 61,903,655 | 69,848,131 |
| Impairment loss net of recoveries | | (151,092) | -- |
| Administrative expense | 12 | (3,712,698) | (3,666,546) |
| Other operating expense | 13 | (1,669,315) | (2,068,480) |
| **Profit before taxation** | | 56,370,550 | 64,113,105 |
| **Taxation** | 14 | (17,086,048) | (19,319,424) |
| **Profit for the year** | | 39,284,502 | 44,793,681 |

The notes on pages 9 to 40 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Comprehensive Income
*(Expressed in Trinidad and Tobago Dollars)*

| | Year ended 30 September 2020 $ | 2019 $ |
|---|---|---|
| **Profit for the year** | 39,284,502 | 44,793,681 |
| **Other comprehensive income for the year, net of tax** | -- | -- |
| **Total comprehensive income for the year** | 39,284,502 | 44,793,681 |

The notes on pages 9 to 40 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Changes in Equity
*(Expressed in Trinidad and Tobago Dollars)*

| | Share capital $ | Other reserves $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|
| **Balance as at 1 October 2019** | 5,594,000 | -- | 45,577,695 | 51,171,695 |
| **Comprehensive income** | | | | |
| Profit for the period | -- | -- | 39,284,502 | 39,284,502 |
| Other comprehensive income | -- | -- | -- | -- |
| **Total comprehensive income** | -- | -- | 39,284,502 | 39,284,502 |
| **Transactions with owners** | | | | |
| Dividends paid (Note 15) | -- | -- | (21,053,030) | (21,053,030) |
| **Balance at 30 September 2020** | 5,594,000 | -- | 63,809,167 | 69,403,167 |
| **Balance as at 1 October 2018** | 5,594,000 | -- | 25,943,812 | 31,537,812 |
| **Comprehensive income** | | | | |
| Profit for the period | -- | -- | 44,793,681 | 44,793,681 |
| Other comprehensive income | -- | -- | -- | -- |
| **Total comprehensive income** | -- | -- | 44,793,681 | 44,793,681 |
| **Transactions with owners** | | | | |
| Dividends paid (Note 15) | -- | -- | (25,159,798) | (25,159,798) |
| **Balance at 30 September 2019** | 5,594,000 | -- | 45,577,695 | 51,171,695 |

The notes on pages 9 to 40 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Cash Flows
*(Expressed in Trinidad and Tobago Dollars)*

| | Year ended 30 September 2020 $ | 2019 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 56,370,550 | 64,113,105 |
| Adjustments to reconcile profit to net cash provided by operating activities: | | |
| Interest income | (227,631) | (24,735) |
| Interest received | 160,255 | 24,735 |
| Unrealised foreign exchange gain | (63,850) | -- |
| Depreciation expense | 90,480 | 152,762 |
| Impairment loss | 151,092 | -- |
| Tax paid | (17,129,833) | (13,950,743) |
| **Net cash flow from operating activities before changes in operating assets & liabilities** | 39,351,063 | 50,315,124 |
| Net change in other assets | 1,633,595 | (2,755,183) |
| Net change in creditors and accrued expenses | (775,596) | (10,745,350) |
| **Net cash inflow from operating activities** | 40,209,062 | 36,814,591 |
| **Investing activity** | | |
| Purchase of property, plant and equipment | (10,912) | (8,438) |
| **Net cash outflow from investing activities** | (10,912) | (8,438) |
| **Financing activities** | | |
| Dividends paid | (21,053,030) | (25,159,798) |
| **Net cash outflow from financing activities** | (21,053,030) | (25,159,798) |
| **Net increase in cash and cash equivalents** | 19,145,120 | 11,646,355 |
| At beginning of period | 44,702,919 | 33,056,564 |
| At end of period | 63,848,039 | 44,702,919 |
| **Represented by:** | | |
| Cash and due from bank | 63,848,039 | 44,702,919 |

The notes on pages 9 to 40 are an integral part of these financial statements.

### 1 General information

First Citizens Portfolio and Investment Management Services Limited (the "Company"), is incorporated in the Republic of Trinidad and Tobago and is engaged in the provision of financial management services as is authorised pursuant to its registration under Section 51 (1) of the Securities Act 2012 as an Investment Advisor. It was a wholly owned subsidiary of First Citizens Bank Limited until 31 August 2018.

Effective 1 September 2018, 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. The financial statements are prepared under the liquidation basis of accounting. The business operations of the Company resumed on 1 March 2018 after being wound up at 30 September 2016.

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 Company'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 in 12 months and less or the underlying assets has a low value. Lessors continue to classify leases as operating or finance.

  The company does not have rental leases and therefore does not anticipates any impact on the Financial Statements.

- 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

The Company does not anticipate any impact on Financial Statements.

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 anticipate any impact on Financial Statements.

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

2 **Summary of significant accounting policies (continued)**

b. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements 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). This rate represents the First Citizens Group mid-rate.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency at 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 comprehensive 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 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. *Financial assets and financial liabilities*

(i) *Financial assets*

The Company 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 Company 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.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

*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 recognised 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.

*Company's business model*

The business model reflects how the Company 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 Company'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** |
|---|
| Fee income receivable |
| Cash |
| Due from related party |

2 **Summary of significant accounting policies (continued)**

c. *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.

Dividends, when representing a return on such investments, continue to be recognised 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.

## 2 Summary of significant accounting policies (continued)

c. *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.

d. *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.

2 **Summary of significant accounting policies (continued)**

e. *Lease transactions*

**Policies applicable after 1 October 2019**

The Company has adopted IFRS 16 effective 1 October 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 1 October 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 1 October 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.

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 group 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

2 **Summary of significant accounting policies (continued)**

e. *Lease transactions (continued)*

**Policies applicable after 1 October 2019 (continued)**

(i) *The Company as the lessee (continued)*

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 ($5,000 and under) 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.

Should the Company 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.

(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 or operating leases recognised by the company at the Statement of Financial Position 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.

2 **Summary of significant accounting policies (continued)**

g. *Income tax*

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 balance sheet date in the countries where the company and its subsidiaries operate 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 balance sheet 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.

h. *Cash and cash equivalents*

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

2 **Summary of significant accounting policies (continued)**

i. *Interest income and expense*

Interest income and interest expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

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.

j. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year, which are declared after the year end, are disclosed in the subsequent events note when applicable.

k. *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.

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.

l. *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.

### 2 Summary of significant accounting policies (continued)

m. *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. As at September 2020 Freehold premises were nil (September 2019: nil).

### 2 Summary of significant accounting policies (continued)

n. *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 years.

2 **Summary of significant accounting policies (continued)**

o. *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.

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.

p. *Employee benefits*

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

Staff members were admitted to the First Citizens (the Group) defined benefit pension plan with effect from 1 January 2010 and their pensionable service in this plan commenced from this date.

The 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.

The Group's defined benefit plan operates as a plan which shares risks among subsidiaries of the Group which are under common control. The Group's policy is to recognise the net defined benefit cost of the plan in the separate financial statements of First Citizens Bank Limited, the entity which is legally considered the sponsoring employer of the plan. The Company recognises a cost equal to its contribution payable for its employees in its separate financial statements. 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 the balance sheet 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. Pension contributions for the year amounted to TT$249,563 (2019: TT$227,033).

(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 Company'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.

2 **Summary of significant accounting policies (continued)**

p. *Employee benefits (continued)*

(iii) *Employee stock option plan*

The Company 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.

(iv) *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.

q. *Fee and commission income*

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

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 are very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

Fees and commissions are recognised either at a point in time when the service has been provided or over time as the performance obligations are satisfied. 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.

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.

r. *Investment management fees*

Fees and commissions related to the provision of investment management services are recognised monthly based on a fixed Service Level Agreement with its parent, First Citizens Investment Services Limited. The Service Level Agreement came into effect March 2018 for an initial period of two years. The Service Level Agreement has been since revised with an effective date 1 October 2020.

