



First Citizens Depository Services Limited

Financial Statements

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

First Citizens Depository Services Limited

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First Citizens Depository Services Limited

Statement of Management's Responsibilities

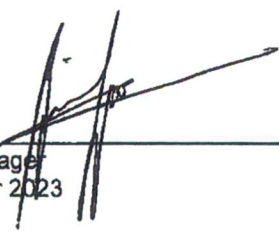
Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of First Citizens Depository Services Limited which comprise the statement of financial position as at 30 September 2023 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 2023



Senior Manager - Financial Accounting
23 November 2023



Independent auditor's report

To the shareholder of
First Citizens Depository Services Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of First Citizens Depository Services Limited (the Company) as at 30 September 2023, 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 2023;
- the statement of profit or loss and other 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.

Price waterhouse Coopers

Port of Spain
Trinidad, West Indies
29 November 2023

First Citizens Depository Services Limited

Statement of Financial Position

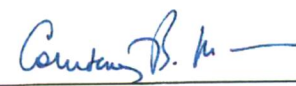
(Expressed in Trinidad and Tobago Dollars)

		As at 30 September	
	Notes	2023 \$'000	2022 \$'000
Assets			
Cash and cash equivalents	5	177,483	315,753
Statutory deposit with Central Bank	6	77	77
Investment securities			
- Fair value through other comprehensive income	7(a)	84	84
- Fair value through profit and loss	7(b)	16,692	16,495
Other receivables and prepayments	8	7,563	7,302
Due from related parties	9	35,370	15,992
Taxation receivable	10	20,270	18,548
Property, plant and equipment	11	19,312	20,266
Right-of-use assets	12	6,418	8,951
Intangible assets	13	649	1,399
Total assets		283,918	404,867
Liabilities			
Funds held for third party customers	14	59,444	58,009
Customers' deposits	15	847	845
Deferred tax liability	16	973	978
Other creditors and accrued expenses	17	4,837	5,248
Deferred income	18	1,315	1,455
Lease liabilities	12	6,843	9,458
Taxation payable		1,195	1,537
Total liabilities		75,454	77,530
Equity			
Share capital	19	15,000	15,000
Statutory reserve	20	15,000	15,000
Revaluation reserve	21	12,096	12,096
Retained earnings		166,368	285,241
Total equity		208,464	327,337
Total liabilities and equity		283,918	404,867

The notes on pages 8 to 53 are an integral part of these financial statements.

On 23 November 2023, the Board of Directors of First Citizens Depository Services Limited authorised these financial statements for issue.

 Director

 Director

First Citizens Depository Services Limited

Statement of Profit or Loss and Other Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

		Year ended 30 September	
	Notes	2023 \$'000	2022 \$'000
Income			
Revenue from contracts with customers	22	50,476	53,259
Other income	23	1,905	2,971
Net interest income	24	1,756	2,002
Unrealised loss on investment securities FVPL		(17)	(245)
Total income		<u>54,120</u>	<u>57,987</u>
Expenses			
Administrative expenses	25	(20,364)	(22,484)
Other operating expenses	26	(16,028)	(14,840)
Finance cost	12	(239)	(352)
Total expenses		<u>(36,631)</u>	<u>(37,676)</u>
Profit before taxation		17,489	20,311
Taxation	27	(6,337)	(8,121)
Profit for the year		<u>11,152</u>	<u>12,190</u>
Other comprehensive income:			
<i>Items that may be subsequently reclassified to profit and loss</i>			
Loss on revaluation of building		--	(2,080)
Total other comprehensive loss for the year		--	(2,080)
Total comprehensive income for the year		<u>11,152</u>	<u>10,110</u>

The notes on pages 8 to 53 are an integral part of these financial statements.

First Citizens Depository Services Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Note	Share capital \$'000	Statutory reserve \$'000	Revaluation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 October 2022		15,000	15,000	12,096	285,241	327,337
Comprehensive income						
Profit for the year		--	--	--	11,152	11,152
Total comprehensive income		--	--	--	11,152	11,152
<i>Transaction with owners</i>						
Dividend paid	30	--	--	--	(130,025)	(130,025)
Balance at 30 September 2023		15,000	15,000	12,096	166,368	208,464
Balance at 1 October 2021		15,000	15,000	14,176	291,262	335,438
Comprehensive income						
Profit for the year		--	--	--	12,190	12,190
Other comprehensive income						
Revaluation of land and buildings		--	--	(2,080)	--	(2,080)
Total comprehensive income		--	--	(2,080)	12,190	10,110
<i>Transaction with owners</i>						
Dividend paid	30	--	--	--	(18,211)	(18,211)
Balance at 30 September 2022		15,000	15,000	12,096	285,241	327,337

The notes on pages 8 to 53 are an integral part of these financial statements.

First Citizens Depository Services Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Year ended 30 September	
	2023 \$'000	2022 \$'000
Cash flows from operating activities		
Profit before taxation	17,489	20,311
Adjustments to reconcile profit before taxation to net cash provided by operating activities:		
Capitalised interest	(223)	(267)
Unrealised gains on investment securities FVPL	17	245
Interest paid on lease liabilities	239	352
Depreciation and amortisation	4,635	3,627
Cash flows from operating activities before changes in operating assets and liabilities	22,157	24,268
Changes in operating assets and liabilities		
Net increase/(decrease) in customers' deposits	2	(7)
Net (increase)/decrease in other receivables and prepayments	(261)	457
Net (increase)/decrease in amounts due from related parties	(19,378)	1,374
Net increase/(decrease) in creditors and accrued expenses	884	(101,996)
Net taxation recovered	--	2,929
Taxation paid	(8,397)	(17,636)
Net cash outflow from operating activities	(4,993)	(90,611)
Cash flows from investment activities		
Additions to property, plant and equipment and intangibles	(14)	(1,436)
Net cash outflow from investing activities	(14)	(1,436)
Cash flows from financing activities		
Dividends paid	(130,025)	(18,211)
Interest paid on lease liabilities	(239)	(352)
Principal paid on lease liabilities	(2,999)	(1,330)
Net cash outflow from financing activities	(133,263)	(19,893)
Net cash outflow for the year	(138,270)	(111,940)
Cash and cash equivalents:		
- at beginning of year	315,753	427,693
- at end of year	177,483	315,753
Represented by:		
Cash and cash equivalents	177,483	315,753

The notes on pages 8 to 53 are an integral part of these financial statements.

First Citizens Depository Services Limited

Notes to the Financial Statements

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

1 General information

First Citizens Depository Services Limited is incorporated in Trinidad and Tobago, licensed under the Financial Institutions Act 2008, and registered with the Trinidad and Tobago Securities and Exchange Commission. The Company acts as custodian and administrator to third parties and provides paying agency and registrar services. The Company is a wholly owned subsidiary of First Citizens Bank Limited (the "Bank", the "Parent"), a Bank incorporated in Trinidad and Tobago. The Bank is a subsidiary of First Citizens Group Financial Holdings Limited (FCGFH, the "Group") a subsidiary of First Citizens Holdings Limited (Holdings). Holdings is a company owned by the Government of the Republic of Trinidad and Tobago (GORTT). First Citizens Holdings Limited is the majority shareholder of FCGFH, with shareholding interest of 60.1%

The Company's registered office is located at the 4th and 5th Floors, Albion Plaza, 22-24 Victoria Avenue, 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 Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These financial statements are prepared under the historical cost convention as modified by the revaluation of financial assets at fair value and freehold premises.

