KCL Capital Market Brokers Limited

Audited Financial Statements

For the year ended September 30, 2019

KCL Capital Market Brokers Limited

Audited Financial Statements
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

BDO

Tel: +1 (868) 625 8662
Fax: +1 (868) 627 6515
www.bdo.tt

2nd Floor CIC Building
122-124 Frederick Street
Port of Spain
Trinidad and Tobago

Independent Auditor's Report

To the Shareholders of
KCL Capital Market Brokers Limited

Opinion

We have audited the financial statements of KCL Capital Market Brokers Limited (the "Company"), which comprise the statement of financial position as at September 30, 2019, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRSs, 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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

BDO

December 31, 2019

Port of Spain,
Trinidad, West Indies

KCL Capital Market Brokers Limited

Statement of Financial Position

As at September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
ASSETS			
Cash and cash equivalents	3	77,383,647	43,759,004
Investments	4	75,666,557	65,320,127
Receivables and prepayments	5	8,551,979	7,079,862
Loans and other receivables	6	20,888,571	11,569,934
Due from related parties	7	2,047,846	3,249,735
Investment property	8	1,050,000	1,050,000
Property and equipment	9	2,007,535	492,670
TOTAL ASSETS		**$187,596,135**	**$132,521,332**
EQUITY AND LIABILITIES			
EQUITY			
Ordinary share capital	11	738,443	738,443
Preference share capital	11	21,399,549	16,904,321
Retained earnings		32,032,901	27,653,021
TOTAL EQUITY		**54,170,893**	**45,295,785**
LIABILITIES			
Payables and accruals	10	133,381,781	87,182,086
Taxation payable		43,461	43,461
TOTAL LIABILITIES		**133,425,242**	**87,225,547**
TOTAL EQUITY AND LIABILITIES		**$187,596,135**	**$132,521,332**

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

These financial statements were approved by the Board of Directors of KCL Capital Market Brokers Limited on December 31, 2019.

Director

Director

KCL Capital Market Brokers Limited

Statement of Comprehensive Income
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
Interest income	12	4,043,473	2,455,560
Fees and commissions	13	20,263,557	14,306,402
Other income		1,041,975	1,110,714
Total income		**25,349,005**	**17,872,676**
Net foreign exchange gain		(101,210)	1,833,154
Operating expenses	14	(14,587,354)	(13,390,372)
Profit before taxation		**10,660,441**	**6,315,458**
Taxation charge	15	(245,715)	(165,675)
Total comprehensive income for the year		**$10,414,726**	**$6,149,783**

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

KCL Capital Market Brokers Limited

Statement of Changes in Equity
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	Ordinary share capital	Preference share capital	Retained earnings	Total shareholders' equity
Year ended September 30, 2019				
Balance as at October 1, 2018	738,443	16,904,321	27,653,021	45,295,785
Change on initial application of IFRS 15	-	-	(196,498)	(196,498)
Restated balance as at 1 October 2018	738,443	16,904,321	27,456,523	45,099,287
Total comprehensive income			10,414,726	10,414,726
	738,443	16,904,321	37,871,249	55,514,013
Transaction with owners				
- Issue of preference shares		5,000,000		5,000,000
- Redemption of preference shares		(504,772)		(504,772)
- Ordinary shares dividend			(4,712,738)	(4,712,738)
- Preference shares dividend			(1,125,610)	(1,125,610)
Balance as at September 30, 2019	**$738,443**	**$21,399,549**	**$32,032,901**	**$54,170,893**
Year ended September 30, 2018				
Balance as at October 1, 2017	738,443	18,785,248	22,456,295	41,979,986
Total comprehensive income	-	-	6,149,783	6,149,783
	738,443	18,785,248	28,606,078	48,129,769
Transaction with owners				
- Issue of preference shares	-	168,733	-	168,733
- Redemption of preference shares	-	(2,049,660)	-	(2,049,660)
- Preference shares dividend	-	-	(953,057)	(953,057)
Balance as at September 30, 2018	**$738,443**	**$16,904,321**	**$27,653,021**	**$45,295,785**