### 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 (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 to monitor and report to the Board of Directors on the overall risks within the Group - the Board Enterprise Risk Committee and the Board Credit Committee; and two Senior Management Committees – the Senior Manager Risk Committee and the Asset Liability Committee.

The Enterprise Risk Unit, headed by the Chief Risk Officer, is responsible for the management, measurement, monitoring and control of operational, market and credit risk for the Company through the Operational Risk Unit, Credit and Risk Administration Unit, Market Risk Unit and Business Continuity Planning Unit. The Enterprise Risk Unit reports into the Senior Management 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 Company'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 Treasury and International Trade Centre. The Treasury and International Trade Centre's primary role and responsibility is to actively manage the Company's liquidity and market risks. The ALCO is also supported in some specific areas of activity by the Group'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 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 most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

## 3 Financial risk management (continued)

### a. *Credit risk*

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a Group Credit Risk Management team which reports regularly to the Group Chief Risk Officer and the Board Credit Committee.

#### (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.

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

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Cash and due from bank | 63,848,039 | 44,702,919 |
| Other debtors | 9,252,549 | 11,097,101 |
| | 73,100,588 | 55,800,020 |

There were no credit risk exposures relating to off balance sheet items.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Risk limit control and mitigation policy*

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, industry and country segments. The Company monitors its concentration of credit exposure so that no single borrower or industry default will have a material impact on the Company. These limits are implemented and monitored by the Credit Administration Department via the stipulations of the Group Credit Policy Manual.

(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 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 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 Company's off-shore catchment area and/or 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 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.

(iii) *Definition of default and credit-impaired assets*

The Company 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 start of foreclosure proceedings.
- The obligation is classified doubtful or worse as per the Company'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 Company 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 Company's expected loss calculations. An 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. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *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, and fees receivables are in one country. Limits for the 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 within the portfolio are as follows:

| | Caribbean<br>$ | Total<br>$ |
|---|---|---|
| **At 30 September 2020** | | |
| Cash and due from bank | 63,848,039 | 63,848,039 |
| Other assets | 9,252,549 | 9,252,549 |
| **As at 30 September 2020** | 73,100,588 | 73,100,588 |

| | Caribbean<br>$ | Total<br>$ |
|---|---|---|
| **At 30 September 2019** | | |
| Cash and due from bank | 44,702,919 | 44,702,919 |
| Other assets | 11,097,101 | 11,097,101 |
| **As at 30 September 2019** | 55,800,020 | 55,800,020 |

b. *Market risk*

The Company takes on exposure to market risk, 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 interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and 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 Company Market Risk department who submit reports to the Senior Management Enterprise Risk Committee on a regular basis. Additionally, on a monthly basis, the Group'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.

Trading portfolios include those portfolios arising from market-making transactions where the Company 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 Company'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.

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 99% of capital (30 September 2019: 99%).

### 3 Financial risk management (continued)

b. *Market risk (continued)*

(i) *Currency 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 table below summarises the Company's exposure to foreign currency exchange rate risk at 30 September 2020. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

| | TT<br>$ | US<br>$ | Total<br>$ |
|---|---|---|---|
| **At 30 September 2020** | | | |
| **Assets** | | | |
| Cash and due from bank | 33,877,021 | 29,971,018 | 63,848,039 |
| Other assets | 7,800,196 | 1,452,353 | 9,252,549 |
| **Total assets** | 41,677,217 | 31,423,371 | 73,100,588 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 1,233,528 | 245,325 | 1,478,853 |
| **Total liabilities** | 1,233,528 | 245,325 | 1,478,853 |
| **Net on statement of financial position** | 40,443,689 | 31,178,046 | 71,621,735 |

| | TT<br>$ | US<br>$ | Total<br>$ |
|---|---|---|---|
| **At 30 September 2019** | | | |
| **Assets** | | | |
| Cash and due from bank | 25,960,734 | 18,742,185 | 44,702,919 |
| Other assets | 9,953,434 | 1,143,667 | 11,097,101 |
| **Total assets** | 35,914,168 | 19,885,852 | 55,800,020 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 1,769,923 | 484,526 | 2,254,449 |
| **Total liabilities** | 1,769,923 | 484,526 | 2,254,449 |
| **Net on statement of financial position** | 34,144,245 | 19,401,326 | 53,545,571 |

If the Trinidad and Tobago dollar depreciates by 250 basis points against the United States dollar, the profits would increase by $766,424 (2019: $485,033).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk*

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. The Company takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks.

Interest earnings are immaterial and the Company does not have any long-term borrowings. Hence, interest rate risk does not have a significant impact on its operations.

The table below summarises the Company's exposure to interest rate risk. The assets and liabilities are categorised by the contractual date.

**As at 30 September 2020**

| **Assets** | **Up to 1 month $** | **1 to 3 months $** | **3 to 12 months $** | **1 to 5 Years $** | **Over 5 Years $** | **Non-interest Bearing $** | **Total $** |
|---|---|---|---|---|---|---|---|
| Cash and due from bank | 45,028,263 | – | – | – | – | 18,819,776 | 63,848,039 |
| Other assets | – | – | – | – | – | 9,252,549 | 9,252,549 |
| **Total assets** | 45,028,263 | – | – | – | – | 28,072,325 | 73,100,588 |
| **Liabilities** | | | | | | | |
| Creditors and accrued expenses | – | – | – | – | – | 1,478,853 | 1,478,853 |
| **Total liabilities** | – | – | – | – | – | 1,478,853 | 1,478,853 |
| **Interest sensitivity gap** | 45,028,263 | – | – | – | – | 26,593,472 | 71,621,735 |

If interest rates were to move by 2.5% (2019: 2.5%) the impact on fees & commission will be $1,125,707 (2019: $466,489).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

**As at 30 September 2019**

| | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and due from bank | 18,742,185 | – | – | – | – | 25,960,734 | 44,702,919 |
| Other Assets | – | – | – | – | – | 11,097,101 | 11,097,101 |
| **Total assets** | 18,742,185 | – | – | – | – | 37,057,835 | 55,800,020 |
| **Liabilities** | | | | | | | |
| Creditors and accrued expenses | – | – | 82,630 | – | – | 2,171,819 | 2,254,449 |
| **Total liabilities** | – | – | 82,630 | – | – | 2,171,819 | 2,254,449 |
| **Interest sensitivity gap** | 18,742,185 | – | (82,630) | – | – | 34,886,016 | 53,545,571 |

### 3 Financial risk management (continued)

c. *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 Company'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 Company'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 Company 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 Company Market Risk Unit and reported into the Senior Risk Management Committee via the Enterprise Risk Unit to the Board Enterprise Risk Committee.

**As at 30 September 2020**

| | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and due from bank | 63,869,867 | -- | -- | -- | -- | 63,869,867 |
| Other assets | 9,252,549 | -- | -- | -- | -- | 9,252,549 |
| **Total assets** | 73,122,416 | -- | -- | -- | -- | 73,122,416 |
| **Liabilities** | | | | | | |
| Creditors and accrued expenses | 1,478,853 | -- | -- | -- | -- | 1,478,853 |
| **Total liabilities** | 1,478,853 | -- | -- | -- | -- | 1,478,853 |
| **Liquidity gap** | 71,643,563 | -- | -- | -- | -- | 71,643,563 |

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

**As at 30 September 2019**

| | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and due from bank | 44,702,919 | -- | -- | -- | -- | 44,702,919 |
| Other assets | 11,097,101 | -- | -- | -- | -- | 11,097,101 |
| **Total assets** | 55,800,020 | -- | -- | -- | -- | 55,800,020 |
| **Liabilities** | | | | | | |
| Creditors and accrued expenses | 2,187,232 | 30,828 | 61,656 | -- | -- | 2,279,716 |
| **Total liabilities** | 2,187,232 | 30,828 | 61,656 | -- | -- | 2,279,716 |
| **Liquidity gap** | 53,612,788 | (30,828) | (61,656) | -- | -- | 53,520,304 |

d. *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 not exposed to other price risk as it holds no equity instruments.