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

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

- 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).

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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 accounting period (continued)

- 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.
- Annual improvement to IFRS 9 (effective 1 January 2022)- The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- Annual improvement to IFRS 16 (effective 1 January 2022)- The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The revised standards which were effective and have been adopted on the financial statements by the Company did not result in any material impact.

(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 and have not been early adopted by the Company:

- Amendments IAS1 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.
- Amendments 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 January 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.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

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

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current (Effective 1 January 2024). 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 IAS 1 - Non-current liabilities with covenants (Effective 1 January 2024). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- Amendments to IFRS 16 - Leases on sales and Leaseback (Effective 1 January 2024). The amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- IFRS S1 - General requirements for disclosure of sustainability-related financial information (Effective 1 January 2024). This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- IFRS S2 - Climate-related disclosures information (Effective 1 January 2024). This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

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

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 (2022: TT\$6.6926 = US\$1.00). This rate represents the First Citizens Group mid-rate.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

b. Foreign currency translation (continued)

(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 Profit or Loss and Other Comprehensive Income.

Changes in the fair value of monetary securities denominated in foreign currency classified as Fair Value through Other Comprehensive Income (FVOCI) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the 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 equity. Translation differences on non-monetary items such as equities classified as FVOCI financial assets are included in other comprehensive income.

c. Cash and cash equivalents

Cash and cash equivalents comprise of cash balances on hand, deposits with financial institutions and short-term highly liquid investments with original maturities of three months or less.

d. Financial assets and financial liabilities

(i) Financial assets

The Company classifies its financial assets based on the following business models:

- Hold to collect
- Hold to collect and sell or
- Fair value through profit or loss

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

Hold to Collect - Amortised cost

Financial 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 fair value through profit or loss (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.(v). Interest income from these financial assets is included in "Net interest income" using the effective interest rate method.

Hold to Collect & Sell - 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 represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses,

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

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 interest income". The interest income from these financial assets is included in "Net interest income" using the effective interest rate method.

Fair value through profit or loss (FVPL)

Financial 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 is recognised in profit or loss and presented in the Statement of Profit or Loss and Other Comprehensive Income within "Other income" in the period in which it arises.

(a) *Debt instruments*

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and subsequent measurement of debt instruments depend on:

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

Company's business model

The business model reflects how the Company manages its 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.
- 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.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

(a) Debt instruments (continued)

Company's business model (continued)

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

Amortised cost (Hold to collect)	Fair value through other comprehensive income (Hold to collect & sell)	Fair value through profit or loss (Hold for trading)
Cash and cash equivalents	Unquoted equities	Floating NAV Mutual Funds
Other receivables		
Due from related parties		

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.

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

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

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

(b) *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.

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. These financial assets are presented within investment securities held to collect and sell. 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.

Gains and losses on equity investments classified as FVPL are included in the Statement of Profit or Loss and Other Comprehensive Income.

(c) *Impairment*

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its investment securities 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.(v) provides more detail of how the expected credit loss allowance is measured.

For receivables and related party balances, the Company applies the simplified approach permitted by IFRS 9. Note 3. a. (iii) gives further details.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

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

(i) *Financial assets (continued)*

(d) *Recognition and de-recognition*

All purchases and sales of investment securities are recognised on the trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are de-recognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(ii) *Financial liabilities*

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include funds held as paying agent for bondholders, customer deposits, due to related parties and creditors and accrued expenses. Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

e. *Lease transactions*

For all new contracts entered into, 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*

The Company recognises leases as a right-of-use asset and a lease liability at the date at which the leased asset is available for use by the Company. The right of use is initially measured at the cost, which comprises the initial amount of the lease liability, any initial direct cost incurred, an estimate of any cost to dismantle and remove the asset or to restore the asset and less any lease incentive received.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

e. Lease transactions (continued)

(i) The Company as the lessee (continued)

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

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

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

The lease liabilities will be remeasured when there is a change in future lease payments from a change in rate or index or if the Company changes its assessments of whether it will exercise an extension or termination option.

Payments associated with short-term leases and all low-value assets are recognised on a straight-line basis as expenses in the income statement. Short-term leases are leases with a term of twelve (12) months or less. Low-value assets comprise IT equipment and small items of office furniture. However, the Company currently does not hold any low value assets or short term leases.

(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.

f. Property, plant and equipment

Freehold land and building are shown at fair value based on assessments performed by management or by independent valuers every three years, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the asset. The valuations of freehold land and building are re-assessed when circumstances indicate there may be a material change in value.

Revaluation surpluses are credited directly to equity under the heading revaluation reserve. To the extent the surplus reverses a previous deficit charged to income in respect of the same asset, it is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Revaluation deficits not covered by a previous surplus of the same asset are charged to the Statement of Profit or Loss and Other Comprehensive Income.

All other property, plant and equipment are recorded at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the terms.

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 Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

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 to their residual values over their estimated useful lives as follows:

Buildings	50 years
Equipment and furniture	4 - 5 years
Computer equipment	3 years
Motor vehicles	4 years
Leased property	4 years (term of the lease)
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 circumstance 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 premises and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in revaluation reserve are transferred to retained earnings.

g. *Intangible assets*

Intangible assets comprise acquired computer software and licences. Computer software and licences are initially recognized at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

g. *Intangible assets (continued)*

Direct expenditure which enhances or extends the performance of computer software beyond its specifications is added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred. Computer software development costs are recognised as assets when the following criteria are met:

- (i) It is technically feasible to complete the software and use it.
- (ii) Management intends to complete the software and use it.
- (iii) There is an ability to use the software
- (iv) Adequate technical, financial and other resources to complete the development and to use it.
- (v) 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.

h. *Income tax*

The tax expense for the year comprises current and deferred tax and is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The principal temporary differences arise from depreciation on property, plant and equipment and the revaluation of financial assets available-for-sale and freehold land and building.

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.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

i. *Employee benefits*

(i) *Pension plans*

The Company's employees are members of the First Citizens Group ("the Group") defined benefit plan. A defined benefit plan defines 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. This pension plan is funded by the payments from employees and the Group, taking account of the recommendations of independent qualified actuaries. The Group defined benefit plan operates as a plan that shares risks among subsidiaries of the Group that 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 for the plan. The Company recognises a cost equal to its contribution payable for its employees in its separate financial statements.

(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 profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

j. *Fee and commission income*

Fees and commissions income from contracts with customers are measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer.

The information about the nature of the type of services and the timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies are as follows:-

(i) *Custodian services*

The Company provides custodian services to Trinidad and Tobago pension plan funds, collective investment schemes (CIS), other funds and other subsidiaries within the Group. Custodian fees are calculated based on a percentage of the fund value or market value of the assets under custody. These Custodian fees are billed and payable at least quarterly in arrears.

