



# KCL Capital Market Brokers Limited

Audited Financial Statements

For the year ended September 30, 2021

# KCL Capital Market Brokers Limited

## Audited Financial Statements

For the year ended September 30, 2021

*(Expressed in Trinidad and Tobago Dollars)*

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## **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, 2021, 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, 2021, 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.

The BDO logo consists of the letters 'BDO' in a stylized, blue, cursive font.

December 29, 2021

Port of Spain,  
Trinidad, West Indies



# KCL Capital Market Brokers Limited

## Statement of Financial Position



As at September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

	Notes	2021	2020
<b>ASSETS</b>			
Cash and cash equivalents	3	58,801,501	78,873,564
Investments	4	53,941,221	43,601,460
Receivables and prepayments	5	10,206,797	9,620,546
Loans and other receivables	6	21,916,372	20,772,226
Due from related parties	7	224,597	2,462,111
Right for use asset	8	1,898,136	2,683,572
Investment property	9	1,050,000	1,050,000
Property and equipment	10	1,468,892	1,729,627
<b>TOTAL ASSETS</b>		<b>\$149,507,516</b>	<b>\$160,793,106</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Ordinary share capital	12	738,443	738,443
Preference share capital	12	21,133,540	21,133,540
Retained earnings		29,084,800	30,611,227
<b>TOTAL EQUITY</b>		<b>50,956,783</b>	<b>52,483,210</b>
<b>LIABILITIES</b>			
Payables and accruals	11	95,346,475	104,477,668
Lease liability	8	3,160,797	3,788,767
Taxation payable		43,461	43,461
<b>TOTAL LIABILITIES</b>		<b>98,550,733</b>	<b>108,309,896</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$149,507,516</b>	<b>\$160,793,106</b>

*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 29, 2021.

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director

## KCL Capital Market Brokers Limited

### Statement of Comprehensive Income

For the year ended September 30, 2021

*(Expressed in Trinidad and Tobago Dollars)*

	Notes	2021	2020
Interest income	13	3,897,994	3,457,023
Fees and commissions	14	18,648,675	13,563,059
Other income		270,775	1,547,933
<b>Total income</b>		<b>22,817,444</b>	<b>18,568,015</b>
Net foreign exchange (loss)/gain		(343,416)	484,356
Operating expenses	15	(14,049,160)	(15,956,016)
<b>Profit before interest and tax</b>		<b>8,424,868</b>	<b>3,096,355</b>
Finance Cost	8	(442,548)	(570,464)
<b>Profit before tax</b>		<b>7,982,320</b>	<b>2,525,891</b>
Taxation charge	16	(166,747)	(192,961)
<b>Total comprehensive income for the year</b>		<b>\$7,815,573</b>	<b>\$2,332,930</b>

*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, 2021

(Expressed in Trinidad and Tobago Dollars)

	Ordinary share capital	Preference share capital	Retained earnings	Total shareholders' equity
<b>Year ended September 30, 2021</b>				
Balance as at October 1, 2020	738,443	21,133,540	30,611,227	52,483,210
Total comprehensive income	-	-	7,815,573	7,815,573
	738,443	21,133,540	38,426,800	60,298,783
<b>Transaction with owners</b>				
- Ordinary shares dividend	-	-	(8,000,000)	(8,000,000)
- Preference shares dividend			(1,342,000)	(1,342,000)
<b>Balance as at September 30, 2021</b>	<b>\$738,443</b>	<b>\$21,133,540</b>	<b>\$29,084,800</b>	<b>\$50,956,783</b>
<b>Year ended September 30, 2020</b>				
Balance as at October 1, 2019	738,443	21,399,549	32,032,901	54,170,893
Change on initial application of IFRS 16	-	-	(478,153)	(478,153)
Restated balance as at October 1, 2019	738,443	21,399,549	31,554,748	53,692,740
Total comprehensive income			2,332,930	2,332,930
	738,443	21,399,549	33,887,678	56,025,670
<b>Transaction with owners</b>				
- Redemption of preference shares	-	(266,009)	-	(266,009)
- Ordinary shares dividend	-	-	(2,158,707)	(2,158,707)
- Preference shares dividend	-	-	(1,117,744)	(1,117,744)
<b>Balance as at September 30, 2020</b>	<b>\$738,443</b>	<b>\$21,133,540</b>	<b>\$30,611,227</b>	<b>\$52,483,210</b>