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 (September 2019: nil).

(ii) *Capital commitments*

The Company had no capital commitments as at 30 September 2020 (September 2019: nil).

(iii) *Operating lease commitments*

The Company had no operating lease commitments as at 30 September 2020 (September 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.

### 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 and liabilities presented on the Company's statement of financial position at an amount other than their fair value.

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **$** | **$** | **$** | **$** |
| **Financial assets** | | | | |
| Cash and due from bank | 63,848,039 | 44,702,919 | 63,848,039 | 44,702,919 |
| Other assets | 9,252,549 | 11,097,101 | 9,252,549 | 11,097,101 |
| **Financial liabilities** | | | | |
| Creditors and accrued expenses | 1,478,853 | 2,254,449 | 1,478,853 | 2,254,449 |

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 equal to fair value include cash and due from bank.

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

*Cash and cash equivalents*

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.

*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.

3 **Financial risk management (continued)**

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.

4 **Critical accounting estimates and judgements in applying accounting policies**

The Company makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. No estimates and assumptions were made which would have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

a. *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 various 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.

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

b. *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.

| 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 |
|---|---|---|---|---|
| Pension Fund & Private Portfolio | Revenue is recognised over time for the full completion of the scope of works to the contract | There is no separation of performance obligation | Completion of full service over time | Nil |
| Other | Revenue is recognised over time for the full completion of the scope of works to the contract | There is no separation of performance obligation | Completion of full service over time | Nil |

## 5 Cash and due from banks

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Cash and bank balances | 43,635,324 | 44,702,919 |
| Short-term investments | 20,212,715 | -- |
| | 63,848,039 | 44,702,919 |
| Short-term investments: | | |
| Maturity within 3 months | 20,212,715 | -- |
| | 20,212,715 | -- |

The average effective interest rate on bank deposits was 0.8% (September 2019: 0.2%).
Cash and cash equivalents include the following for the purposes of the statement of cash flow:

| | | |
|---|---|---|
| Cash balances | 43,635,324 | 44,702,919 |
| Short-term investments- maturity within 3 months | 20,212,715 | -- |
| | 63,848,039 | 44,702,919 |

### 6 Property, plant and equipment

| | Motor vehicles $ | Computer equipment $ | Office furniture & fittings $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 September 2020** | | | | |
| Opening net book amount | 81,852 | 11,254 | 2 | 93,108 |
| Additions | -- | 10,911 | 1 | 10,912 |
| Disposals at cost | (304,024) | (3,404) | -- | (307,428) |
| Disposal - Acc depreciation | 304,024 | 3,404 | -- | 307,428 |
| Depreciation charge | (81,852) | (8,628) | -- | (90,480) |
| Closing net book amount | -- | 13,537 | 3 | 13,540 |
| **At 30 September 2020** | | | | |
| Cost/revaluation | -- | 37,109 | 3 | 37,112 |
| Accumulated depreciation | -- | (23,572) | -- | (23,572) |
| Net book amount | -- | 13,537 | 3 | 13,540 |

| | Motor vehicles $ | Computer equipment $ | Office furniture & fittings $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 September 2019** | | | | |
| Opening net book amount | 222,171 | 15,261 | -- | 237,432 |
| Additions | -- | 8,436 | 2 | 8,438 |
| Disposals at cost | -- | -- | -- | -- |
| Disposal - Acc depreciation | -- | -- | -- | -- |
| Depreciation charge | (140,319) | (12,443) | -- | (152,762) |
| Closing net book amount | 81,852 | 11,254 | 2 | 93,108 |
| **At 30 September 2019** | | | | |
| Cost/revaluation | 304,024 | 29,602 | 2 | 333,628 |
| Accumulated depreciation | (222,172) | (18,348) | -- | (240,520) |
| Net book amount | 81,852 | 11,254 | 2 | 93,108 |
| **At 30 September 2018** | | | | |
| Cost/revaluation | 304,024 | 21,166 | -- | 325,190 |
| Accumulated depreciation | (81,853) | (5,905) | -- | (87,758) |
| Net book amount | 222,171 | 15,261 | -- | 93,108 |

### 7 Other assets

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Fee income receivable | 9,336,264 | 10,594,354 |
| Provision for past due receivables | (151,092) | -- |
| Accrued interest | 67,376 | -- |
| Due from related party | -- | 455,729 |
| Green fund levy recoverable | -- | 47,017 |
| Prepayments | 304,165 | 113,074 |
| Intangible asset | 1 | 1 |
| | 9,556,714 | 11,210,175 |

Fee income receivable in the amount of $1,884,479 (Sept 2019: $1,688,822) is past due as at the balance sheet date. Management has considered the duration and probability of default on these receivables, and based on past experience, made a provision of TTD151,092 on the amount considered past due. In addition, an assessment was carried out on the impact of ECL on the receivables at the statement of position date. No adjustment was made to the P&L for the ECL which amounted to $646.

**Period Past Due**
**As at 30 September 2020**

| Fee income receivable | Up to 1 month<br>$ | 1 to 3 months<br>$ | 3 to 12 months<br>$ | 1 to 5 Years<br>$ | Over 5 Years<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Pension plan fees | 767,191 | 1,524,201 | 993,777 | 430,750 | -- | 3,715,919 |
| Mutual fund fees | 4,780,387 | -- | -- | -- | -- | 4,780,387 |
| Other fund fees | 151,685 | 228,321 | 308,860 | 151,092 | -- | 839,958 |
| | 5,699,263 | 1,752,522 | 1,302,637 | 581,842 | -- | 9,336,264 |

**Period Past Due**
**As at 30 September 2019**

| Fee income receivable | Up to 1 month<br>$ | 1 to 3 months<br>$ | 3 to 12 months<br>$ | 1 to 5 Years<br>$ | Over 5 Years<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Pension plan fees | 718,953 | 1,478,117 | 1,339,462 | 35,000 | -- | 3,571,532 |
| Mutual fund fees | 6,408,380 | -- | -- | -- | -- | 6,408,380 |
| Other fund fees | 129,779 | 160,303 | 247,154 | 77,206 | -- | 614,442 |
| | 7,257,112 | 1,638,420 | 1,586,616 | 112,206 | -- | 10,594,354 |

## 8 Deferred income tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2019: 30%).

The movement on the deferred income tax account is as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| At beginning of year | 637 | 2,481 |
| Credit to income statement (Note 14) | 19,665 | (1,844) |
| At end of year | 20,302 | 637 |

| | Balance at 1 October 2019<br>$ | Charge/ (credit) to equity<br>$ | Charge/(credit) to income statement<br>$ | Balance at 30 September 2020<br>$ |
|---|---|---|---|---|
| **Deferred income tax assets** | | | | |
| Unrealised exchange gains | 1,070 | -- | 19,155 | 20,225 |
| Accelerated tax depreciation | (433) | -- | 510 | 77 |
| Net deferred income tax asset | 637 | -- | 19,665 | 20,302 |

| | Balance at 1 October 2018<br>$ | Charge/ (credit) to equity<br>$ | Charge/(credit) to income statement<br>$ | Balance at 30 September 2019<br>$ |
|---|---|---|---|---|
| **Deferred income tax assets** | | | | |
| Unrealised exchange gains | 1,070 | -- | -- | 1,070 |
| Accelerated tax depreciation | 1,411 | -- | (1,844) | (433) |
| Net deferred income tax asset | 2,481 | -- | (1,844) | 637 |

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 relate to the same fiscal authority.