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

KCL Capital Market Brokers Limited

Statement of Cash Flows
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	2019	2018
Cash flows from operating activities		
Profit before taxation	10,660,441	6,315,458
Adjustments for:		
Depreciation	222,139	81,865
Loss on disposal of property and equipment	101,212	-
Change on initial application of IFRS 15	(196,497)	-
Provision for impairment of investments	-	1,235,478
Provision for impairment of loans and other receivables	-	1,183,607
Loss on revaluation of investment property	-	300,000
	10,787,294	9,116,408
Changes in working capital:		
(Increase)/decrease in receivables and prepayments	(1,472,117)	80,079
Increase in loans and other receivables	(9,318,637)	(5,695,774)
Decrease/(increase) in due from related parties	1,201,889	(401,287)
Increase in payables and accruals	46,199,695	30,782,682
Taxes paid	(245,715)	(165,675)
Net cash generated by operating activities	**47,152,410**	**33,716,433**
Cash flows from investing activities		
Purchase of investments	(136,318,365)	(77,894,342)
Proceeds from sale of investments	125,971,935	38,161,541
Purchase of property and equipment	(1,852,683)	(49,644)
Proceeds from sale of property and equipment	14,466	-
Net cash used in investing activities	**(12,184,647)**	**(39,782,445)**
Cash flows from financing activities		
Proceeds from issuance of shares	5,000,000	168,733
Repurchase of shares	(504,772)	(2,049,660)
Dividends paid	(5,838,348)	(953,057)
Net cash used in financing activities	**(1,343,120)**	**(2,833,984)**
Net increase/ (decrease) in cash and cash equivalents	**33,624,643**	**(8,899,996)**
Cash and cash equivalents at beginning of year	**43,759,004**	**52,659,000**
Cash and cash equivalents at end of year	**$77,383,647**	**$43,759,004**

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

1. Incorporation and business activities

KCL Capital Market Brokers Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago on November 18, 2003. On May 12, 2011, the Company changed its name from AIC Capital Market Brokers Limited to KCL Capital Market Brokers Limited under section 217 of the Companies Act, 1995. The Company's registered office is located at # 25 Western Main Road, St. James, Port of Spain, Trinidad and Tobago.

The Company's ultimate parent company is KAZAC Limited, a company incorporated in the Republic of Trinidad and Tobago.

The Company is registered with the Securities and Exchange Commission (SEC) under the Securities Industry Act, 1995 to act as a broker, securities company, dealer, investment adviser, trader and an underwriter.

2. 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.

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Trinidad and Tobago dollars. These financial statements are prepared under the historical cost convention as modified by the revaluation of available for sale investment securities and trading liabilities.

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 2.15.

(a) New and amended standards adopted by the Company

IFRS 9 'Financial Instruments - classification and measurement'. This new standard on classification and measurement of financial assets and financial liabilities replaced the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at amortised cost and those measured at fair value. The determination is made at initial recognition. Financial assets can be classified as fair value through other comprehensive income, fair value through profit and loss and amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. IFRS 9 introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. The Company has assessed and reported on the impact of IFRS 9 herein. See Note 2.13.

IFRS 15 'Revenue from contracts with customers'. This standard provides a single-principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows (1) Identify the contract with the customer, (2) Identify the performance obligations in the contract, (3) Determine the contract price, (4) Allocate the transaction price to the performance obligations in the contracts and (5) Recognise revenue when (or as) the entity satisfies a performance obligation. The Company has assessed and reported on the impact of IFRS 15 herein. See Note 2.13.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning October 1, 2018, and not early adopted

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company's future financial statements in the period of initial application. In all cases, the entity intends to apply these standards from application date as indicated in the note below.

- IFRS 16 Leases supersedes IAS 17 Leases and its related interpretations. IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead, all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. However, entities have an option not to bring onto the statement of financial position short term leases (i.e. those with 12 months or less) and leases of low-value items. IFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components. IFRS 16 applies to annual periods commencing on or after January 1, 2019.
- IFRIC 23 - Uncertainty over Income Tax Treatments (Effective January 1, 2019). The interpretation addresses the determination of taxable profits (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

    - Whether tax treatments should be considered collectively
    - Assumptions for taxation authorities' examinations
    - The determination of taxable profit (tax loss), tax bases, unused tax losses,
    - Unused tax credits and tax rates.
    - The effect of changes in facts and circumstances

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Company and have not been disclosed.

(c) Standards and amendments to published standards early adopted by the Company

The Company did not early adopt any new, revised or amended standards.

2.2 Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars, which is the functional and presentation currency.

2. Significant accounting policies (continued)

2.2 Foreign currencies (continued)

Transactions and balances

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

2.3 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations, 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.

2.4 Financial assets

Under IFRS 9 effective for the year ended September 30, 2019

Classification

The Company has adopted IFRS 9, effective October 1, 2018, and classifies its financial assets based on the following business models:

- Hold to collect and sell or
- Hold to collect

The Company's business model

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

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Company's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows from the sale of 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 identification of and response to various risks, which includes but not limited to liquidity risk, market risk credit risk and interest rate risk.
- How managers are compensated e.g. if compensation is based on the fair value of assets managed or contractual cash flows collected.

2. Significant accounting policies (continued)

2.4 Financial assets (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

Based on the Company's business model, financial assets are classified into the following categories:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not recognised at fair value through profit and 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 17. Interest income from these financial assets is included in "interest income" on the statement of comprehensive income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the assets, where the asset 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 (FVOCI). Movements in the carrying amounts are taken through OCI, except for the recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss and recognised in "interest income" on the statement of comprehensive income. The interest income from these financial assets is included in "interest income" using the effective interest rate method.