Revenue from custodian services is recognised over time as the services are provided.

(ii) *Administration services*

The Company provides administration services for Collective Investment Schemes (CIS) managed by the Group. Fees are charged as a percentage of the average net asset value per annum, billed and payable at least quarterly in arrears.

Revenue is recognised over time as the services are provided.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

j. *Fee and commission income (continued)*

(iii) *Bond paying agency and registrar services*

The Company provides bond paying agency and registrar services on behalf of issuers of various debt instruments issued within Trinidad and Tobago and the wider Caribbean region. Fees are payable annually in arrears or in advance based on the provisions laid out within the specific agreement.

Revenue is recognised over time as the services are provided.

(iv) *Accounting services*

The Company provides accounting services for other subsidiaries within the group. A flat fee is charged for this service, billed and payable on a monthly basis.

Revenue is recognised over time as the services are provided.

k. *Interest income and expense*

Interest income and interest expense are recognised in the Statement of Profit or Loss and Other Comprehensive Income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

l. *Dividends*

Dividends that are proposed and declared during the period are accounted for as an appropriation of retained earnings in the Statement of Changes in Equity.

m. *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 obligations 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 pretax 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.

n. *Fiduciary activities*

The Company acts as custodian which results 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 32).

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

o. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when 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.

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.

First Citizens Depository Services Limited is part of the First Citizens Group and the Company is governed by the Group's risk management policies. These policies are designed to identify and analyse 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. These risk management policies are also monitored by the Board of Directors of First Citizens Depository Services Limited.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. 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. The most significant types of risk are credit risk, liquidity risk, market risk and operational risk, which includes cybersecurity risk. Market risk includes currency risk, interest rate risk and other price risks including commodity and equity risk.

The Group utilizes the three lines of defense concept to manage risk. The first line encompasses the units which design and implement controls to mitigate the risks which they face, the second line are control functions such as risk management and finance functions which monitor the first line against these standards/controls. The third line is the Group's internal audit function which provides additional assurance and independent review of risk management and the control environment.

To assist the Board of Directors in fulfilling its duties, two Board Sub-Committees are in place to monitor and report to the Board of Directors on the overall risks within the Group - the Board Enterprise Risk Management (BERM) Committee and the Board Credit Committee (BCC); and two Senior Management Committees – the Senior Management Enterprise Risk Management Committee (SMERMC) and the Asset Liability Committee (ALCO).

The Group Enterprise Risk Management unit, headed by the Group Chief Risk Officer (GCRO), reports to both Sub-Committees through the Senior Management Enterprise Risk Management Committee. This unit is responsible for the identification, analysis, measurement, monitoring and control of credit, market and operational risks for the Group through the Group Credit Risk Management Unit (GCRM), Group Market Risk Unit (GMR), Group Operational Risk and Controls Unit (GORC). Group Enterprise Risk Management also facilitates the monitoring of the Group's risk profile in relation to its risk appetite and the impact of developments in the aforementioned risk areas on strategy and how strategy should be adjusted in light of these developments.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

Risk management framework (continued)

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

The Group Internal Audit department is responsible for the independent review of risk management and the control environment and reports its findings and recommendations to the Board's Audit Committee.

a. *Credit risk*

Credit risk is the risk of incurring financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. The Company does not engage in the extension of credit, therefore credit risk is largely restricted to cash and cash equivalents, receivables from customers and amounts due from related parties.

(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 Management Committee (SMERMC), the Group Chief Risk Officer (GCRO), the Group Credit Risk Management (GCRM) 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 SMERMC 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 GCRM 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 documented Credit Policy manuals. These documents set out in detail the policies governing the lending function and provides a comprehensive framework for prudent risk management of the credit function.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9 (Note 3.a.(iv)).

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(ii) Credit risk grading

The Company uses the Group's internal credit risk grading or ratings which reflect its assessment of the risk profile or PD of counterparties. The Company utilises one (1) rating model for all financial assets.

Investment securities

For sovereign and corporate investment securities, the ratings published by Standards and Poor's Rating Agency (S&P), Moody's or Fitch where available, are used. For sovereigns with no S&P rating, the Group's Research and Analytics Unit uses a model based on the S&P, Moody's or Fitch methodology to generate a rating. For corporate investment securities with no S&P rating, a rating is assigned using the Group's Borrower Risk Rating (BRR) model.

S&P, Moody's or Fitch published ratings are continuously monitored and updated. The PD's associated with each rating are determined based on realised default over the prior 12 months, as published by the rating agency. The ratings generated by the BRR model are also updated annually.

The Table below provides a comparative view of the rating models used by the Group:

	S&P Rating	Research & Analytics Risk Rating (Investment Securities)	FC Borrower Risk Rating (Corporate)	FC IG Code	Interpretation
Investment Grade	AAA, AA+	A+	1	98	Extremely Low Risk
	AA, AA-	A			
	A+, A	A-	2	95	Very Low Risk
	BBB+, BBB, BBB-	B+	3	90	Low Risk
Speculative Grade	BB+, BB, BB-	B	4	85	Moderate Risk
	B+, B, B-	B-	5	80	High Risk
	CCC+, CCC, CCC-, CC+, CC, CC-, C+, C, C-	C	6		Very High Risk
	D	D	7	65	In Default

(iii) Expected credit loss measurement

The Company applies the simplified approach to all receivables from clients and amounts due from related parties. At initial recognition, the Company recognizes a loss allowance based on Lifetime ECLs. This approach does not require the significant estimation and judgement necessary to determine whether there have been changes in credit risk and whether such changes are significant. A provision matrix is used to measure the lifetime ECL.

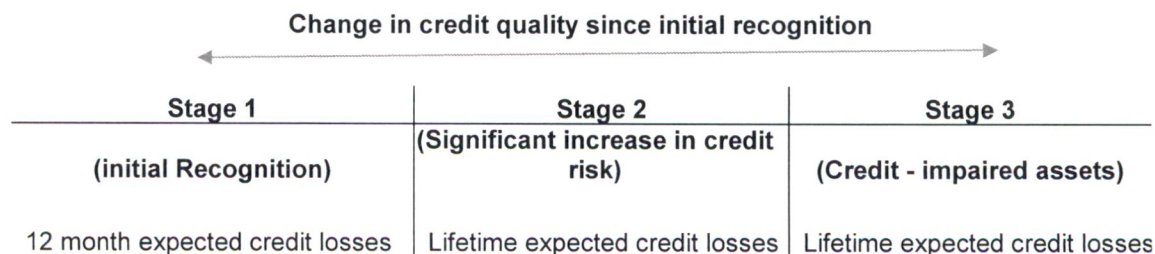
(Expressed in Trinidad and Tobago Dollars)

(iii) *Expected credit loss measurement (continued)*

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Please refer to Note 3.a.(iv) for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next twelve (12) months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to Note 3.a.(v) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- Purchased or originated credit-impaired (POCI) financial assets are those assets that are credit-impaired on initial recognition. The ECL is always measured on a lifetime basis and is deemed “built-in” to the fair value on origination. A credit impaired effective interest rate is used to amortise these instruments to their maturity. Changes to the life-time expected credit losses are adjusted in the amortised prices.