The Company does not have any unrecognised losses. Deferred tax asset is expected to be recovered as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Within 12 months | 20,225 | 1,070 |
| After 12 months | 77 | (433) |
| | 20,302 | 637 |

### 9 Creditors and accrued expenses

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Due to related parties | 645,104 | 1,179,158 |
| Accrued expenses | 833,749 | 1,075,291 |
| | 1,478,853 | 2,254,449 |

As at September 2020 there was no balance (September 2019: $227,391) due to related party for First Citizens Bank (the Bank). In the past these amounts were made up of payments made on behalf of the Company to the directors and other vendors by the Bank. These amounts were non-interest bearing and have no fixed terms of repayment.

### 10 Share capital

| | 2020 | 2019 |
|---|---|---|
| Authorised | | |
| 5,000,000 shares of no par value | | |
| Issued and fully paid | | |
| 4,999,999 ordinary shares of no par value | 5,594,000 | 5,594,000 |

### 11 Fee income

| | 2020 | 2019 |
|---|---|---|
| Pension Fund & Private Portfolio | 9,160,690 | 8,942,514 |
| Mutual funds fees | 50,157,127 | 58,960,448 |
| Other fund fees | 1,707,819 | 1,851,680 |
| | 61,025,636 | 69,754,642 |

All fees and commissions are specific to the service contract and are recognised over time for 2020 and 2019.

### 12 Administrative expenses

| | 2020 | 2019 |
|---|---|---|
| Staff cost (Note 12.1) | 3,465,595 | 3,334,954 |
| Directors' fees and expenses | 156,623 | 178,830 |
| Depreciation expense | 90,480 | 152,762 |
| | 3,712,698 | 3,666,546 |

#### 12.1 Staff costs

| | 2020 | 2019 |
|---|---|---|
| Wages and salaries | 2,323,774 | 2,202,962 |
| Pension plan expense | 249,563 | 227,033 |
| National insurance | 75,403 | 85,346 |
| Other benefits | 816,855 | 819,613 |
| | 3,465,595 | 3,334,954 |

The number of permanently employed staff as at the 30 September 2020 was 5 (30 September 2019: 6).

### 13 Other operating expenses

| | 2020 $ | 2019 $ |
|---|---|---|
| Travel expenses | 132,666 | 201,445 |
| Consultancy & outside services | 571,885 | 487,916 |
| IT expenses | 308,333 | 709,083 |
| Office expenses | 237,229 | 238,771 |
| Marketing costs | 145,244 | 133,884 |
| Other expenses | 273,958 | 297,381 |
| | 1,669,315 | 2,068,480 |

### 14 Taxation

| | | |
|---|---|---|
| Current tax | 17,105,713 | 19,323,692 |
| Prior year under/(over) provision | -- | (6,112) |
| Deferred tax (note 8) | (19,665) | 1,844 |
| | 17,086,048 | 19,319,424 |

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

| | | |
|---|---|---|
| Profit before tax | 56,370,550 | 64,113,105 |
| Tax calculated at 30% (2019: 30%) | 16,911,165 | 19,233,931 |
| Income exempt from tax | (43,944) | (60,759) |
| Expenses not deductible for tax purposes | 213,976 | 107,648 |
| Net effect of other charges and allowances | 4,851 | 44,716 |
| Prior year under/(over) provision | -- | (6,112) |
| | 17,086,048 | 19,319,424 |

### 15 Dividends

| | | |
|---|---|---|
| Ordinary dividend paid | 21,053,030 | 25,159,798 |

### 16 Related party balances and transactions

a. *Directors fees*

Fees paid to directors by the Company for the period ended 30 September 2020 totalled $156,623 (2019: $178,830).

## 16 Related party balances and transactions (continued)

b. In the normal course of business, the Company maintains account relationships and conducts business with other affiliated companies in accordance with established commercial practice. The significant transactions are as follows:

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| *Parent company* | | |
| Cash and due from bank | 20,212,715 | -- |
| Due to parent company | 645,104 | 857,959 |
| Interest income | 142,790 | -- |
| *Related parties* | | |
| Cash and due from bank | 43,635,324 | 44,702,919 |
| Due from related parties | -- | 455,729 |
| Due to related parties | -- | 321,199 |
| Interest income | 84,840 | 24,735 |

c. The company did not enter into any course of business with the Government of Trinidad and Tobago, or other state owned institutions, state agencies and local government bodies in September 2020 (2019: nil).

## 17 Assets under management

Assets under management, which are not beneficially owned by the Company, but which are managed by the Company on behalf of investors are listed below at carrying amount.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Pension and savings plans | 8,200,924,871 | 7,894,252,128 |
| Mutual funds | 6,894,782,549 | 6,610,194,117 |
| Other funds | 522,882,704 | 442,183,969 |
| Off-balance sheet investments | 15,618,590,124 | 14,946,630,214 |

## 18 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 Portfolio and Investment Management Services Limited
# (A Subsidiary of First Citizens Investment Services Limited)

Financial Statements

30 September 2021

*(Expressed in Trinidad and Tobago Dollars)*

# First Citizens Portfolio and Investment Management Services Limited

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# First Citizens Portfolio and Investment Management Services Limited

## Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of First Citizens Portfolio and Investment Management Services Limited which comprise the statement of financial position as at 30 September 2021 and the statements of 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
23 November 2021

Head of Finance
23 November 2021

# Independent auditor's report

To the shareholder of
First Citizens Portfolio and Investment Management Services Limited

## Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Citizens Portfolio and Investment Management Services Limited (the Company) as at 30 September 2021, 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 2021;
- the statement of income for the year then 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 significant accounting policies and other explanatory information.

## 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

## 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

Port of Spain
Trinidad, West Indies
23 November 2021

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Financial Position

*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | As at 30 September 2021 $ | 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | 5 | 91,191,173 | 63,848,039 |
| Property and equipment | 6 | 23,595 | 13,540 |
| Other assets | 7 | 10,400,496 | 9,556,714 |
| Deferred income tax asset | 8 | 11,276 | 20,302 |
| Tax recoverable | | 2,365,607 | -- |
| **Total assets** | | 103,992,147 | 73,438,595 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 9 | 1,281,080 | 1,478,853 |
| Tax payable | | 7,308,713 | 2,556,575 |
| **Total liabilities** | | 8,589,793 | 4,035,428 |
| **Capital and reserve attributable to the company's equity holders** | | | |
| Share capital | 10 | 5,594,000 | 5,594,000 |
| Retained earnings | | 89,808,354 | 63,809,167 |
| **Total shareholder's equity** | | 95,402,354 | 69,403,167 |
| **Total equity and liabilities** | | 103,992,147 | 73,438,595 |

The notes on pages 9 to 40 are an integral part of these financial statements.

On 23 November 2021, the Board of Directors of First Citizens Portfolio and Investment Management Services Limited authorised these financial statements for issue.

Anthony Isidore Smart Director

Sharon Dardeen Director

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Income

*(Expressed in Trinidad and Tobago Dollars)*

| | Notes | Year ended 30 September 2021 $ | 2020 $ |
|---|---|---|---|
| Fee income | 11 | 72,461,772 | 61,025,636 |
| Interest income | | 344,956 | 227,631 |
| Other income | | 414,632 | 586,439 |
| Foreign exchange (loss)/gain | | (25,976) | 63,949 |
| **Total net income** | | 73,195,384 | 61,903,655 |
| Impairment loss | 12 | (134,887) | (151,092) |
| Administrative expense | 13 | (3,408,889) | (3,712,698) |
| Other operating expense | 14 | (1,702,942) | (1,669,315) |
| **Profit before taxation** | | 67,948,666 | 56,370,550 |
| **Taxation** | 15 | (20,343,003) | (17,086,048) |
| **Profit for the year** | | 47,605,663 | 39,284,502 |

The notes on pages 9 to 40 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Comprehensive Income
*(Expressed in Trinidad and Tobago Dollars)*

| | Year ended 30 September 2021 $ | 2020 $ |
|---|---|---|
| **Profit for the year** | 47,605,663 | 39,284,502 |
| **Other comprehensive income for the year, net of tax** | -- | -- |
| **Total comprehensive income for the year** | 47,605,663 | 39,284,502 |