Recognition/de-recognition of financial assets

All purchases and sales of financial assets are recognised on the trade date- the date on which the Company commits to purchase or sell the financial asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Company has transferred substantially all risks and rewards of ownership.

Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The Company recognises a loss allowances 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.

Determination of fair value

Fair value is determined using valuation techniques. In these techniques fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using input existing at year-end. The Company uses an internally developed model which is generally consistent with other valuation models used in the industry. Valuation models are used to value private equity. Some of the inputs of this model may not be market observable and are therefore based on assumptions.

2. Significant accounting policies (continued)

2.4 Financial assets (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018

Classification

The Company classifies its financial assets as available for sale financial assets. Management determines the appropriate classification of its investments at the time of its purchase.

Available for sale financial assets) are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Recognition and measurement

Purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Available for sale financial assets are subsequently carried at fair value. The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Gains and losses arising from changes in the fair value of available for sale financial assets are recognized in the statement of changes in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in the statement of changes in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Interest on available for sale financial assets calculated using the effective interest method is recognized in the statement of comprehensive income as part of investment income. Dividends on available for sale equity instruments are recognized in the statement of comprehensive income as dividend income when the Company's right to receive payments is established.

Impairment of financial assets

The Company assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets carried at fair value is impaired if its carrying amount is greater than its estimated recoverable amount based on the recent value of expected future cash flows discounted at the current market rate of interest.

A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

(i) Delinquency in contractual payments of principal or interest;

(ii) Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);

3. **Significant accounting policies (continued)**

2.4 Financial assets (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018

(iii) Breach of loan covenants or conditions;
(iv) Initiation of bankruptcy proceedings;
(v) Deterioration of the borrower's competitive position;
(vi) Deterioration in the value of collateral; and
(vii) Downgrading of the asset.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from the statement of changes in equity and recognized in the statement of comprehensive income. If in a subsequent period, the fair value of a financial asset classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

2.5 Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the reducing balance method to allocate their cost to their residual values over their estimated useful lives, as follows:

Computer equipment	-	$33\,^{1}/_{3}\%$
Office equipment	-	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income (gains) or operating expenses (losses), in the statement of comprehensive income.

2.6 Cash and cash equivalents

Cash comprises cash and balances due from banks with an original maturity period of less than three months.

2. Significant accounting policies (continued)

2.7 Income tax

(a) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in Trinidad and Tobago and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on available for sale financial asset).

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially 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.

The principal temporary differences arise from accelerated tax depreciation, revaluation of financial assets and tax losses carried forward.

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

2.8 Revenue recognition

Under IFRS 15 effective for the year ended September 30, 2019

Most of the Company's revenue is derived from the provision of services with revenue recognised at a point in time. This is because the Company provides, and the customer accepts the goods simultaneously. Revenue is derived from fixed-price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. There is no judgement involved in allocating the contract price to each unit ordered in such contracts.

The Company also provides paying agent services which include making payments to investors as per repayment schedules, maintaining a register of investors and dealing with changes in investors. The Company identifies each performance obligation and allocates the revenue to each performance obligation. This is recognised over time.

Under IAS 18 effective for periods up to and including the year ended September 30, 2018

Interest income and expense

Interest income and interest expense are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transactions costs and all other premiums or discounts.

2. Significant accounting policies (continued)

2.8 Revenue recognition

Under IAS 18 effective for periods up to and including the year ended September 30, 2018

Fees and commissions

Fees and commissions are recognised on an accrual basis when the service has been provided, and fees arising from negotiation, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities are recognised on completion of the underlying transaction.

Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.10 Offsetting

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.

2.11 Investment property

The Company owns a freehold property that is held for capital appreciation. The property is not occupied by the Company. Investment property is carried at fair value, derived from the current market prices for comparable real estate as determined by qualified independent valuators. Changes in fair value are recognised in profit or loss.

2.12 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Income taxes

Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2. Significant accounting policies (continued)

2.12 Critical accounting estimates and judgments (continued)

(b) Impairment of investments

The Company follows the guidance of IFRS 9 (2018: IAS 39) when an investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health or near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

2.13 Changes in accounting policies

The Company has adopted IFRS 9 - Financial Instruments as issued by the IASB in July 2014, with a date of transaction of October 1, 2018. This resulted in changes in accounting policies and adjustments to the classification of financial assets disclosed in the financial statements.

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

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

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

The Company assessed which business models apply to the financial instruments held by the Company on October 1, 2018, and has classified its financial instruments into the appropriate IFRS 9 categories. The Company currently holds investments in debt instruments classified at amortised cost and investments in private equities are classified at fair value through other comprehensive income.