*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, 2021

(Expressed in Trinidad and Tobago Dollars)

	2021	2020
<b>Cash flows from operating activities</b>		
Profit before taxation	7,982,320	2,525,891
Adjustments for:		
Depreciation	278,126	334,203
Lease interest expense	442,548	570,464
Loss on disposal of property and equipment	-	(3,639)
Amortisation of rights of use asset	785,436	785,436
Reversal of provision for impairment- AFS	(343,888)	-
	9,144,541	4,215,355
<b>Changes in working capital:</b>		
Increase in receivables and prepayments	(586,251)	(1,068,567)
(Increase)/decrease in loans and other receivables	(1,144,146)	13,278,525
Decrease/(increase) in due from related parties	2,237,514	(414,265)
Decrease in payables and accruals	(9,131,193)	(28,904,113)
Taxes paid	(166,747)	(192,961)
<b>Net cash provided by/(used in) operating activities</b>	<b>353,719</b>	<b>(13,089,026)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(81,987,042)	(54,243,617)
Proceeds from sale of investments	71,991,169	73,146,534
Purchase of property and equipment	(17,391)	(57,400)
Proceeds from sale of Property and Equipment	-	4,744
<b>Net cash (used in)/ generated by investing activities</b>	<b>(10,013,264)</b>	<b>18,850,261</b>
<b>Cash flows from financing activities</b>		
Repurchase of shares	-	(266,009)
Lease payments	(1,070,518)	(728,858)
Dividends paid	(9,342,000)	(3,276,451)
<b>Net cash used in financing activities</b>	<b>(10,412,518)</b>	<b>(4,271,318)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(20,072,063)</b>	<b>1,489,917</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>78,873,564</b>	<b>77,383,647</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$58,801,501</b>	<b>\$78,873,564</b>

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

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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 6th Floor, Savannah East, #11 Queens Park East, 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 investment properties.

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 2.12.

##### *(a) New and amended standards adopted by the Company*

The company has not adopted any new standards effective October 1, 2020.

##### *(b) New standards amendment and interpretations issued but not effective for the financial year beginning October 1, 2020, and not early adopted*

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.



# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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### 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

##### *Classification*

Under IFRS 9, the company 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.



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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## 2. Significant accounting policies (continued)

### 2.4 Financial assets (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 18. 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 loss (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.



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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## 2. Significant accounting policies (continued)

### 2.5 Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. 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 <sup>1</sup> / <sub>3</sub> %
Office equipment	- 10%
Leasehold improvements	- 20%

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.

### 2.7 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.

## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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#### 2. Significant accounting policies (continued)

##### 2.8 Revenue recognition

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.

##### 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 valuers. 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.



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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## 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 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 Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset
- The Company obtains substantially all the economic benefits from the use of an asset; and
- The Company has the right to direct use of the asset.

The Company considers whether the supplier has a substantive substitution right. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Company obtains substantially all the economic benefit that arise use of the asset, the Company considers only the economic benefits that arise use of the asset, not those incidentals to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low-value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted January 1, 2019, without restatement of comparative figures. The following policies apply subsequent to the date of initial application, January 1, 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period in which they relate.



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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#### 2. Significant accounting policies (continued)

##### 2.13 Leases (continued)

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to the payable under any residual value guarantee.
- The exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option.
- Any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before the commencement of the lease.
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove, or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one of more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

#### 2. Significant accounting policies (continued)

##### 2.13 Leases (continued)

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e., it does allocate any amount of the contractual payments to, an account separately for, any services provided by the supplier as part of the contract.

#### 3. Cash and cash equivalents

	2021	2020
Cash on hand	13,350	13,329
Cash at bank	13,497,217	21,510,336
Short term investments	45,290,934	57,349,899
	<u>\$58,801,501</u>	<u>\$78,873,564</u>

The above cash balance includes \$43,425,074 (2020: \$66,682,237) which represents cash held on behalf of clients in trust, the use of which is restricted.