The notes on pages 9 to 40 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Changes in Equity

*(Expressed in Trinidad and Tobago Dollars)*

| | Share capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|
| **Balance as at 1 October 2020** | 5,594,000 | 63,809,167 | 69,403,167 |
| **Comprehensive income** | | | |
| Profit for the period | -- | 47,605,663 | 47,605,663 |
| Other comprehensive income | -- | -- | -- |
| **Total comprehensive income** | -- | 47,605,663 | 47,605,663 |
| **Transactions with owners** | | | |
| Dividends paid (Note 16) | -- | (21,606,476) | (21,606,476) |
| **Balance at 30 September 2021** | 5,594,000 | 89,808,354 | 95,402,354 |
| **Balance as at 1 October 2019** | 5,594,000 | 45,577,695 | 51,171,695 |
| **Comprehensive income** | | | |
| Profit for the period | -- | 39,284,502 | 39,284,502 |
| Other comprehensive income | -- | -- | -- |
| **Total comprehensive income** | -- | 39,284,502 | 39,284,502 |
| **Transactions with owners** | | | |
| Dividends paid (Note 16) | -- | (21,053,030) | (21,053,030) |
| **Balance at 30 September 2020** | 5,594,000 | 63,809,167 | 69,403,167 |

The notes on pages 9 to 40 are an integral part of these financial statements.

# First Citizens Portfolio and Investment Management Services Limited

## Statement of Cash Flows
*(Expressed in Trinidad and Tobago Dollars)*

| | Year ended 30 September 2021 $ | 2020 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 67,948,666 | 56,370,550 |
| Adjustments to reconcile profit to net cash provided by operating activities: | | |
| Interest income | (344,956) | (227,631) |
| Interest received | 392,005 | 160,255 |
| Unrealised foreign exchange loss/(gain) | 25,976 | (63,850) |
| Loss on disposal of property and equipment | 568 | -- |
| Depreciation expense | 11,521 | 90,480 |
| Impairment loss | 134,887 | 151,092 |
| Tax paid | (17,947,445) | (17,129,833) |
| **Net cash flow from operating activities before changes in operating assets & liabilities** | 50,221,222 | 39,351,063 |
| Net change in other assets | (1,051,695) | 1,633,595 |
| Net change in creditors and accrued expenses | (197,773) | (775,596) |
| **Net cash inflow from operating activities** | 48,971,754 | 40,209,062 |
| **Investing activity** | | |
| Purchase of property, plant and equipment | (22,144) | (10,912) |
| **Net cash outflow from investing activities** | (22,144) | (10,912) |
| **Financing activities** | | |
| Dividends paid | (21,606,476) | (21,053,030) |
| **Net cash outflow from financing activities** | (21,606,476) | (21,053,030) |
| **Net increase in cash and cash equivalents** | 27,343,134 | 19,145,120 |
| At beginning of period | 63,848,039 | 44,702,919 |
| At end of period | 91,191,173 | 63,848,039 |
| **Represented by:** | | |
| Cash and due from banks | 91,191,173 | 63,848,039 |

The notes on pages 9 to 40 are an integral part of these financial statements.

## 1 General information

First Citizens Portfolio and Investment Management Services Limited (the "Company"), is incorporated in the Republic of Trinidad and Tobago and is engaged in the provision of financial management services as is authorised pursuant to its registration under Section 51 (1) of the Securities Act 2012 as a Broker Dealer. It was a wholly owned subsidiary of First Citizens Bank Limited (the Bank) until 31 August 2018.

Effective 1 September 2018, First Citizens Investment Services Limited (FCIS), a wholly owned subsidiary of the Bank, assumed control of the Company. The ultimate parent company is First Citizens Holdings Limited, a company with a 64.43% controlling interest in the Bank which is owned by the Government of the Republic of Trinidad and Tobago (GORTT). The remainder of the Bank's 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.

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 Company'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*

- 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.
- 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".

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 accounting period (continued)*

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.*

The adoption of the above standards has had no material impact on the Company's Financial Statements.

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

- Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before intended use (Effective 1 January 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to IAS 37 – Onerous Contracts-Cost of fulfilling a contract (Effective 1 January 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendment to IFRS 3 –Reference to the Conceptual Framework *(*Effective 1 January 2022). The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current (Effective 1 January 2023). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform-Phase 2 (Effective 1 January 2021). The amendments in *Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)* introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

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 (continued)*

- Amendments IAS1, IAS 39 and IFRS Practice Statement 2 –Disclosure of Accounting Policies (Effective 1 January 2023). The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- Amendment to IAS 8 –*Definition of Accounting Estimates (Effective 1 January 2023).* The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

- Amendments to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction *(Effective 1 June 2023).* The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

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

b. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements 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 (2020: TT$6.7124=US$1.00). This rate represents the First Citizens Group mid-rate.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency at 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 comprehensive income.

2 **Summary of significant accounting policies (continued)**

b. *Foreign currency translation (continued)*

(ii) *Transactions and balances (continued)*

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 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. *Financial assets and financial liabilities*

(i) *Financial assets*

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

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

Based on these factors, the Company will classify its assets into one of the following measurement categories:

*Amortised cost*

Assets 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 would be measured at amortised cost. The carrying amount of those assets would be adjusted by any expected credit loss allowance recognised and measured as described in note 3.a. Interest income from those financial assets – cash and due from banks are included in "Interest income" using the effective interest rate method.

*Fair value through other comprehensive income (FVOCI)*

Financial assets 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, would be measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount would be 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 would be recognised in profit or loss.

*Fair value through profit or loss (FVTPL)*

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 using the effective interest rate. Financial assets in this category include listed equity instruments that are held for investment.

2 **Summary of significant accounting policies (continued)**

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

(i) *Financial assets (continued)*

*Company's business model*

The business model reflects how the Company measures the assets in order to generate cash flows. An assessment would be 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 Company's objective is solely to collect the contractual cash flows from the assets or it is 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.
- Management's 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 of the portfolios, the Company would be deemed to have the following business models:

| **Hold to Collect** | **Hold to Collect and Sell** | **Hold for Trading** |
|---|---|---|
| Non-Eurobonds maturing greater than 3 years at recognition | Bonds issued by the Government of Trinidad & Tobago less than 3 years | Equities |
| Bonds issued by Government of Trinidad & Tobago (GOTT) | Eurobonds | |
| Fee income receivable | Non-Eurobonds maturing less than 3 years at recognition | |
| Cash | | |
| Due from related party | | |

*Impairment*

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost and FVOCI. 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.

2 **Summary of significant accounting policies (continued)**

c. *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 and foreign exchange 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 recognised in profit or loss as other income when the Company's right to receive payments is established.

For equity investments classified as fair value through P&L all gains and losses would be recognised in the Income Statement.

(ii) *Financial liabilities*

(a) *Classification and subsequent measurement*

Financial liabilities are classified and 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).

2 **Summary of significant accounting policies (continued)**

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

(ii) *Financial liabilities (continued)*

(b) *Derecognition (continued)*

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.

d. *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.

e. *Write-off*

The Group 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 repossessed collateral is such that there is no reasonable expectation of recovering in full.

2 **Summary of significant accounting policies (continued)**

f. *Lease transactions*

For all new contracts entered into on or after 1 October 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 asset, 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 1 October 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.

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 group 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 ($5,000 and under) comprise IT equipment and small items of office furniture.

## 2 Summary of significant accounting policies (continued)

f. *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.

There were no finance leases or operating leases recognised by the Company at the Statement of Financial Position 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.

h. *Income tax*

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 balance sheet date in the countries where the company and its subsidiaries operate 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 balance sheet 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.

2 **Summary of significant accounting policies (continued)**

i. *Cash and cash equivalents*

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

j. *Interest income and expense*

Interest income and interest expense are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

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.

k. *Dividend distribution*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s shareholders. Dividends for the year, which are declared after the year end, are disclosed in the subsequent events note when applicable.