The impact of the adoption of IFRS 9 on the Fund's financial assets and liabilities are as follows:

Classification and measurement of financial instruments

	Measurement category		Carrying amount	
	Original (IAS 39)	New (IFRS 9)	Original	New
Financial assets				
Cash and cash equivalents	Amortised cost	Amortised cost	43,759,004	43,759,004
Investments - equity	Available for sale	Amortised cost	3,464,867	3,464,867
Investments - debt	Available for sale	FVOCI	61,855,260	61,855,260
Receivables and prepayments	Amortised cost	Amortised cost	7,079,862	7,079,862
Loans and other receivables	Amortised cost	Amortised cost	11,569,934	11,569,934
Due from related parties	Amortised cost	Amortised cost	3,249,735	3,249,735

The Company also adopted IFRS 15 with a transition date of October 1, 2018. This has resulted in the Company recognising revenue for its paying agent services over time as opposed to at a point in time. This resulted in a prior year adjustment of $196,498 which is adjusted in the opening retained earnings.

3. Cash and cash equivalents

	2019	2018
Cash on hand	18,826	20,317
Cash at bank	20,597,934	20,804,026
Short term investments	56,766,887	22,660,940
Fixed deposits	-	273,721
	$77,383,647	$43,759,004

The above cash balance includes $64,165,058 (2018: $33,950,109) which represents cash held on behalf of clients in trust, the use of which is restricted.

4. Investments

	2019	2018
Cost at beginning of year	65,320,127	26,822,804
Additions	136,318,365	77,894,342
Disposals/maturities	(125,971,935)	(36,460,350)
Provision for impairment of investment		(1,235,478)
Matured and reclassified to loans and other receivables	-	(1,701,191)
End of year	$75,666,557	$65,320,127
Investments include the following unlisted securities:		
Corporate debt	61,283,821	61,855,260
Preference shares	14,382,728	3,464,867
	$75,666,557	$65,320,127

The maturity profile for investments is documented in Note 17 (b).

5. Receivables and prepayments

	2019	2018
Investment income receivable	2,534,020	2,456,891
Provision for impairment of investment income receivable	(131,639)	(131,639)
Fees receivable	4,494,924	4,015,547
Receivable from clients	1,650,018	566,777
Other receivables	4,656	2,714
Assets held on behalf of third parties	-	169,572
	$8,551,979	$7,079,862

6. Loans and other receivables

	2019	2018
Due from issuers of promissory notes not yet matured	3,851,626	1,988,580
Due from issuers of matured promissory notes	115,043	115,043
Due from issuers of promissory notes	3,966,669	2,103,623
Due from issuers of matured participation investments	18,867,741	11,368,805
Receivable from the Government of St. Lucia	2,829,644	2,829,644
Provision for impairment	(5,535,331)	(5,535,331)
Due from issuers of participation investments	16,162,054	8,663,118
Other receivables	759,848	803,193
	$ 20,888,571	**$11,569,934**
Non-current	-	-
Current	20,888,571	11,569,934
	$ 20,888,571	**$11,569,934**

As at September 30, 2019, loans and other receivables of $16,403,148 (2018: $8,778,162) were past due but not impaired. The ageing analysis of those loans and other receivables are as follows:

	2019	2018
0 - 6 months	6,242,986	353,661
6 months to 1 year	112,934	3,767,573
Over 1 year	12,456,527	4,656,928
	$18,812,447	**$8,778,162**

Due from issuers of matured promissory notes, due from the issuers of matured participation investments and receivable from the Government of St. Lucia, represents amounts that matured on or before September 30, 2019, but were not repaid to the Company as originally scheduled.

6. Loans and other receivables (continued)

The Company has obtained various forms of collateral to secure the amounts now receivable as follows:

Debtor	2019	2018	Security
Government of St. Lucia	3,846,816	3,846,816	Legal judgement of EC$1,335,892.78 plus 6% interest and 75% probability of a ruling in the Company's favour as per lawyers against appeal filed. Receivables from Government of St Lucia of US$246,000.00.
Jokhan General Contractors Limited - Class B Note	-	456,632	Contract with Petroleum Company of Trinidad and Tobago valued at $36,875,822. First Mortgage on property held at Penal
Southern Hatcheries Limited	4,464,433	1,815,787	Registered charge over all equipment financed and equipment held in the Principal's name. Second Debenture on properties and personal guarantees on Principals.
Baksh Construction Services Limited	2,299,751	2,299,751	Registered assignments of specific contract receivables, personal and corporate guarantees of principals and first and second debenture over the fixed and floating assets of the issuer stamped to the value of the Note. Second mortgage on land.
CinemaOne Limited	1,208,999	-	Personal guarantees on Principals.
Big Sky Limited	1,500,000		"Two (2) parcels of land situated at No. 45 Fort George Road, St -James, on the which the Sky View Villas Apartments are being constructed. Land valued at $1,175,000. Assignment of the proceeds of sales of all apartments Personal Guarantee of the principals of the organisation. Assignment of Contractor's All Risk insurance coverage over the project with the sum insured always being at least the same as the construction cost of the project, with loss, if any, payable to the Project Lender."
Others	5,492,449	359,176	Assignment of cashflows on various projects and receivables and personal guarantees on Principals.
	$18,812,447	**$8,778,162**	

7. Related party transactions

In the normal course of business, the Company operates account relationships with its parent and fellow subsidiary and associated companies in accordance with established commercial practice.