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



First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(iii) Expected credit loss measurement (continued)

Significant increase in credit risk (SICR)

The Company considers a financial instrument to have experienced a significant increase in credit risk when the following criteria have been met:

Investment securities:

Criteria	Hold to Collect/Hold to Collect and Sell	Single "B" or High Yield Portfolio
Absolute Measure	PD $\geq$ 15%	PD $\geq$ 25%
AND	AND	AND
Relative measure	One notch downgrade (internal rating scale)	One notch downgrade (internal rating scale)
OR	OR	OR
Absolute measure	Eurobonds in Trigger 3 CDS Breach	Eurobonds in Trigger 3 CDS Breach
Special Consideration	Evidence of cash flow strain and implied increased default risk	Evidence of cash flow strain and implied increased default risk

The Company has not used the low credit risk exemption for any financial instruments in both the year ended 30 September 2023 and 2022.

With respect to the cure for SICR, the Company considers a significant decrease in credit risk has occurred when the following happens:

Criteria	Hold to Collect/Hold to Collect and Sell	Single "B" or High Yield Portfolio
Absolute Measure	PD $<$ 12.5%	PD $<$ 20%
AND	AND	AND
Relative measure	One notch upgrade (internal rating scale)	One notch upgrade (internal rating scale)
OR	OR	OR
Absolute Measure	No Credit Stop loss Breaches for 10 consecutive trading days	No Credit Stop loss Breaches for 10 consecutive trading days
Special Consideration	Meet contractual cash flow obligations for one year	Meet contractual cash flow obligations for one year

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(iv) Definition of default and credit-impaired assets

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

(a) Default assets

Quantitative criteria

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

Qualitative criteria

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

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer (investments only).
- Bondholders triggering any Events of Default, triggering an immediate call on the investments.

(b) Credit-impaired assets

Quantitative criteria

The borrower is more than seven (7) days past due on its contractual payments.

Qualitative criteria

- Cash flow (or other severe financial) difficulties being experienced by the issuer;
- Breach of instrument covenants or conditions;
- Probability that the borrower will enter bankruptcy or other financial reorganisation;
- Deterioration in the issuer's competitive position;
- Deterioration in the value of collateral;
- The disappearance of an active market for that financial asset because of financial difficulties or;
- Downgrading of the issuer's credit rating below investment grade level.

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 investment instrument is considered to no longer be in default (i.e. to have cured) when it has been restructured. An exception exists for credit-impaired facilities at origination.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(v) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a twelve (12) month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as defined in Note 3.a.(iv), either over the next twelve (12) months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next twelve (12) months (12M EAD) or over the remaining lifetime (Lifetime EAD). The EAD is calculated as the outstanding balance less the discounted collateral value.
- LGD is expressed as the percentage of loss expected to be incurred if the default occurs over the remaining expected lifetime of the loan and represents management's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of claim and product type, while the availability of collateral is factored before LGD is considered.

PDs

The lifetime and twelve (12) month PDs are determined differently for loans and investment securities. Loans' PDs are derived from the historical experience of the Company, calculated using a vintage analysis methodology. The investment securities' PDs for sovereign and corporate instruments are taken from the Standard & Poor's (S&P) Annual Sovereign Default and Rating Transition Study and the Annual Global Corporate Default and Transition Study, respectively.

EAD

For amortising products and bullet repayment loans, EAD is based on the contractual repayments owed by the borrower over a twelve (12) month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.

For revolving products, the EAD is calculated by taking the current drawn balance and adding a credit conversion factor (CCF) which adjusts for the expected drawdown of the remaining unutilised limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over a two (2) year period. (Note 3.a.(vi)).

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

(v) *Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)* *LGD*

For sovereign investment securities, LGDs are obtained from Moody's Investor Services' Data Report on Sovereign Global Default and Recovery Rates (1983-2019). Corporate investment securities LGDs are based on the standard terms for North American corporate entities CDS contracts, taken from Moody's Analytics' CDS-implied EDF™ Credit Measures and Fair-value Spreads.

(vi) *Forward-looking information incorporated in the ECL models*

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

Determination of macroeconomic scenarios and probabilities

For each country in which the Company has investment securities, management performs scenario analysis to determine the impact of future economic conditions on the PD in these countries. To increase the robustness of the model, Management adopted a bivariate model to determine two MEVs for key sovereigns. Correlation analysis is then conducted between the two MEVs and key sovereign credit risk metrics, to determine which are most significant. Three selected sovereign credit risk metrics were identified as sovereign credit rating drivers to quantify the impact of the MEVs on each credit risk driver. To establish scenarios, the MEVs are 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best- and worse-case. The new values derived are run through a regression model to quantify the relationship between the credit rating and the scenarios. Data used in the update of the model as at 30 September 2023 incorporated the current global economic conditions, as such the forward-looking scenarios factored in the economic shocks, including tighter monetary policy and sticky underlying inflation pressures. .

Credit ratings were forecasted for the next three years using these macro-economic scenarios. The weightings applied to the forecasted ratings were 60% for year 1, 20% each for year 2 and 3. These weightings were determined based on management's judgment and experience.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Economics Research Unit on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing regression analysis to understand the impact changes in these variables have had historically on default rates and LGD.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

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

Determination of macroeconomic scenarios and probabilities (continued)

The most significant assumptions affecting the ECL allowance is GDP, given the significant impact it could have on the company's financial performance. Given the current investment portfolio, a 1% change in this indicator will not have any impact on the PDs and LGDs of the ECL.

(vii) 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 a single borrower, groups of borrowers, industry and country segments. The Company monitors its concentration of credit exposure so that no single borrower default will have a material impact on the Company. These limits are implemented and monitored by the Group Credit Risk Management Unit through the Group Credit Policy Manual. In instances where it is strategically beneficial and adequately documented, the Company would seek approval on an exception basis for variation to the approved limits from the Board of Directors.

(a) Single borrower and borrower group exposure limits

Limits established by regulatory authorities have been incorporated into the credit policies where concentration is restricted by limiting credit amounts to a percentage of the capital base. This is supported by a stringent reporting requirement and is further enhanced by policies requiring periodic review of all commercial credit relationships.

(b) Industry exposure limits

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

(c) Country exposure limits

Exposure limits have been established for selected countries which are considered to be within the Company's target market. Three (3) 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 strategic direction of the Company. 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.

(d) Impairment and provisioning policies

The Company's impairment provision policy is covered in detail in Note 2(d) (i) (c).

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

a. Credit risk (continued)

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

	2023 \$'000	2022 \$'000
<i>Gross maximum exposure</i>		
Cash and cash equivalents	177,483	315,753
Statutory deposit with Central Bank	77	77
Investment securities	16,776	16,579
Other receivables	6,179	6,445
Due from related parties	<u>35,370</u>	<u>15,992</u>
	<u>235,885</u>	<u>354,846</u>

The above table represents a worst case scenario of credit risk exposure to the Company without taking account of any collateral held or other credit enhancements attached.