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.

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.

## 2 Summary of significant accounting policies (continued)

m. *Other debtors and prepayments*

Other debtors and prepayments consist of clients, staff advances, accrued interest, intangibles, prepayments 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.

n. *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.

2 **Summary of significant accounting policies (continued)**

o. *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 is 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 years.

2 **Summary of significant accounting policies (continued)**

p. *Employee benefits*

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

First Citizens Bank 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 Bank, taking account of the recommendations of independent qualified actuaries.

The Bank's defined benefit plan operates as a plan which shares risks among subsidiaries of the Group which are under common control. The Bank's policy is to recognise the net defined benefit cost of the plan in the separate financial statements of First Citizens Bank Limited, the entity which is legally considered the sponsoring employer of the plan. The Bank recognises a cost equal to its contribution payable for its employees in its separate financial statements.

The liability or asset is recognised in the Bank’s statement of financial position. In respect of the defined benefit pension plan, as at September 2021, the defined benefit pension plan asset represented the fair value of the plan’s asset less the present value of the obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The Company’s contribution to the plan amounted to TT$343,480 (2020: TT$249,563) (Note 13). These contributions would have been recharged by the Bank and settled through the intercompany.

(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 Company’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 Bank operates a cash-settled based remuneration plan for its employees. The Bank recognises the fair value of the cash-settled share based transactions, which 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. The Company recognises an expense which is settled with the Bank through an intercompany recharge.

q. *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.

2 **Summary of significant accounting policies (continued)**

r. *Fee and commission income*

IFRS 15 Revenue from Contracts with Customers. This standard provides a single, principles based five-step model to be applied to all contracts with customers.
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 are very contract specific for the various services: wealth managed client accounts, private placements, portfolio management fees and commissions and mutual funds portfolio management.

Fees and commissions are recognised either at a point in time when the service has been provided or over time as the performance obligations are satisfied. 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.

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.

Fees and commissions related to the provision of investment management services are recognised monthly based on a fixed Service Level Agreement with its parent, First Citizens Investment Services Limited. The Service Level Agreement came into effect March 2018 for an initial period of two years. The Service Level Agreement has been since revised with an effective date 1 October 2020.

| **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** |
|---|---|---|---|---|
| Pension Fund & Private Portfolio | Revenue is recognised over time for the full completion of the scope of works to the contract | There is no separation of performance obligation | Completion of full service over time | Nil |
| Other | Revenue is recognised over time for the full completion of the scope of works to the contract | There is no separation of performance obligation | Completion of full service over time | Nil |

s. *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 (Note 18).

### 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 for its funds under management. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects for its funds under management and the financial performance of the company. 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 (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 to monitor and report to the Board of Directors on the overall risks within the Group - the Board Enterprise Risk Committee and the Board Credit Committee; and two Senior Management Committees – the Senior Manager Risk Committee and the Asset Liability Committee.

The Enterprise Risk Unit, headed by the Chief Risk Officer, is responsible for the management, measurement, monitoring and control of operational, market and credit risk for the Company through the Operational Risk Unit, Credit and Risk Administration Unit, Market Risk Unit and Business Continuity Planning Unit. The Enterprise Risk Unit reports into the Senior Management 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 Company'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 Treasury and International Trade Centre. The Treasury and International Trade Centre's primary role and responsibility is to actively manage the Company's liquidity and market risks. The ALCO is also supported in some specific areas of activity by the Group'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 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.

3 **Financial risk management (continued)**

a. *Credit risk*

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from cash and due from bank and receivables from third parties and related parties, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a Group Credit Risk Management team, which reports regularly to the Group Chief Risk Officer and the Board Credit Committee.

(i) C*redit 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.

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

| | **2021** <br> **$** | **2020** <br> **$** |
|---|---|---|
| Cash and due from bank | 91,191,173 | 63,848,039 |
| Other assets | 10,140,437 | 9,252,549 |
| | 101,331,610 | 73,100,588 |

There were no credit risk exposures relating to off balance sheet items.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(ii) *Risk limit control and mitigation policy*

The Company, as portfolio managers structures the levels of credit risk for the funds under management by placing limits on the amount of risk accepted in relation to one client, or groups of clients. The Company monitors its concentration of credit exposure so that no single client default will have a material impact on the funds under management. These limits are implemented and monitored by the Credit Administration Department via the stipulations of the Group Credit Policy Manual.

(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.

(b) *Country exposure limits*

Exposure limits have been established for selected countries, which are considered to be within the Company's offshore catchment area and/or target market.

(iii) *Definition of default and credit-impaired assets*

The Company defines a financial instrument as in default, or credit- impaired, when it meets one or more of the following criteria:

*Quantitative criteria*

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

*Qualitative criteria*

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

- The client formally files for bankruptcy or there is a start of foreclosure proceedings.
- The obligation is classified doubtful or worse as per the Company'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 Company 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 Company's expected loss calculations. An 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. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

3 **Financial risk management (continued)**

a. *Credit risk (continued)*

(iv) *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 2021. 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, and fees receivables are in one country. Limits for the 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 within the portfolio are as follows:

| | Caribbean $ | Total $ |
|---|---|---|
| **At 30 September 2021** | | |
| Cash and due from bank | 91,191,173 | 91,191,173 |
| Other assets | 10,140,437 | 10,140,437 |
| **As at 30 September 2021** | 101,331,610 | 101,331,610 |

| | Caribbean $ | Total $ |
|---|---|---|
| **At 30 September 2020** | | |
| Cash and due from bank | 63,848,039 | 63,848,039 |
| Other assets | 9,252,549 | 9,252,549 |
| **As at 30 September 2020** | 73,100,588 | 73,100,588 |

b. *Market risk*

The Company takes on exposure to market risk, 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 interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The company own book is significantly cash as at September 2021, which experiences limited market risk.

The Company as a Broker Dealer manages the market risk for its funds under management by separating the 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 Company Market Risk Department who submit reports to the Senior Management Enterprise Risk Committee on a regular basis. On a monthly basis, the Group's Market Risk Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Group ALCO. In addition, the funds under management have their individual sale policy.

Trading portfolios include those portfolios arising from market-making transactions where the Company 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 also consist of interest rate, foreign exchange and equity risks arising from the Company's financial assets.

The Company's main exposure to market risk is interest rate and FX risk. As at 30 September 2021, the total value of assets to which the Company faced market risk represented 99% of capital (2020: 99%).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(i) *Currency 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 table below summarizes the Company's exposure to foreign currency exchange rate risk at 30 September 2021. Included in the table are the Company's financial instruments at carrying amounts, categorized by currency.

| | TT $ | US $ | Total $ |
|---|---|---|---|
| **At 30 September 2021** | | | |
| **Assets** | | | |
| Cash and due from bank | 62,190,832 | 29,000,341 | 91,191,173 |
| Other assets | 7,995,165 | 2,145,272 | 10,140,437 |
| **Total assets** | 70,185,997 | 31,145,613 | 101,331,610 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 1,249,468 | 31,612 | 1,281,080 |
| **Total liabilities** | 1,249,468 | 31,612 | 1,281,080 |
| **Net on statement of financial position** | 68,936,529 | 31,114,001 | 100,050,530 |

| | TT $ | US $ | Total $ |
|---|---|---|---|
| **At 30 September 2020** | | | |
| **Assets** | | | |
| Cash and due from bank | 33,877,021 | 29,971,018 | 63,848,039 |
| Other assets | 7,800,196 | 1,452,353 | 9,252,549 |
| **Total assets** | 41,677,217 | 31,423,371 | 73,100,588 |
| **Liabilities** | | | |
| Creditors and accrued expenses | 1,233,528 | 245,325 | 1,478,853 |
| **Total liabilities** | 1,233,528 | 245,325 | 1,478,853 |
| **Net on statement of financial position** | 40,443,689 | 31,178,046 | 71,621,735 |

If the Trinidad and Tobago dollar depreciates by 250 basis points against the United States dollar, the profits would increase by $777,850 (2020: $779,451).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk*

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of the changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. The Company takes on exposure to the effects of fluctuations in the prevailing level of market interest rates on both its fair value and cash flow risks.