	2019	2018
a) Due from related parties:		
Key management personnel *	2,047,846	3,124,496
Other related parties	-	125,239
	$2,047,846	$3,249,735

* This comprises of balances of $206,710 (2018: $841,425) with interest rates ranging between 7.0% and 7.5% and balances of $1,841,136 (2018: $2,283,071) with interest rate of 0%. There is no fixed maturity date.

	2019	2018
b) Transactions with related parties:		
Interest income - Key management	23,339	53,570
	$23,339	$53,570
c) Directors' fees	217,200	208,900
	$ 217,200	$208,900
e) Key management compensation: Salaries and benefits	5,235,072	3,628,388
	$5,235,072	$3,628,388
f) Share capital held by Directors and key management personnel:		
Ordinary share capital	612,628	655,632
	$ 612,628	$655,632

8. Investment property

	2019	2018
As at beginning of year	1,050,000	1,350,000
Revaluation loss	-	(300,000)
As at end of year	**$1,050,000**	**$1,050,000**

The investment property was acquired as repayment of an investment of the Company in December 2015. The property was last valued on December 28, 2018, by independent valuators - G. A. Farrell & Associates Limited.

9. Property and equipment

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
For the year ended September 30, 2019				
Cost as at October 1, 2018	356,285	588,627	-	944,912
Additions for the year	101,695	757,906	993,082	1,852,683
Disposals for the year	(89,599)	(194,971)	-	(284,570)
Cost as at September 30, 2019	368,381	1,151,562	993,082	2,513,025
Accumulated depreciation as at October 1, 2018	263,965	188,277		452,242
Depreciation for the year	47,012	75,819	99,308	222,139
Depreciation on disposals	(85,550)	(83,341)		(168,891)
Accumulated depreciation at September 30, 2019	225,427	180,755	99,308	505,490
Net book value as at September 30, 2019	**$142,954**	**$970,807**	**$893,774**	**$2,007,535**
For the year ended September 30, 2018				
Cost as at October 1, 2017	328,254	567,014	-	895,268
Additions for the year	28,031	21,613	-	49,644
Cost as at September 30, 2017	356,285	588,627	-	944,912
Accumulated depreciation as at October 1, 2017	223,969	146,408	-	370,377
Depreciation for the year	39,996	41,869	-	81,865
Accumulated depreciation as at September 30, 2018	263,965	188,277	-	452,242
Net book value as at September 30, 2018	**$92,320**	**$400,350**	-	**$492,670**

10. Payables and accruals

	2019	2018
Client payables	117,082,728	63,786,181
Debt service and interest reserve	6,322,835	2,047,879
Holdbacks on facilities	4,210,708	4,076,134
Funds under management	4,039,492	11,607,828
Legal fees and stamp duty payable	908,955	1,016,572
Other payables	321,796	97,177
Deferred revenue	274,976	-
Accruals	208,541	186,480
Unsettled disbursements	11,750	4,363,835
	$133,381,781	$87,182,086

11. Share capital

Issued and fully paid	**2019**	**2018**
10,632,628 Class A ordinary shares of no par value (2018: 10,632,628)	632,629	632,629
105,814 Class B ordinary shares of no par value (2018: 105,814)	105,814	105,814
	738,443	738,443
Preference Shares		
21,399,549 preference shares of no par value (2018: 16,904,321)	21,399,549	16,904,321
Total	$22,137,992	$17,642,764

Class A ordinary shareholders are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each ordinary share held at all such meetings; to receive exclusive of the other classes of shares of the Company any dividends declared and payable by the Company on ordinary shares; and to receive the remaining property of the Company upon dissolution, liquidation or winding up whether voluntary or involuntary in proportion to the number of shares then held by each of them.

Class B ordinary shareholders are entitled to any dividends declared and payable by the Company on Class B ordinary shares; will carry no voting rights and no notice is given to attend all meetings of the shareholders of the Company, to receive the remaining property of the Company upon dissolution, liquidation or winding up whether voluntary or involuntary in proportion to the number of shares then held by each of them pro rata with the holders of the ordinary shares.

The issued preference shares carry no voting rights, do not have a fixed maturity date, do not attract compulsory dividends and are not subordinate to other equity instruments in the event of liquidation of the Company.