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 factors. Market risks arise from open positions in interest rate, currency, commodity 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 market risks arising from trading and non-trading activities are measured separately by the Group Market Risk department who submit reports to the Senior Management Enterprise Risk Committee (SMERMC) on a regular basis and also reports via the Enterprise Risk Unit to the Board Enterprise Risk Committee to enable Board oversight of market risk issues. Additionally, on a monthly basis, the Company's Market Risk Committee reviews and approves the yield curves used to value all investment securities and reports on this into the Company ALCO. This Committee also provides for the consideration of the Company ALCO technical information that may be relevant to current and developing market conditions from time to time.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(i) Currency risk

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The market risk associated with maintaining foreign currency exposures is monitored monthly by the Company's Asset/Liability Committee. The Company does not currently engage in any hedging activities.

Foreign currency exposure for financial assets and financial liabilities

As at 30 September 2023

	TTD \$'000	USD \$'000	Total \$'000
<i>Financial assets</i>			
Cash and cash equivalents	80,106	97,377	177,483
Statutory deposit with Central Bank	77	--	77
Investment securities	16,776	--	16,776
Other receivables	5,842	337	6,179
Due from related parties	35,370	--	35,370
Total financial assets	138,171	97,714	235,885
<i>Financial liabilities</i>			
Funds held as paying agent for bondholders	35,006	24,438	59,444
Customers' deposits	847	--	847
Lease liabilities	6,843	--	6,843
Other creditors and accrued expenses	4,812	25	4,837
Total financial liabilities	47,508	24,463	71,971
Net statement of financial position	90,663	73,251	163,914

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(i) Currency risk (continued)

Foreign currency exposure for financial assets and financial liabilities (continued)

As at 30 September 2022

	TTD \$'000	USD \$'000	Total \$'000
<i>Financial assets</i>			
Cash and cash equivalents	220,662	95,091	315,753
Statutory deposit with Central Bank	77	--	77
Investment securities	16,579	--	16,579
Other receivables	6,037	408	6,445
Due from related parties	15,992	--	15,992
Total financial assets	259,347	95,499	354,846
<i>Financial liabilities</i>			
Funds held as paying agent for bondholders	55,175	2,834	58,009
Customers' deposits	845	--	845
Lease liabilities	9,458	--	9,458
Other creditors and accrued expenses	5,248	--	5,248
Total financial liabilities	70,726	2,834	73,560
Net statement of financial position	188,621	92,665	281,286

If the TT\$ appreciates by 100 basis points (2022: 100 basis points) against the US\$, the profit would decrease by \$732,510 (2022: \$926,650). The average change for the last three (3) years was less than 1 basis point (2022: 1 basis point). There was no change in the foreign exchange rate between 2023 and 2022.

(ii) Interest rate risk

Interest rate risk management focuses on potential changes in net interest income resulting from changes in interest rates, product spreads and mismatches in the re-pricing between interest rate sensitive assets and liabilities.

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. Cashflow 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.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(ii) Interest rate risk (continued)

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 2023

	Up to 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<i>Financial assets</i>							
Cash and cash equivalents	177,483	--	--	--	--	--	177,483
Statutory deposit with Central Bank	--	--	--	--	--	77	77
Investment securities	16,692	--	--	--	--	84	16,776
Other assets	--	--	--	--	--	6,179	6,179
Due from related parties	--	75	1,621	9,507	--	24,167	35,370
	194,175	75	1,621	9,507	--	30,507	235,885
<i>Financial liabilities</i>							
Funds held as paying agent for bondholders	--	--	--	--	--	59,444	59,444
Customers' deposits	226	15	452	1	153	--	847
Lease liabilities	251	503	2,336	3,753	--	--	6,843
Other creditors and accrued expenses	--	--	--	--	--	4,837	4,837
Total financial liabilities	477	518	2,788	3,754	153	64,281	71,971
Interest Sensitivity Gap	193,698	(443)	(1,167)	5,753	(153)		

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 September 2022

	Up to 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<i>Financial assets</i>							
Cash and cash equivalents	315,753	--	--	--	--	--	315,753
Statutory deposit with Central Bank	--	--	--	--	--	77	77
Investment securities	16,495	--	--	--	--	84	16,579
Other assets	--	--	--	--	--	6,445	6,445
Due from related parties	4	54	526	11,437	--	3,971	15,992
	332,252	54	526	11,437	--	10,577	354,846
<i>Financial liabilities</i>							
Funds held as paying agent for bondholders	--	--	--	--	--	58,009	58,009
Customers' deposits	225	15	451	1	153	--	845
Lease liabilities	209	420	2,144	6,685	--	--	9,458
Other creditors and accrued expenses	--	--	--	--	--	5,248	5,248
Total financial liabilities	434	435	2,595	6,686	153	63,257	73,560
Interest sensitivity gap	331,818	(381)	(2,069)	4,751	(153)		

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

b. Market risk (continued)

(iii) Other price risk

Other price risk arises due to the possibility that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is affected by changing prices of mutual funds (puttable instruments) classified as fair value through profit or loss securities with fair value movements recognised in Statement of Profit or Loss and Other Comprehensive Income. Management has determined that the impact of the price risk on these instruments classified as fair value through profit or loss is immaterial at the end of both periods reported.

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.

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/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. Current and projected cash flows are monitored, together with diversification of funding and contingency planning, and ensuring that funding disturbances are minimised. The Company manages liquidity risk using both expected and contractual cash flows by maintaining a liquid pool of marketable securities dedicated to mitigating liquidity risk as a contingency measure and managing the concentration of portfolios.

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

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

c. Liquidity risk (continued)

The table below analyses the financial assets and liabilities of the Company into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
As at 30 September 2023						
<i>Financial liabilities</i>						
Funds held as paying agent for bondholders	59,444	--	--	--	--	59,444
Customers' deposits	227	18	455	1	170	871
Lease liabilities	278	555	2,498	3,908	--	7,239
Creditors and accrued expenses	4,837	--	--	--	--	4,837
Total financial liabilities	64,786	573	2,953	3,909	170	72,391
Total financial assets	224,521	94	1,851	10,291	161	236,918
Liquidity gap	159,735	(479)	(1,102)	6,382	(9)	164,527

	Up to 1 month \$'000	1 to 3 months \$'000	3 to 12 months \$'000	1 to 5 Years \$'000	Over 5 years \$'000	Total \$'000
As at 30 September 2022						
<i>Financial liabilities</i>						
Funds held as paying agent for bondholders	58,009	--	--	--	--	58,009
Customers' deposits	227	18	456	1	169	871
Lease liabilities	254	509	2,475	7,239	--	10,477
Creditors and accrued expenses	5,248	--	--	--	--	5,248
Total financial liabilities	63,738	527	2,931	7,240	169	74,605
Total financial assets	342,670	68	596	12,450	161	355,945
Liquidity gap	278,932	(459)	(2,335)	5,210	(8)	281,340

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

d. Capital risk 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 requirement set by the regulators;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits for other stakeholders;
- to ensure that the Company can remain solvent during periods of adverse earnings or economic decline; and
- to ensure that the Company is adequately capitalised to cushion depositors and other creditors against losses.