Interest earnings are immaterial and the Company does not have any long-term borrowings. Hence, interest rate risk does not have a significant impact on its operations.

The table below summarises the Company's exposure to interest rate risk. The assets and liabilities are categorised by the contractual date.

**As at 30 September 2021**

| Assets | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 Years $ | Over 5 Years $ | Non-interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| Cash and due from bank | 44,263,404 | -- | -- | -- | -- | 46,927,769 | 91,191,173 |
| Other assets | -- | -- | -- | -- | -- | 10,140,437 | 10,140,437 |
| **Total assets** | 44,263,404 | -- | -- | -- | -- | 57,068,206 | 101,331,610 |
| **Liabilities** | | | | | | | |
| Creditors and accrued expenses | -- | -- | -- | -- | -- | 1,281,080 | 1,281,080 |
| **Total liabilities** | -- | -- | -- | -- | -- | 1,281,080 | 1,281,080 |
| **Interest sensitivity gap** | 44,263,404 | -- | -- | -- | -- | 55,787,126 | 100,050,530 |

If interest rates were to move by 2.5% (2020: 2.5%) the impact on fees & commission will be $1,106,585 (2020: $1,125,707).

3 **Financial risk management (continued)**

b. *Market risk (continued)*

(ii) *Interest rate risk (continued)*

**As at 30 September 2020**

| | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Non-interest bearing $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Cash and due from bank | 45,028,263 | -- | -- | -- | -- | 18,819,776 | 63,848,039 |
| Other assets | -- | -- | -- | -- | -- | 9,252,549 | 9,252,549 |
| **Total assets** | 45,028,263 | -- | -- | -- | -- | 28,072,325 | 73,100,588 |
| **Liabilities** | | | | | | | |
| Creditors and accrued expenses | -- | -- | -- | -- | -- | 1,478,853 | 1,478,853 |
| **Total liabilities** | -- | -- | -- | -- | -- | 1,478,853 | 1,478,853 |
| **Interest sensitivity gap** | 45,028,263 | -- | -- | -- | -- | 26,593,472 | 71,621,735 |

3 **Financial risk management (continued)**

c. *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 Company'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 Company'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 Company 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 Company Market Risk Unit and reported into the Senior Risk Management Committee via the Enterprise Risk Unit to the Board Enterprise Risk Committee.

**As at 30 September 2021**

| | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and due from bank | 91,207,921 | -- | -- | -- | -- | 91,207,921 |
| Other assets | 10,140,437 | -- | -- | -- | -- | 10,140,437 |
| **Total assets** | 101,348,358 | -- | -- | -- | -- | 101,348,358 |
| **Liabilities** | | | | | | |
| Creditors and accrued expenses | 1,281,080 | -- | -- | -- | -- | 1,281,080 |
| **Total liabilities** | 1,281,080 | -- | -- | -- | -- | 1,281,080 |
| **Liquidity gap** | 100,067,278 | -- | -- | -- | -- | 100,067,278 |

3 **Financial risk management (continued)**

c. *Liquidity risk (continued)*

**As at 30 September 2020**

| | Up to 1 month $ | 1 to 3 months $ | 3 to 12 months $ | 1 to 5 years $ | Over 5 years $ | Total $ |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and due from bank | 63,869,867 | -- | -- | -- | -- | 63,869,867 |
| Other assets | 9,252,549 | -- | -- | -- | -- | 9,252,549 |
| **Total assets** | 73,122,416 | -- | -- | -- | -- | 73,122,416 |
| **Liabilities** | | | | | | |
| Creditors and accrued expenses | 1,478,853 | -- | -- | -- | -- | 1,478,853 |
| **Total liabilities** | 1,478,853 | -- | -- | -- | -- | 1,478,853 |
| **Liquidity gap** | 71,643,563 | -- | -- | -- | -- | 71,643,563 |

d. *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 not exposed to other price risk as it holds no equity instruments.

e. *Off-statement of financial position items*

(i) *Financial guarantees and other financial facilities*

As of 30 September 2021, the Company had no financial guarantees or other financial facilities that result in a commitment to meet financial obligations (September 2020: nil).

(ii) *Capital commitments*

The Company had capital commitments of $4,163,533 as at 30 September 2021 (2020: nil).

3 **Financial risk management (continued)**

f. *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 and liabilities presented on the Company's statement of financial position at an amount other than their fair value.

| | Carrying value | | Fair value | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$** | **$** | **$** | **$** |
| **Financial assets** | | | | |
| Cash and due from banks | 91,191,173 | 63,848,039 | 91,191,173 | 63,848,039 |
| Other assets | 10,140,437 | 9,252,549 | 10,140,437 | 9,252,549 |
| **Financial liabilities** | | | | |
| Creditors and accrued expenses | 1,281,080 | 1,478,853 | 1,281,080 | 1,478,853 |

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 equal to fair value include cash and due from bank.

*Cash and due from 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.

*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.

3 **Financial risk management (continued)**

g. *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.

4 **Critical accounting estimates and judgements in applying accounting policies**

The Company makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. No estimates and assumptions were made which would have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

a. *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.

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.

## 5 Cash and due from banks

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Cash and bank balances | 70,864,113 | 43,635,324 |
| Short-term investments | 20,327,060 | 20,212,715 |
| | 91,191,173 | 63,848,039 |
| Short-term investments: | | |
| Maturity within 3 months | 20,327,060 | 20,212,715 |
| | 20,327,060 | 20,212,715 |

The average effective interest rate on bank deposits was 0.438% (2020: 0.8%).

### 6 Property and equipment

| | Motor vehicles $ | Computer equipment $ | Office furniture, fittings & equipment $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 September 2021** | | | | |
| Opening net book amount | -- | 13,537 | 3 | 13,540 |
| Additions | -- | 22,140 | 4 | 22,144 |
| Disposals at cost | -- | (1,461) | -- | (1,461) |
| Disposal - Acc depreciation | -- | 893 | -- | 893 |
| Depreciation charge | -- | (11,521) | -- | (11,521) |
| Closing net book amount | -- | 23,588 | 7 | 23,595 |
| **At 30 September 2021** | | | | |
| Cost/revaluation | -- | 57,788 | 7 | 57,795 |
| Accumulated depreciation | -- | (34,200) | -- | (34,200) |
| Net book amount | -- | 23,588 | 7 | 23,595 |

| | Motor Vehicles $ | Computer Equipment $ | Office Furniture, Fittings & Equipment $ | Total $ |
|---|---|---|---|---|
| **Year ended 30 September 2020** | | | | |
| Opening net book amount | 81,852 | 11,254 | 2 | 93,108 |
| Additions | -- | 10,911 | 1 | 10,912 |
| Disposals at cost | (304,024) | (3,404) | -- | (307,428) |
| Disposal - Acc depreciation | 304,024 | 3,404 | -- | 307,428 |
| Depreciation charge | (81,852) | (8,628) | -- | (90,480) |
| Closing net book amount | -- | 13,537 | 3 | 13,540 |
| **At 30 September 2020** | | | | |
| Cost/revaluation | -- | 37,109 | 3 | 37,112 |
| Accumulated depreciation | -- | (23,572) | -- | (23,572) |
| Net book amount | -- | 13,537 | 3 | 13,540 |
| **At 30 September 2019** | | | | |
| Cost/revaluation | 304,024 | 29,602 | 2 | 333,628 |
| Accumulated depreciation | (222,172) | (18,348) | -- | (240,520) |
| Net book amount | 81,852 | 11,254 | 2 | 93,108 |

## 7 Other assets

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Fee income receivable | 9,752,785 | 9,187,538 |
| Due from related party | 367,324 | 148,726 |
| Provision for past due receivables | -- | (151,092) |
| Accrued interest | 20,327 | 67,376 |
| Prepayments | 260,059 | 304,165 |
| Intangible asset | 1 | 1 |
| | 10,400,496 | 9,556,714 |

Fee income receivable in the amount of $600,550 (2020: $1,884,479) is past due as at the balance sheet date. Management has considered the duration and probability of default on these receivables based on past experience. An assessment was carried out on the impact of ECL on the receivables at the statement of position date. No adjustment was made to the P&L for the ECL, which amounted to $21,014. The provision for past due receivables was written off against the fee income receivable as at 30 September 2021.