12. Interest income

	2019	2018
Interest from external investments	3,312,224	2,219,545
Interest from loans to related parties	707,910	53,570
Interest from cash balances held	23,339	182,445
	$4,043,473	$2,455,560

13. Fees and commissions

	2019	2018
Arrangement fees	19,269,443	13,071,539
Late payment fees	836,185	953,639
Advisory fees	153,197	281,224
Commissions	4,732	-
	$20,263,557	$14,306,402

14. Operating expenses

	2019	2018
Staff costs	9,611,923	6,982,823
Professional fees	1,830,648	1,198,888
Office expenses	733,962	585,172
Rental expenses	401,625	688,500
Repairs and maintenance	355,608	67,916
Donations	306,494	120,450
Other expenses	257,153	89,677
Commissions	231,141	160,870
Depreciation	223,052	81,865
Director's fee	217,200	208,900
Insurance expenses	127,829	17,271
Management fees	96,193	99,715
Security expenses	78,089	140,435
Bank charges	45,247	38,292
Travel expenses	32,563	7,372
Advertising and public relations	20,221	36,844
Entertainment expenses	13,006	7,037
Board meeting expenses	5,400	7,615
Provision for impairment of financial assets	-	2,550,730
Loss on revaluation of investment property	-	300,000
	$ 14,587,354	$13,390,372

14. Operating expenses (continued)

	2019	2018
Staff Costs		
Salaries and wages	8,689,648	6,259,974
National insurance - employer contribution	320,672	309,886
Car maintenance and gas allowance	167,965	134,670
Group health and medical	157,407	111,935
Other	276,231	166,358
	$9,611,923	**$6,982,823**
Number of employees at end of year	**33**	**24**

15. Taxation

	2019	2018
Business levy	163,710	109,614
Green fund levy	82,005	56,061
	$245,715	**$165,675**

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

	2019	2018
Profit before taxation	10,660,441	6,315,458
Tax calculated at statutory rate	2,665,109	1,844,637
Income not subject to tax and allowances	(222,745)	(49,861)
Expenses not deductible for tax purposes	206,596	209,699
Business levy	163,710	109,614
Green fund levy	82,005	56,061
Tax losses utilised	(2,648,960)	(2,004,475)
	$245,715	**$165,675**

The Company has accumulated tax losses of approximately $199,037,702 (2018: $212,493,492) to carry forward against taxable profits in future years.

16. Dividends

	2019	2018
Dividends paid on ordinary shares during the year	4,712,738	-
Dividends paid on preference shares during the year	1,125,610	953,057
	$5,838,348	**$953,057**

17. Financial risk management

The Company's activities expose it to a variety of financial risks. These include liquidity risk, credit risk and market risk which includes interest rate risk, foreign exchange risk and price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

a) *Risk management structure*

Board of Directors

The Board of Directors is ultimately responsible for the establishment and oversight of the Company's risk management framework. The Board has established committees and divisions for managing and monitoring risks such as credit risk, interest rate risk and liquidity risk. The divisions report periodically on risk management to the Committees and the Committees report periodically to the Board.

Audit Committee

The Company has an Audit Committee comprising of both executive and non-executive directors. The Committee is responsible for monitoring relevant risks, statutory compliance, the integrity of the Company's financial records and reports to the Board of Directors.

Risk Management Committee

The Risk Management Committee provides oversight of the implementation and maintenance of risk-related management systems to ensure an independent control process. The Credit and Risk Division is responsible for monitoring compliance with risk policies and authorization limits in the four key areas of credit risk, market risk, liquidity risk and operational risk.

Asset/Liability Committee (ALCO)

Overall, the Committee ensures compliance with policies related to the management of liquidity risk, interest rate risk and foreign exchange risk. The ALCO is responsible for monitoring and reviewing capital, liquidity, statement of financial positions and trends, and the market risks of the investment portfolios of the Company. This is to ensure adherence to corporate-wide policies and procedures, regulatory requirement and to recommend and implement appropriate funding plans and actions.

In addition, the ALCO is responsible for monitoring adherence to trading limits, policies and procedures that are established and manages the Company's statement of financial position by allocating capital with the aim of maximizing returns while minimizing the cost of funds. This committee is an integral part of the overall risk management framework of the Company.

Risk measurement and reporting systems

The Company's overall risk management program seeks to minimize the potentially adverse effect of risk on the Company's financial performance in a manner consistent with the Company's investment objective.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries and regions.

Information compiled is examined and processed in order to identify, analyse and control risks. This information which consists of several reports is presented and explained to the Board of Directors, the Risk Management Committee, the Audit Committee and the Asset/Liability Committee. The reports include but are not limited to aggregate credit exposure, open currency positions, and liquidity ratios, business performance and compliance.

17. Financial risk management (continued)

b) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis.

The Company's liquidity management process is carried out by the Chief Financial Officer as follows:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of marketable assets that can be liquidated as protection against any unforeseen interruption to cash flow.
- Managing the concentration and profile of maturities.

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flow.