#### 4. Investments

	2021	2020
Cost at beginning of year	43,601,460	75,666,557
Additions	81,987,042	54,243,617
Disposals/maturities	(68,916,413)	(73,235,639)
Reversal of provision for impairment of investment	343,888	89,105
Matured and reclassified to loans and other receivables	(3,074,756)	(13,162,180)
End of year	<u>\$53,941,221</u>	<u>\$43,601,460</u>
Investments include the following unlisted securities:		
Corporate debt	39,298,380	24,609,597
Preference shares	14,642,841	18,991,863
	<u>\$53,941,221</u>	<u>\$43,601,460</u>

The maturity profile for investments in Note 18 (b)



# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 5. Receivables and prepayments

	2021	2020
Investment income receivable	2,324,471	1,754,111
Expected credit loss on investment income receivable	(131,638)	(131,639)
<b>Net investment income receivable</b>	<b>2,192,833</b>	<b>1,622,472</b>
Fees receivable	4,716,882	6,378,939
Receivable from clients	2,873,962	1,602,726
Other receivables	423,120	16,409
	<b>\$10,206,797</b>	<b>\$9,620,546</b>

### 6. Loans and other receivables

	2021	2020
Due from issuers of promissory notes not yet matured	3,851,626	3,851,626
Due from issuers of matured promissory notes	1,324,042	115,043
Due from issuers of promissory notes	5,175,668	3,966,669
Due from issuers of matured participation investments	19,111,572	18,017,686
Receivable from the Government of St. Lucia	2,829,644	2,829,644
Expected credit loss on loans and other receivables	(5,968,325)	(5,624,436)
Due from issuers of participation investments	15,972,891	15,222,894
Other receivables	767,813	1,582,663
	<b>\$21,916,372</b>	<b>\$20,772,226</b>

As at September 30, 2021, loans and other receivables of \$18,181,079 (2020: \$16,067,261) were past due but not impaired. The ageing analysis of those loans and other receivables are as follows:

	2021	2020
0 - 6 months	1,865,942	199,098
6 months to 1 year	1,382,974	5,550,002
Over 1 year	14,932,163	10,318,161
	<b>\$18,181,079</b>	<b>\$16,067,261</b>

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, 2021, but were not repaid to the Company as originally scheduled.

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 6. Loans and other receivables (continued)

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

Debtor	2021	2020	Security
Government of St. Lucia	2,829,644	2,829,644	Legal judgement of EC\$1,335,893 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.
Southern Hatcheries Limited	3,817,784	3,550,125	Registered charge over all equipment financed and equipment held in Principal's name. Second Debenture on properties and personal guarantees on Principals.
CinemaOne Limited	1,208,999	1,208,999	Personal Guarantees on the Principals
			"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."
Big Sky Limited	-	1,077,652	Mortgage over property situated at Nos. 15-16 Glencoe Heights, La Horquette Valley Road, Glencoe (the Glencoe Property). By Deed of Mortgage dated the 4th day of October 2018 and registered as DE 2019-007864-87 D001, the Glencoe Property was mortgaged in favor of the Trustee.
Sealey	5,000,000	5,000,000	Assignment of cashflows on various projects and receivables and personal guarantees on Principals.
Others	5,324,652	2,400,841	
	<u>\$18,181,079</u>	<u>\$16,067,261</u>	

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 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.

	2021	2020
a) Due from related parties:		
Key management personnel *	219,821	2,448,150
Other related parties	4,776	13,961
	<u>\$224,597</u>	<u>\$2,462,111</u>
* This comprises of balances of \$176,399 (2020: \$194,100) with interest rates ranging between 6.0% and 7.5% and balances of \$48,198 (2020: \$2,268,011) with interest rate of 0%. There is no fixed maturity date.		
b) Transactions with related parties:		
Interest income - Key management	18,513	25,185
	<u>\$18,513</u>	<u>\$25,185</u>
c) Directors' fees	239,600	211,300
	<u>\$239,600</u>	<u>\$211,300</u>
e) Key management compensation: Salaries and benefits	4,087,018	5,235,072
	<u>\$4,087,018</u>	<u>\$5,235,072</u>
f) Share capital held by Directors and key management personnel:		
Ordinary share capital	612,628	612,628
	<u>\$612,628</u>	<u>\$612,628</u>