Capital adequacy and the use of the regulatory capital are monitored monthly by the Group's ALCO Committee, employing techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory practices, as implemented by the Central Bank of Trinidad and Tobago for supervisory purposes. The required information is filed with the Central Bank of Trinidad and Tobago on a monthly basis.

The Financial Institution (Capital Adequacy) Regulations 2020 was promulgated effective 14 May 2020, being the Basel II/III framework. These Regulations requires each financial institution to:-

- Maintain a ratio of regulatory capital to risk weighted assets (Credit, Operational and Market) of not less than the minimum standard of 10%.
- Maintain a ratio of Tier 1 capital to risk weighted assets (Credit, Operational and Market) of not less than the minimum standard of 6%.
- Maintain a ratio of common equity Tier 1 capital to risk weighted assets (Credit, Operational and Market) of not less than the minimum standard of 4.5%.

The Company's regulatory capital is calculated using:

- Tier 1 capital – ordinary share capital, statutory reserve fund and retained earnings as stated in audited financial statements
- Tier 2 capital - qualifying subordinated loan capital, impairment allowances.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

d. Capital risk management (continued)

	2023 \$'000	2022 \$'000
Tier 1 Capital		
Share capital	15,000	15,000
Statutory reserve	15,000	15,000
Retained earnings	166,368	285,241
Less: Intangible assets	(649)	(1,399)
Total Tier 1	<u>195,719</u>	<u>313,842</u>
Tier 2 Capital		
Eligible reserve provision	--	--
Total Tier 2	<u>--</u>	<u>--</u>
Qualifying capital	<u>195,719</u>	<u>313,842</u>
<i>Ratios</i>		
Risk weighted assets (Credit, Operational & Market)	<u>289,676</u>	<u>287,779</u>
Qualifying capital to risk adjusted assets	<u>67.56%</u>	<u>109.06%</u>
Tier 1 Capital to Qualifying Capital	<u>100.00%</u>	<u>100.00%</u>

As at 30 September 2023 the Company was in compliance with these requirements.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

e. Fair value of financial assets and liabilities

Financial instruments not measured at fair value

The fair value of floating rate placements with financial institutions and overnight deposits is approximately equal to their carrying 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	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>				
Cash and cash equivalents	177,483	315,753	177,483	315,753
Statutory deposit with Central Bank	77	77	77	77
Other receivables	6,179	6,445	6,179	6,445
Due from related parties	35,370	15,992	35,370	15,992
	<u>219,109</u>	<u>338,267</u>	<u>219,109</u>	<u>338,267</u>
<i>Financial liabilities</i>				
Funds held as paying agent for bondholders	59,444	58,009	59,444	58,009
Customers deposits	847	845	847	845
Lease liabilities	6,843	9,458	6,843	9,458
Other creditors and accrued expenses	4,837	5,248	4,837	5,248
	<u>71,971</u>	<u>73,560</u>	<u>71,971</u>	<u>73,560</u>

The fair values of the Company's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS 9). See Note 4 for further details of the fair value measurements.

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying value of certain financial instruments is assumed to approximate their fair values. These include cash, statutory deposit with the Central Bank of Trinidad and Tobago, other receivables, customer deposits, funds held for bondholders, creditors and accrued expenses and related party balances.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

3 Financial risk management (continued)

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

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to these valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy: -

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

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The following tables analyse the financial instruments held by the Company according to the above fair value hierarchy:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 September 2023				
Investment securities - Fair value				
- Mutual funds	--	16,776	--	16,776
Total	--	16,776	--	16,776
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 September 2022				
Investment securities - Fair value				
- Mutual funds	--	16,579	--	16,579
Total	--	16,579	--	16,579

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates

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

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 Trinidad and Tobago. 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.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

4 Critical accounting estimates (continued)

Fair valuation of properties

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

- (i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) Recent prices of similar properties in less active market, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- (iv) The Company engaged external, independent and qualified valuers to determine the fair value of the Company's land and building. The valuation was performed in September 2022. The Company's policy is to obtain independent valuations for freehold land and buildings at least every three years. (Note 11, 21).

The 2022 valuation was conducted using the direct comparison and investment method. This methodology was used due to the impact of the Covid-19 pandemic on the Company's property. In arriving at the opinion of value, sales and rentals of six (6) comparable properties in the same location were analysed. Adjustments to the comparable sale price were then made for differences (location, size, condition, age and other relevant factors) in order to arrive at the final opinion value stated.

5	Cash and cash equivalents	2023 \$'000	2022 \$'000
	Cash and bank balances	<u>177,483</u>	<u>315,753</u>

Cash and cash equivalents include the above for the purpose of the Statement of Cash Flows.

6 Statutory deposit with the Central Bank of Trinidad and Tobago

Under the provisions of the Financial Institutions Act, 2008 (Trinidad and Tobago), the Company is required to maintain as a deposit with the Central Bank of Trinidad and Tobago, restricted cash balances. These balances represent a ratio of certain deposit liabilities held in such form and to such extent as the Central Bank may prescribe from time to time. The current ratio is 9% (2022: 9%). Under the provisions of the Act, it can be waived for a specified period of time and on such conditions as may be determined by the Central Bank of Trinidad and Tobago.

As at 30 September 2023 and for the year then ended, the Company was in compliance with this requirement.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

7 Investment securities

(a) Fair value through other comprehensive income (FVOCI)

	2023 \$'000	2022 \$'000
Mutual funds	84	84
Unquoted equity	964	964
Fair value loss on unquoted equity	(964)	(964)
	<u>84</u>	<u>84</u>

(b) Fair value through profit or loss (FVPL)

Mutual funds	<u>16,692</u>	<u>16,495</u>
Opening balance	16,495	16,607
Capitalised interest	223	267
Fair value loss on mutual funds	<u>(26)</u>	<u>(379)</u>
Closing balance	<u>16,692</u>	<u>16,495</u>

8 Other receivables and prepayments

Accounts receivable	6,179	6,445
Prepayments	<u>1,384</u>	<u>857</u>
	<u>7,563</u>	<u>7,302</u>

9 Due from related parties

Finance leases receivable from Parent and other subsidiaries	11,203	12,021
Due from Parent and other subsidiaries for transfers to customers	23,964	2,128
Due (to)/from Parent and other subsidiaries for operating expenses	(168)	728
Due from plans under administration for transfers to customers	<u>371</u>	<u>1,115</u>
	<u>35,370</u>	<u>15,992</u>

These finance leases are non-cancellable agreements generally relating to motor vehicles owned by the Company. The lease terms are four years.

All other outstanding balances with related parties are to be settled in cash within three (3) months of the reporting date. No interest is charged or accrued on balances with related parties.