	Up to one year	One to five years	Over five years	No stated maturity	Total
As at September 30, 2019					
Assets					
Cash and cash equivalents	56,766,887	-	-	20,597,934	77,364,821
Investments	49,209,590	3,924,767	8,149,472	14,382,728	75,666,557
Receivables and prepayments	-	-	-	8,551,979	8,551,979
Loans and other receivables	20,888,571	-	-	-	20,888,571
Due from related parties	2,047,846	-	-	-	2,047,846
Total Assets	$128,912,894	$3,924,767	$8,149,472	$43,532,641	$184,519,774
Liabilities					
Payables and accruals	133,381,781	-	-	-	133,381,781
Total Liabilities	$133,381,781	$-	$-	$-	$133,381,781
Net Liquidity Risk	($4,468,887)	$3,924,767	$8,149,472		
As at September 30, 2018					
Assets					
Cash and cash equivalents	22,934,661	-	-	20,804,026	43,738,687
Investments	36,479,022	24,932,649	443,599	3,464,857	65,320,127
Receivables and prepayments	-	-	-	7,079,862	7,079,862
Loans and other receivables	11,569,934	-	-	-	11,569,934
Due from related parties	3,249,735	-	-	-	3,249,735
Total Assets	$74,233,352	$24,932,649	$443,599	$31,348,745	$130,958,345
Liabilities					
Payables and accruals	87,182,086	-	-	-	87,182,086
Total Liabilities	$87,182,086	$-	$-	$-	$87,182,086
Net Liquidity Risk	$(12,948,734)	$24,932,649	$443,599		

17. Financial risk management (continued)

c) *Credit risk*

Credit risk is the risk that a borrower or counterparty fails to meet contractual obligations or to perform as agreed. This risk is managed through robust credit appraisal governed by stringent adherence to credit risk policies in compliance with regulatory requirements. Credit risk also arises from cash and cash equivalents with banks and financial institutions. Cash and cash equivalents are held with high-quality financial institutions to reduce the risk of recoverability.

The risk of default is that counterparties may fail to make timely payments of scheduled interest and principal sums.

i) *Expected credit loss measurement*

IFRS 9 outlines a 'three-stage' mode for impairment based on changes in credit quality since initial recognition as summarised below:

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

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

Change in credit quality since initial recognition

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

17. Financial risk management (continued)

a) *Credit risk (continued)*

i) *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 asset shows clear evidence of impairment as the customer is having trouble with repayments and the company has seen significant changes in the Early Warning Checklist used in the company's ongoing credit risk monitoring.

Definition of default and credit-impaired assets

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

Quantitative criteria

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

Qualitative criteria

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

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

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

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 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:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.

17. Financial risk management (continued)

a) Credit risk (continued)

i) Expected credit loss measurement (continued)

- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of the claim and product type, while the availability of collateral is factored before LGD is considered. A robust system for recovering on all delinquent facilities managed by specialised units ensures that early measures are taken to contain loss. The recovery on the various products managed by the Company are recorded and this historical information is used to determine LGD. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

  The ECL is determined by multiplying the PD, LGD and EAD after taking into consideration the discounted present value of the EAD and collateral enhancements. The EAD is determined by reducing the outstanding balance from the discounted collateral value. The cost of disposal of the collateral item is factored together with the time frame for disposal before discounting to present values. The discount rate used in the ECL calculation is the original effective interest rate.

The EAD is considered as follows:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 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 exposure at default is calculated by taking the current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining 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-year period.
- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post-default. These vary by product type and are influenced by the collection strategies of the specialist units managing the process.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

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.

17. Financial risk management (continued)

a) *Credit risk (continued)*

i) *Expected credit loss measurement (continued)*

As part of the Company's credit process assessment, it considers the impact of the macroeconomic factors on the industry and the competitive position within the industry. Included in the assessment is an examination of the entity's financial performance and position, projected cash flows, its competitive position in the sector, opportunity for growth and risk factors (financial, performance, operational, governance, business, market etc.) that impact present and future performance/position of the entity. Also considered are the impact of sector's contribution to GDP, and other factors impacting to GDP etc. unemployment rate, Inflation rate, repo rate, etc. including risk mitigating factors based on risk identified.

Sensitivity analysis

The most significant assumption affecting the ECL allowance for the Corporate/ Commercial portfolios is GDP-given the significant impact on Company performance and collateral valuations.

ii) *Maximum exposure to credit risk before collateral held or other credit enhancements*

	2019	2018
Cash and cash equivalents	77,364,821	43,738,687
Investments	75,666,557	65,320,127
Receivables	8,551,979	7,079,862
Loans and other receivables	20,888,571	11,569,934
Due from related parties	2,047,846	3,249,735
	$184,519,774	**$130,958,345**

iii) *Analysis of financial assets*

a) A summary of financial assets is summarised below:

	2019	2018
Investments		
Neither past due nor impaired	75,666,557	65,320,127
	$75,666,557	**$65,320,127**
Loans and other receivables:		
Neither past due nor impaired	2,241,968	2,791,772
Past due but not impaired	17,036,945	8,778,162
	$20,888,571	**$11,569,934**
Receivables:		
Neither past due nor impaired	8,551,979	7,079,862
	$8,551,979	**$7,079,862**
Due from related parties:		
Neither past due nor impaired	2,047,846	3,249,735
	$2,047,846	**$3,249,735**

17. Financial risk management (continued)

c) Credit risk (continued)

b) Movements in the impairment allowance for the year ended September 30, 2019, are as follows:

	2019	2018
Opening provision for impairment	7,379,040	4,973,793
Increase/(decrease) during the year:		
Provision for impairment-investments financial assets	-	1,235,478
Reversal in provision for impairment - investment income receivable	-	(13,838)
Provision for impairment - due from issuers of matured promissory notes	-	1,183,607
Closing provision for impairment	**$7,379,040**	**$7,379,040**

d) Market risk

i) Interest rate risk

Interest sensitivity of assets and liabilities

The Company is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	2019	2018
Cash and cash equivalents	77,364,821	43,738,687
	$77,364,821	**$43,738,687**

Sensitivity Analysis

The table below summarises the Company's sensitivity to a reasonable change in the interest rate with all other variables held constant on total comprehensive income and shareholders' equity.

	Effect on Shareholders' Equity 2019	Effect on Shareholders' Equity 2018
Change in interest rate:		
+1%	5,135	1,340
-1%	(5,135)	(1,340)

17. Financial risk management (continued)

d) *Market risk (continued)*

ii) *Foreign exchange risk*

Foreign exchange risk arises from recognised financial assets and financial liabilities denominated in a currency that is not the Company's functional currency. The Company's major foreign exchange risk relates to cash and cash equivalents, available for sale financial asset and loans and other receivables that are denominated in US currency and Canadian currency. The Company has the following significant currency positions.

As at 30 September	2019	2018
Assets		
United States dollars:		
Cash and cash equivalents	17,430,957	6,793,968
Available for sale financial assets	52,769,986	23,009,333
Loans and other receivables	8,135,851	9,102,437
	$78,336,794	**$38,905,738**
Canadian dollars:		
Cash and cash equivalents	7,371	7,499
	$7,371	**$7,499**
Total Assets	**$78,344,165**	**$38,913,237**

Sensitivity analysis

The table below summarises the Company's sensitivity to a reasonable change in the US Dollar and Canadian dollar with all other variables held constant on total comprehensive income and shareholder's equity.

	Effect on Net Shareholders' Equity 2019	Effect on Net Shareholders' Equity 2018
Change in currency rate:		
+1%	(783,442)	($389,132)
-1%	783,442	$389,132

e) *Capital management*

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Company meets its objectives for managing capital and ensures adherence to the requirements of Regulatory Authorities by continuous monitoring and ensuring awareness of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems. The Rules of the Securities and Exchange Commission state that the minimum capital requirement is $5 million.

18. Fair value measurement

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities measured at fair value at September 30:

2019 Assets	Level 1	Level 2	Level 3	Total balance
Investments				
Debt securities	-	-	75,666,557	75,666,557
Total assets	**$**	**$**	**$75,666,557**	**$75,666,557**

2018 Assets	Level 1	Level 2	Level 3	Total balance
Investments				
Debt securities	-	-	65,320,127	65,320,127
Total assets	**$ -**	**$ -**	**$65,320,127**	**$65,320,127**

Reconciliation of movement in Level 3 investments:

	2019	2018
Cost at beginning of year	65,320,127	26,822,804
Additions	136,318,365	77,894,342
Disposals/maturities	(125,971,935)	(36,460,350)
Provision for impairment of available for sale financial assets	-	(1,235,478)
Matured and reclassified to loans and other receivables	-	(1,701,191)
End of year	**$75,666,557**	**$65,320,127**

18. Fair value measurement (continued)

Financial assets classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include corporate debt securities and preference shares. As observable prices are not available for these securities, the Company has used the value that the assets were sold to the market.

As at September 30, 2018, included in the level 3 investments above are debt securities in Serafini Pictures LLC ("Serafini") of $6,901,793, which media asset is the film *Bazodee*, and Starfish Media Limited ("Starfish") of $2,067,800, which media assets are the *Caribbean Next Top Model* television series. C15 Studios Limited independently valued these investments using the discounted cash flow methodology whereby estimated future free cash flows generated by the assets are discounted to their present value at a reasonable discounting rate or cost of capital of the debt. On December 20, 2018, C15 Studios Limited made an offer to KCL to acquire these assets formally in a commitment letter. This letter stated that C15 Studios Limited will acquire the debt securities in Serafini Pictures LLC and Starfish Media at the full principal and interest value as at the date of settlement, within 45 days of the commitment letter. As such, these investments were carried at cost.

On September 12, 2019, C15 Limited issued 36,029 Convertible Redeemable Participating preference shares at the value of US$50 per share to KCL Capital Market Brokers, as full payment for the debt securities. The shares carry a 5% dividend yield together with certain redemption and profit participation rights designed to provide the holder with a total maximum return not to exceed 15% of C15's net profit in any given year.

19. Subsequent events

Management evaluated all events that occurred from October 1, 2019, through December 31, 2019, the date the financial statements were available to be issued. During the period, the Company did not have any subsequent events requiring recognition or disclosure in the financial statements.