### 8. Right of use asset and lease liability

The right of use asset relates to a lease agreement for the office from which the company operates:

	2021	2020
<b>Right of Use Asset</b>		
Opening right of use asset	2,683,572	3,469,008
Amortisation of Right of Use Asset	(785,436)	(785,436)
Closing of right of use asset	<u>\$1,898,136</u>	<u>2,683,572</u>
<b>Lease Liability</b>		
Opening Lease Liability	3,788,767	3,947,161
Lease payments made	(1,070,518)	(728,858)
Interest expense	442,548	570,464
Closing Lease Liability	<u>\$3,160,797</u>	<u>\$3,788,767</u>



# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 9. Investment Property

	2021	2020
As at beginning of year	1,050,000	1,050,000
As at end of year	<u>\$1,050,000</u>	<u>\$1,050,000</u>

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 valuers - G. A. Farrell & Associates Limited.

### 10. Property and equipment

	Computer Equipment	Office Equipment	Leasehold Improvements	Total
<b>For the year ended September 30, 2021</b>				
Cost as at October 1, 2020	408,660	1,162,721	993,082	2,564,463
Additions for the year	9,990	7,401	-	17,391
Cost as at September 30, 2021	<u>418,650</u>	<u>1,170,122</u>	<u>993,082</u>	<u>2,581,854</u>
Accumulated depreciation as at October 1, 2020	274,879	281,894	278,063	834,836
Depreciation for the year	46,809	88,313	143,004	278,126
Accumulated depreciation at September 30, 2021	<u>321,688</u>	<u>370,207</u>	<u>421,067</u>	<u>1,112,962</u>
Net book value as at September 30, 2021	<u>\$96,962</u>	<u>\$799,915</u>	<u>\$572,015</u>	<u>\$1,468,892</u>
<b>For the year ended September 30, 2020</b>				
Cost as at October 1, 2019	368,381	1,151,562	993,082	2,513,025
Additions for the year	46,723	10,677	-	57,400
Disposals for the year	(6,444)	482	-	(5,962)
Cost as at September 30, 2020	<u>408,660</u>	<u>1,162,721</u>	<u>993,082</u>	<u>2,564,463</u>
Accumulated depreciation as at October 1, 2019	225,427	180,755	99,308	505,490
Depreciation for the year	54,822	100,626	178,755	334,203
Depreciation on disposals	(5,370)	513	-	(4,857)
Accumulated depreciation at September 30, 2020	<u>274,879</u>	<u>281,894</u>	<u>278,063</u>	<u>834,836</u>
Net book value as at September 30, 2020	<u>\$133,781</u>	<u>\$880,827</u>	<u>\$715,019</u>	<u>\$1,729,627</u>

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 11. Payables and accruals

	2021	2020
Client payables	76,063,466	87,326,731
Funds under management	7,935,292	6,079,219
Holdbacks on facilities	5,389,582	3,700,970
Ordinary Share dividends payable	2,829,800	-
Debt service and interest reserve	1,496,852	5,484,502
Legal fees and stamp duty payable	595,665	732,767
Accruals	470,641	418,073
Deferred revenue	360,244	410,428
Other payables	193,183	313,228
Unsettled disbursements	11,750	11,750
	<b>\$95,346,475</b>	<b>\$104,477,668</b>

### 12. Share capital

Issued and fully paid	2021	2020
10,632,628 Class A ordinary shares of no par value (2020: 10,632,628)	632,629	632,629
105,814 Class B ordinary shares of no par value (2020: 105,814)	105,814	105,814
	<b>738,443</b>	<b>738,443</b>
Preference Shares		
21,133,540 preference shares of no par value (2020: 21,133,540)	21,133,540	21,133,540
<b>Total</b>	<b>\$ 21,871,983</b>	<b>\$21,871,983</b>

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.