10 Taxation receivable

As at 30 September 2023, accumulated taxation receivable were \$20,270,480 for the taxation years 2019 to 2022.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

11 Property, plant and equipment

	Freehold land & building	Leasehold improvements	Furniture & computer equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 September 2023					
Opening net book value	18,500	939	525	302	20,266
Additions	--	--	14	--	14
Depreciation charge	(230)	(289)	(330)	(119)	(968)
Closing net book value	18,270	650	209	183	19,312
As at 30 September 2023					
Cost or valuation	18,500	2,373	12,680	804	34,357
Accumulated depreciation	(230)	(1,723)	(12,471)	(621)	(15,045)
Closing net book value	18,270	650	209	183	19,312
Year ended 30 September 2022					
Opening net book value	22,000	--	789	281	23,070
Additions	--	1,131	89	216	1,436
Revaluation	(3,200)	--	--	--	(3,200)
Depreciation charge	(300)	(192)	(353)	(195)	(1,040)
Closing net book value	18,500	939	525	302	20,266
As at 30 September 2022					
Cost or valuation	18,500	2,373	12,666	804	34,343
Accumulated depreciation	--	(1,434)	(12,141)	(502)	(14,077)
Closing net book value	18,500	939	525	302	20,266
As at 30 September 2021					
Cost or valuation	22,000	--	13,819	702	36,521
Accumulated depreciation	--	--	(13,030)	(421)	(13,451)
Closing net book value	22,000	--	789	281	23,070

If the buildings were stated on the historical cost basis, the amount would be as follows:

	2023 \$'000	2022 \$'000
Cost	14,000	14,000
Accumulated depreciation	(10,826)	(10,546)
Net book value	3,174	3,454

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

11 Property, plant and equipment (continued)

As at 30 September 2022, the Company's land and building were revalued by an external independent qualified valuator. The 2022 valuation was conducted using the direct comparison and investment methods. Changes in fair value are recorded in the Statement of Profit or Loss and Other Comprehensive Income net of tax. The Company's policy is to obtain independent valuations for its land and building at least every three years. Next external valuation is due 30 September 2024.

The fair value for land and building is a level 2 recurring fair value measurement.

	2023 \$'000	2022 \$'000
Opening balance (level 2 recurring fair values)	18,500	22,000
Depreciation charge	(230)	(300)
Revaluation loss	--	(3,200)
Closing balance (level 2 recurring fair values)	<u>18,270</u>	<u>18,500</u>

12 Leases

The Company entered into a lease contract in February 2022, for the lease of building space for a period of four (4) years.

The Statement of Financial Position shows the following amounts relating to leases:

Right-of-use assets

	Building \$'000	Total \$'000
Period ended 30 September 2023		
Opening net book value	8,951	8,951
Cost adjustment	384	384
Depreciation charge	<u>(2,917)</u>	<u>(2,917)</u>
Closing net book value	<u>6,418</u>	<u>6,418</u>

Depreciation

Cost	11,172	11,172
Accumulated depreciation	<u>(4,754)</u>	<u>(4,754)</u>
	<u>6,418</u>	<u>6,418</u>

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

12 Leases (continued)

Right-of-use assets (continued)

	Building \$'000	Total \$'000
Period ended 30 September 2022		
Opening net book value	--	--
Additions	10,788	10,788
Depreciation charge	<u>(1,837)</u>	<u>(1,837)</u>
Closing net book value	<u>8,951</u>	<u>8,951</u>
Depreciation		
Cost	10,788	10,788
Accumulated depreciation	<u>(1,837)</u>	<u>(1,837)</u>
	<u>8,951</u>	<u>8,951</u>
	2023	2022
	\$'000	\$'000
Lease liabilities		
Current	3,090	2,773
Non-Current	<u>3,753</u>	<u>6,685</u>
	<u>6,843</u>	<u>9,458</u>

The Statement of Profit or Loss and Other Comprehensive Income shows the following amounts relating to leases:

Interest charges – building	<u>239</u>	<u>352</u>
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Extension and termination options are included in the lease contracts. These options are used to maximise operational flexibility in terms of managing the assets used in the Company's operations.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

13 Intangible assets

	Computer Software \$'000	Total \$'000
Year ended 30 September 2023		
Opening net book value	1,399	1,399
Depreciation charge	(750)	(750)
Closing net book value	649	649
As at 30 September 2023		
Cost or valuation	3,109	3,109
Accumulated depreciation	(2,460)	(2,460)
Closing net book value	649	649
	Computer Software \$'000	Total \$'000
Year ended 30 September 2022		
Opening net book value	2,149	2,149
Depreciation charge	(750)	(750)
Closing net book value	1,399	1,399
As at 30 September 2022		
Cost or valuation	3,109	3,109
Accumulated depreciation	(1,710)	(1,710)
Closing net book value	1,399	1,399

14 Funds held for third party customers

	2023 \$'000	2022 \$'000
Funds held payable to bondholders	59,444	58,009

The Company in its capacity as bond paying agent receives payments from bond issuers on a periodic basis for payment to bond holders. Also, from time to time, the Company holds funds to remit to third parties for placement of investments on behalf of plans under management. These funds are held in a separate bank account and are included in cash and cash equivalents on the Statement of Financial Position.

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

15 Customers' deposits

Deposits are analysed by sector as follows:

	2023 \$'000	2022 \$'000
Private institutions	31	131
Individuals	716	714
	<u>847</u>	<u>845</u>

16 Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the liability method using the effective tax rate of 35% (2022: 35%). The movement on the deferred income tax account is as follows:

At beginning of year	(978)	(1,957)
Impact of revaluation adjustments:		
Land and building revaluation	--	1,120
Depreciation on right-of-use assets	149	--
Depreciation on financial assets	253	(207)
Profit and loss charge	<u>(397)</u>	<u>66</u>
At end of year	<u>(973)</u>	<u>(978)</u>

	Balance at 1 October 2022 \$'000	Credit/(Charge) to statement of profit or loss and other comprehensive income \$'000	(Charge)/credit to other comprehensive income \$'000	Balance at 30 September 2023 \$'000
<i>Deferred income tax assets</i>				
Lease liability	--	2,395	--	2,395
- current year	2,051	244	--	2,295
- prior year	768	(397)	--	371
	<u>2,819</u>	<u>2,242</u>	<u>--</u>	<u>5,061</u>
<i>Deferred income tax liabilities</i>				
Fair value measurement of financial assets	(747)	9	--	(738)
Right-of-use	--	(2,246)	--	(2,246)
Revaluation on freehold land and building	<u>(3,050)</u>	<u>--</u>	<u>--</u>	<u>(3,050)</u>
	<u>(3,797)</u>	<u>(2,237)</u>	<u>--</u>	<u>(6,034)</u>
Net deferred tax liability	<u>(978)</u>	<u>5</u>	<u>--</u>	<u>(973)</u>

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

16 Deferred tax liability (continued)

	Balance at 1 October 2021 \$'000	Credit/(Charge) to statement of profit or loss and other comprehensive income \$'000	(Charge)/credit to other comprehensive income \$'000	Balance at 30 September 2022 \$'000
<i>Deferred income tax assets</i>				
Accelerated tax depreciation				
- current year	2,390	(339)	--	2,051
- prior year	702	66	--	768
	3,092	(273)	--	2,819
<i>Deferred income tax liabilities</i>				
Fair value measurement of financial assets	(879)	132	--	(747)
Revaluation gain on freehold land and building	(4,170)	--	1,120	(3,050)
	(5,049)	132	1,120	(3,797)
Net deferred tax liability	(1,957)	(141)	1,120	(978)

17 Other creditors and accrued expenses

Included in other creditors and accrued expenses is an amount of \$358 (2022: \$376) which is due to investors of the First Energy Fund. The First Energy Fund was closed effective 31 August 2010. In accordance with the Custodian Agreement dated 15 September 2010 between First Citizens Depository Services Limited and the Trustee, the net assets of the Fund, represented by cash was transferred to the Company for distribution to the remaining unit holders. This cash is held in a custodian account and is included in Cash and cash equivalents.