**Fee income Receivable**
**As at 30 September 2021**

| | Up to 1 month<br>$ | 1 to 3 months<br>$ | 3 to 12 months<br>$ | 1 to 5 Years<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Pension plan fees | 855,933 | 1,757,559 | 152,025 | 106,554 | 2,872,071 |
| Mutual fund fees | 6,537,616 | -- | -- | -- | 6,537,616 |
| Other fund fees | 160,809 | 207,641 | 193,246 | 148,726 | 710,422 |
| | 7,554,358 | 1,965,200 | 345,271 | 255,280 | 10,120,109 |

**Fee Income Receivable**
**As at 30 September 2020**

| | Up to 1 month<br>$ | 1 to 3 months<br>$ | 3 to 12 months<br>$ | 1 to 5 Years<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| Pension plan fees | 767,191 | 1,524,201 | 993,777 | 430,750 | 3,715,919 |
| Mutual fund fees | 4,780,387 | -- | -- | -- | 4,780,387 |
| Other fund fees | 151,685 | 228,321 | 308,860 | 151,092 | 839,958 |
| | 5,699,263 | 1,752,522 | 1,302,637 | 581,842 | 9,336,264 |

### 8 Deferred income tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2020: 30%).

The movement on the deferred income tax account is as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| At beginning of year | 20,302 | 637 |
| (Charge)/credit to income statement (Note 15) | (9,026) | 19,665 |
| At end of year | 11,276 | 20,302 |

| | Balance at 1 October 2020<br>$ | Charge/(credit) to income statement<br>$ | Balance at 30 September 2021<br>$ |
|---|---|---|---|
| **Deferred income tax assets** | | | |
| Unrealised exchange gains | 20,225 | (7,793) | 12,432 |
| Accelerated tax depreciation | 77 | (1,233) | (1,156) |
| Net deferred income tax asset | 20,302 | (9,026) | 11,276 |

| | Balance at 1 October 2019<br>$ | Charge/(credit) to income statement<br>$ | Balance at 30 September 2020<br>$ |
|---|---|---|---|
| **Deferred income tax assets** | | | |
| Unrealised exchange gains | 1,070 | 19,155 | 20,225 |
| Accelerated tax depreciation | (433) | 510 | 77 |
| Net deferred income tax asset | 637 | 19,665 | 20,302 |

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 relate to the same fiscal authority.

The Company does not have any unrecognised losses. Deferred tax asset is expected to be recovered as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Within 12 months | 12,432 | 20,225 |
| After 12 months | (1,156) | 77 |
| | 11,276 | 20,302 |

### 9 Creditors and accrued expenses

| | 2021 $ | 2020 $ |
|---|---|---|
| Due to related parties | 490,070 | 645,104 |
| Accrued expenses | 791,010 | 833,749 |
| | 1,281,080 | 1,478,853 |

### 10 Share capital

| | 2021 $ | 2020 $ |
|---|---|---|
| Authorised | | |
| 5,000,000 shares of no par value | | |
| Issued and fully paid | | |
| 4,999,999 ordinary shares of no par value | 5,594,000 | 5,594,000 |

### 11 Fee income

| | 2021 $ | 2020 $ |
|---|---|---|
| Pension Fund & Private Portfolio | 10,018,776 | 9,160,690 |
| Mutual funds fees | 60,531,936 | 50,157,127 |
| Other fund fees | 1,911,060 | 1,707,819 |
| | 72,461,772 | 61,025,636 |

### 12 Impairment loss

| | 2021 $ | 2020 $ |
|---|---|---|
| Write offs/Provision for impairment | (134,887) | (151,092) |
| | (134,887) | (151,092) |

### 13 Administrative expenses

| | 2021 $ | 2020 $ |
|---|---|---|
| Staff cost (Note 13.1) | 3,233,353 | 3,465,595 |
| Directors' fees and expenses | 164,015 | 156,623 |
| Depreciation expense | 11,521 | 90,480 |
| | 3,408,889 | 3,712,698 |

#### 13.1 Staff costs

| | 2021 $ | 2020 $ |
|---|---|---|
| Wages and salaries | 2,363,271 | 2,323,774 |
| Pension plan expense | 343,480 | 249,563 |
| National insurance | 81,960 | 75,403 |
| Other benefits | 444,642 | 816,855 |
| | 3,233,353 | 3,465,595 |

The number of permanently employed staff as at the 30 September 2021 was 6 (2020: 5).

### 14 Other operating expenses

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| Travel expenses | 126,000 | 132,666 |
| Consultancy & outside services | 676,032 | 571,885 |
| IT expenses | 302,939 | 308,333 |
| Office expenses | 340,764 | 237,229 |
| Marketing costs | 11,302 | 145,244 |
| Other expenses | 245,905 | 273,958 |
| | 1,702,942 | 1,669,315 |

### 15 Taxation

| | | |
|---|---|---|
| Current tax | 20,426,673 | 17,105,713 |
| Prior year over provision | (92,696) | -- |
| Deferred tax (note 8) | 9,026 | (19,665) |
| | 20,343,003 | 17,086,048 |

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

| | | |
|---|---|---|
| Profit before tax | 67,948,666 | 56,370,550 |
| Tax calculated at 30% (2020: 30%) | 20,384,600 | 16,911,165 |
| Income exempt from tax | (62,061) | (43,944) |
| Expenses not deductible for tax purposes | 97,162 | 213,976 |
| Net effect of other charges and allowances | 15,998 | 4,851 |
| Prior year over provision | (92,696) | -- |
| | 20,343,003 | 17,086,048 |

### 16 Dividends

| | | |
|---|---|---|
| Ordinary dividend paid | 21,606,476 | 21,053,030 |

### 17 Related party balances and transactions

a. *Directors fees*

Fees paid to directors by the Company for the period ended 30 September 2021 totalled $164,015 (2020: $156,623).

17 **Related party balances and transactions (continued)**

b. In the normal course of business, the Company maintains account relationships and conducts business with other affiliated companies in accordance with established commercial practice. The significant transactions are as follows:

| | 2021 $ | 2020 $ |
|---|---|---|
| *Parent company* | | |
| Cash and due from banks | 20,327,060 | 20,212,715 |
| Due to parent company | 490,070 | 645,104 |
| Interest income | 127,563 | 142,790 |
| *Related parties* | | |
| Cash and due from banks | 70,864,113 | 43,635,324 |
| Due from related parties | 367,324 | 148,726 |
| Interest income | 217,394 | 84,840 |

c. The Company did not enter into any course of business with the Government of Trinidad and Tobago, or other state owned institutions, state agencies and local government bodies in September 2021 (2020: nil).

18 **Assets under management**

Assets under management, which are not beneficially owned by the Company, but which are managed by the Company on behalf of investors are listed below at carrying amount.

| | 2021 $ | 2020 $ |
|---|---|---|
| Pension and savings plans | 9,379,583,469 | 8,200,924,871 |
| Mutual funds | 7,396,788,504 | 6,894,782,549 |
| Other funds | 632,968,342 | 522,882,704 |
| Off-balance sheet investments | 17,409,340,315 | 15,618,590,124 |

19 **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.