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 13. Interest income

	2021	2020
Interest from external investments	3,208,910	2,931,061
Interest from cash balances held	670,571	500,777
Interest from loans to related parties	18,513	25,185
	<u>\$3,897,994</u>	<u>\$3,457,023</u>

### 14. Fees and commissions

	2021	2020
Arrangement fees	15,098,429	11,562,092
Administrative fees	1,341,776	-
Advisory fees	1,300,453	939,540
Late payment fees	908,017	1,061,427
	<u>\$18,648,675</u>	<u>\$13,563,059</u>

### 15. Operating expenses

	2021	2020
Staff costs	9,210,089	11,332,107
Professional fees	1,583,367	1,485,440
Office expenses	884,504	770,605
Amortisation of right for use assets	785,436	785,436
Other expenses	427,673	187,053
Depreciation	278,125	334,203
Director's fee	239,600	211,300
Commissions	202,636	162,016
Insurance expenses	167,713	312,147
Management fees	100,955	94,966
Donations	72,325	124,419
Bank charges	29,359	33,205
Repairs and maintenance	24,096	14,376
Advertising and public relations	22,104	32,322
Entertainment expenses	15,127	26,635
Board meeting expenses	6,051	1,203
Travel expenses	-	48,583
	<u>\$14,049,160</u>	<u>\$15,956,016</u>



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

#### 15. Operating expenses (continued)

	2021	2020
<b>Staff Costs</b>		
Salaries and wages	8,336,997	9,651,775
National insurance - employer contribution	402,402	411,018
Car maintenance and gas allowance	98,974	167,540
Group health and medical	169,374	156,223
Other	202,342	945,551
	<u>\$9,210,089</u>	<u>\$11,332,107</u>
Number of employees at end of year	31	32

#### 16. Taxation

	2021	2020
Business levy	111,165	128,641
Green fund levy	55,582	64,320
	<u>\$166,747</u>	<u>\$192,961</u>

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

Profit before taxation	7,977,713	2,525,891
Tax calculated at statutory rate	1,994,428	757,767
Income not subject to tax allowances	(68,732)	(713,255)
Expenses not deductible for tax purposes	328,130	480,950
Business levy	111,165	128,641
Green fund levy	55,582	64,320
Tax losses utilised	(2,253,826)	(525,462)
	<u>\$166,747</u>	<u>\$192,961</u>

The Company has accumulated tax losses of approximately \$200,468,989 (2020: \$201,646,295) to carry forward against taxable profits in future years. No deferred tax has been recognised due to the uncertainty of future taxable income to utilize the loss.

#### 17. Dividends

	2021	2020
Dividends paid on ordinary shares during the year	8,000,000	2,158,707
Dividends paid on preference shares during the year	1,342,000	1,117,744
	<u>\$9,342,000</u>	<u>\$3,276,451</u>

## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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#### 18. 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.



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

#### 18. Financial risk management (continued)

##### a) Risk management structure (continued)

##### *Risk measurement and reporting systems (continued)*

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.

##### 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, 2021					
<b>Assets</b>					
Cash and cash equivalents	45,290,933	-	-	13,510,568	58,801,501
Investments	22,797,097	8,932,343	7,606,969	14,604,812	53,941,221
Receivables and prepayments	-	-	-	10,206,797	10,206,797
Loans and other receivables	21,916,372	-	-	-	21,916,372
Due from related parties	224,597	-	-	-	224,597
<b>Total Assets</b>	<b>\$90,228,999</b>	<b>\$8,932,343</b>	<b>\$7,606,969</b>	<b>\$38,322,177</b>	<b>\$145,090,488</b>
<b>Liabilities</b>					
Payables and accruals	95,346,475	-	-	-	95,346,475
Lease Liabilities	1,113,831	2,046,966	-	-	3,160,797
<b>Total Liabilities</b>	<b>\$96,460,306</b>	<b>\$2,046,966</b>	<b>-</b>	<b>-</b>	<b>\$98,507,272</b>
<b>Net Liquidity Risk</b>	<b>\$(6,231,307)</b>	<b>\$6,885,377</b>	<b>\$7,606,968</b>		

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 18. Financial risk management (continued)