18 Deferred income

Fee income received in advance of the service to be provided is carried in deferred income. These fees received will be recognised as income over the next five (5) years.

	2023 \$'000	2022 \$'000
Income recognisable within one year	1,280	1,425
Income recognisable in more than one year	35	30
	<u>1,315</u>	<u>1,455</u>

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

19	Share capital	2023	2022
		\$'000	\$'000
	Authorised		
	8,000,000 ordinary shares of no par value		
	Issued and fully paid		
	667,096 (2022: 667,096) ordinary shares of no par value	<u>15,000</u>	<u>15,000</u>

20 Statutory reserve

The Financial Institutions Act 2008, Part IV, Section 25 1(a) stipulates that a licensee must transfer annually a minimum of 10% of its profits after taxation to a Reserve Fund until the amount at credit of the Reserve Fund equals the paid up capital of the Company. As at 30 September 2023, the Statutory Reserve was equal to the paid up capital of the Company.

21 Revaluation reserve

Land and buildings

Balance at beginning of year	12,096	14,176
Net loss from changes in fair value	--	(2,080)
Balance at end of year	<u>12,096</u>	<u>12,096</u>

22 Revenue from contracts with customers

	Collective investment schemes	Pension Plan Funds	Other portfolios	Institutional debt issuers	Other related parties	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 September 2023						
Custodian fees	22,601	10,509	1,918	--	10,347	45,375
Administrative fees	914	--	--	--	--	914
Bond paying agent fees	--	--	--	2,987	--	2,987
Accounting services fees	--	--	--	--	1,200	1,200
Total	<u>23,515</u>	<u>10,509</u>	<u>1,918</u>	<u>2,987</u>	<u>11,547</u>	<u>50,476</u>

Year ended 30 September 2022

Custodian fees	23,471	10,988	2,677	--	10,816	47,952
Administrative fees	933	--	--	--	--	933
Bond paying agent fees	--	--	--	3,174	--	3,174
Accounting services fees	--	--	--	--	1,200	1,200
Total	<u>24,404</u>	<u>10,988</u>	<u>2,677</u>	<u>3,174</u>	<u>12,016</u>	<u>53,259</u>

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

23	Other income	2023	2022
		\$'000	\$'000
	Rent	1,630	1,582
	Miscellaneous income	275	1,389
		<u>1,905</u>	<u>2,971</u>
24	Net interest income		
	Leases	1,436	1,645
	Financial assets	227	267
	Balances due from banks	97	94
	Interest income	1,760	2,006
	Interest expense	(4)	(4)
		<u>1,756</u>	<u>2,002</u>
25	Administrative expenses		
	Staff costs (Note 25 a.)	20,067	22,209
	Directors' fees	297	275
		<u>20,364</u>	<u>22,484</u>
a.	<i>Staff costs</i>		
	Salaries	14,581	15,103
	Other staff expenses	2,582	4,101
	National insurance	866	945
	Pension expense	2,038	2,060
		<u>20,067</u>	<u>22,209</u>
	The number of permanently employed staff as at the year-end was as follows:		
		<u>58</u>	<u>59</u>
26	Other operating expenses		
	Operating expenses	6,884	6,853
	Hardware and software expenses (CPU Charges)	2,995	2,995
	Advertising expenses	10	52
	Property expenses	1,125	1,008
	Technical and professional fees	379	305
	Depreciation and amortisation charges	4,635	3,627
		<u>16,028</u>	<u>14,840</u>

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

27	Taxation	2023	2022
		\$'000	\$'000
	Corporation tax - current year	7,269	8,508
	- prior year	(936)	(660)
	Deferred tax - current year	(393)	339
	- prior year	397	(66)
		<u>6,337</u>	<u>8,121</u>

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

Profit before tax	<u>17,489</u>	<u>20,311</u>
Tax calculated at 35% (2022: 35%)	6,121	7,109
Non-deductible expenses	4,615	4,550
Income exempt from tax	(1,621)	(792)
Allowances	(2,239)	(2,020)
Prior year over provision	<u>(539)</u>	<u>(726)</u>
Tax charge	<u>6,337</u>	<u>8,121</u>

28 Related party transactions and balances

The following transactions are entered into with related parties in the normal course of business:

	2023	2022
	\$'000	\$'000
<i>Directors and key management personnel</i>		
Salaries and other short-term employee benefits	2,497	2,825
<i>Transactions and balances with Parent</i>		
Cash and cash equivalents	177,483	315,753
Due to/(from) related parties	9,107	(9,226)
Interest income	1,533	1,738
Other operating expenses	5,790	5,790
<i>Transactions and balances with other related parties</i>		
Due from related parties	26,263	25,218
Investment securities - FVPL	16,692	16,495
Other receivables and prepayments	1,999	2,052
Income	35,285	38,268

First Citizens Depository Services Limited

Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

29 Deposit insurance

The Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 established a Deposit Insurance Fund for the protection of depositors. By the Central Bank (Deposit Insurance) Order 1986, dated 17 September 1986, an annual premium of 0.2 percent of the average deposit liabilities outstanding as at the end of each quarter of the preceding year is levied.

30 Dividends

In accordance with the Group's dividend policy, ordinary dividends were paid to parent as follows:

	2023 \$'000	2022 \$'000
Dividend paid - final 2021 (\$15.61 per share)	--	10,411
Dividend paid - final 2022 (\$187.38 per share)	125,000	7,800
Dividend paid - interim 2023 (\$7.53 per share)	<u>5,025</u>	<u>--</u>
	<u>130,025</u>	<u>18,211</u>

31 Contingent liabilities

The Company is involved in claims and counterclaims arising from the conduct of its business. Based on the facts now known to the Company, the Directors believe that the outcome of these matters would not have a material effect on the position of the Company.

32 Assets under administration

The Company provides investment management and custody services to third parties, which involve the Company making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. The assets under administration at the reporting dates are as following:

2023 \$'000	2022 \$'000
<u>17,255,445</u>	<u>16,896,911</u>

33 Subsequent events

There were no other events after the reporting period which were material to the financial statements and should have resulted in adjustments to the financial statements or disclosures when the financial statements were authorised for issue.