#### b) Liquidity risk (continued)

As at September 30, 2020

##### Assets

Cash and cash equivalents	61,824,382	-	-	17,035,853	78,860,235
Investments	9,100,470	10,693,767	9,135,027	14,672,196	43,601,460
Receivables and prepayments	-	-	-	9,620,546	9,620,546
Loans and other receivables	20,772,226	-	-	-	20,772,226
Due from related parties	2,462,111	-	-	-	2,462,111
<b>Total Assets</b>	<b>\$94,159,189</b>	<b>\$10,693,767</b>	<b>\$9,135,027</b>	<b>\$41,328,595</b>	<b>\$155,316,578</b>

##### Liabilities

Payables and accruals	104,477,668	-	-	-	104,477,668
Lease Liability	692,537	3,096,230	-	-	3,788,767
<b>Total Liabilities</b>	<b>\$105,170,205</b>	<b>3,096,230</b>	<b>-</b>	<b>-</b>	<b>\$108,266,435</b>

##### Net Liquidity Risk

<b>\$ (11,011,016)</b>	<b>\$7,597,537</b>	<b>\$9,135,027</b>
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#### 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).



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

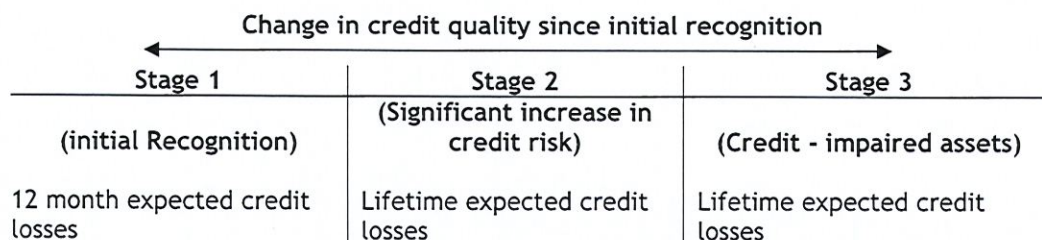
#### 18. Financial risk management (continued)

##### c) Credit risk (continued)

##### i) Expected credit loss measurement (continued)

- 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):



##### *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 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.
- 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.

## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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#### 18. Financial risk management (continued)

##### *c) Credit risk (continued)*

##### *i) Expected credit loss measurement (continued)*

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.
- 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.



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

#### 18. Financial risk management (continued)

##### c) Credit risk (continued)

##### i) Expected credit loss measurement (continued)

- 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.

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.

##### i) Maximum exposure to credit risk before collateral held or other credit enhancements

	2021	2020
Cash and cash equivalents	58,801,501	78,860,235
Investments	53,941,221	43,601,460
Receivables	10,206,797	9,620,546
Loans and other receivables	21,916,372	20,772,226
Due from related parties	224,597	2,462,111
	<u>\$145,090,488</u>	<u>\$155,316,578</u>

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 18. Financial risk management (continued)

#### c) Credit risk (continued)

##### i) Expected credit loss measurement (continued)

##### ii) Analysis of financial assets

a) A summary of financial assets is summarised below:

	2021	2020
Investments		
Neither past due nor impaired	53,941,221	43,601,460
	<u>\$53,941,221</u>	<u>\$43,601,460</u>
Loans and other receivables:		
Neither past due nor impaired	3,890,115	4,704,965
Past due but not impaired	18,026,257	16,067,261
	<u>\$21,916,372</u>	<u>\$20,772,226</u>
Receivables:		
Neither past due nor impaired	3,720,975	1,662,472
Past due but not impaired	6,485,822	7,998,074
	<u>\$10,206,797</u>	<u>\$9,620,546</u>
Due from related parties:		
Neither past due nor impaired	224,597	2,462,111
	<u>\$224,597</u>	<u>\$2,462,111</u>

b) Movements in the impairment allowance for the year ended September 30, 2021 are as follows:

	2021	2020
Opening provision for impairment	7,379,040	7,379,040
Increase/(decrease) during the year:		
Provision for impairment-investments financial assets	-	-
Reversal in provision for impairment - investment income receivable	-	-
Provision for impairment - due from issuers of matured promissory notes	-	-
Closing provision for impairment	<u>\$7,379,040</u>	<u>\$7,379,040</u>



## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

#### 18. Financial risk management (continued)

##### 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.

	2021	2020
Cash and cash equivalents	58,788,149	78,860,235
	<u>\$58,788,149</u>	<u>\$78,860,235</u>

##### *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 2021	Effect on Shareholders' Equity 2020
Change in interest rate:		
+1%	\$4,020	\$4,932
-1%	\$(4,020)	\$(4,932)

##### 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.

# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

### 18. Financial risk management (continued)

#### d) Market risk (continued)

#### ii) Foreign exchange risk (continued)

As at 30 September	2021	2020
<b>Assets</b>		
United States dollars:		
Cash and cash equivalents	5,530,993	17,729,906
Investment	12,028,047	12,779,357
Loans and other receivables	3,972,105	8,135,851
	<u>\$21,531,145</u>	<u>\$38,645,114</u>
Canadian dollars:		
Cash and cash equivalents	8,706	7,320
	<u>\$8,706</u>	<u>\$7,320</u>
<b>Total Assets</b>	<u>\$21,539,851</u>	<u>\$38,652,434</u>

#### 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 2021	Effect on Net Shareholders' Equity 2020
Change in currency rate:		
+1%	\$(215,399)	\$(386,524)
-1%	\$215,399	\$386,524

#### 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.



# KCL Capital Market Brokers Limited

## Notes to the Financial Statements

For the period ended September 30, 2021

(Expressed in Trinidad and Tobago Dollars)

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

2021				
Assets	Level 1	Level 2	Level 3	Total balance
Investments				
Debt securities	-	-	53,941,221	53,941,221
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>\$ 53,941,221</b>	<b>\$ 53,941,221</b>
2020				
Assets	Level 1	Level 2	Level 3	Total balance
Investments				
Debt securities	-	-	43,601,460	43,601,460
<b>Total assets</b>	<b>\$</b>	<b>\$</b>	<b>\$43,601,460</b>	<b>\$43,601,460</b>

### Reconciliation of movement in Level 3 investments:

	2021	2020
Cost at beginning of year	43,601,460	75,666,557
Additions	81,987,042	54,243,617
Disposals/maturities	(68,916,413)	(73,235,639)
Provision for impairment of available for sale financial assets	343,888	89,105
Matured and reclassified to loans and other receivables	(3,074,756)	(13,162,180)
<b>End of year</b>	<b>\$ 53,941,221</b>	<b>\$43,601,460</b>

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, 2021, included in the level 3 investments above are preference shares in C15 Limited. The preference 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.

## KCL Capital Market Brokers Limited

### Notes to the Financial Statements

For the period ended September 30, 2021

*(Expressed in Trinidad and Tobago Dollars)*

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#### 19. Fair value measurement (continued)

C15 Studios is fully owned by Aspire Fund Management Company, an Affiliated company to KCL by overlapping ownership. Aspire is a licensed Investment Advisory firm, regulated by Trinidad & Tobago's SEC who advises on, or owns, equity investments between TT\$3 million and TT\$50 million across 10 sectors. Aspire is active in the Caribbean & Latin America's private equity, private debt, real estate, and structured finance markets and has a medium to long term investment horizon. The company seeks positions primarily in the Caribbean sectors it believes to be under-optimised and undervalued from a regional or global perspective; these include, but are not limited to, positions in: Media & Entertainment, Agriculture & Ag-Tech; Healthcare & Health -tech; Financial Services & Fin- Tech; Food & Beverage; Transportation & Logistics, Energy and Education. Through its investment in C15 Studios Aspire intends to increase its medium to long term exposure to the Caribbean's Media and Entertainment sector and is committed to providing financial support for C15's working & acquisition capital needs, if required, over the medium term. Given C15's growth and strategy and management's assessment of the ability of its parent company to support its operating and growth capital requirements, management has maintained carrying value of \$11,910,350 on the Company's holdings of 36,029 Convertible Redeemable Participating preference share in C15 Limited.

#### 20. Subsequent events

Management evaluated all events that occurred from October 1, 2021, through December 29, 2021, 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.