



KSBM Asset Management Limited

Audited Financial Statements

For the year ended March 31, 2022

(Expressed in Trinidad and Tobago Dollars)

KSBM Asset Management Limited

Audited Financial Statements For the year ended March 31, 2022 *(Expressed in Trinidad and Tobago Dollars)*

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Statement of Management Responsibilities

KSBM Asset Management Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of KSBM Asset Management Limited (the Company), which comprise the statement of financial position as at March 31, 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records.
- Selecting appropriate accounting policies and applying them in a consistent manner.
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud and the achievement of the Company's operational efficiencies.
- Ensuring that the system of internal control operated effectively during the reporting period.
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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



Ramcharan Kalicharan
Managing Director

Date: June 22, 2022



Robert Mayers
Chairman

Date: June 22, 2022



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Independent Auditor's Report

To the Shareholders of
KSBM Asset Management Limited

Opinion

We have audited the financial statements of KSBM Asset Management Limited (the "Company"), which comprise of the statement of financial position as at March 31, 2022, 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 March 31, 2022, and 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 other 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

A handwritten signature of 'BDO' in blue ink, written in a cursive style.

June 22, 2022

*Port of Spain
Trinidad and Tobago*

KSBM Asset Management Limited

Statement of Financial Position

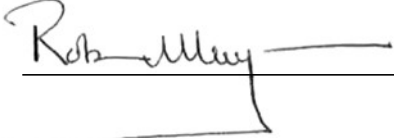
As at March 31, 2022

(Expressed in Trinidad and Tobago Dollars)

| | Notes | 2022 | 2021 |
|---|-------|----------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | | 17,795,949 | 13,773,172 |
| Other receivables and prepayments | 6 | 1,669,170 | 522,872 |
| Financial assets: | | | |
| - Financial assets at fair value through profit or loss | 7 | 33,639,494 | 28,209,123 |
| - Debt instruments at amortised cost | 8 | 286,892,042 | 281,755,147 |
| Property, plant and equipment | 9 | 3,645,653 | 4,811,981 |
| Deferred tax asset | 10 | 957,726 | 1,265,967 |
| Total assets | | \$344,600,034 | \$330,338,262 |
| Liabilities and Equity | | | |
| Liabilities | | | |
| Accounts payable and accrued liabilities | | 1,981,462 | 2,100,009 |
| Taxation payable | | 672,708 | - |
| Financial liabilities at amortised cost: | | | |
| - Short-term borrowings | 11 | 55,051,284 | 49,471,591 |
| - Securities sold under repurchase agreements | 12 | 247,284,361 | 241,718,571 |
| - Lease liabilities | 18 | 1,429,270 | 1,624,660 |
| Total liabilities | | 306,419,085 | 294,914,831 |
| Equity | | | |
| Stated capital | 13 | 15,534,012 | 15,534,012 |
| Retained earnings | | 22,646,937 | 19,889,419 |
| Total equity | | 38,180,949 | 35,423,431 |
| Total liabilities and equity | | \$344,600,034 | \$330,338,262 |

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

On June 22, 2022 the Board of Directors of KSBM Asset Management Limited authorised these financial statements for issue.



Director



Director

KSBM Asset Management Limited

Statement of Comprehensive Income

For the year ended March 31, 2022

(Expressed in Trinidad and Tobago Dollars)

| | Notes | 2022 | 2021 |
|---|-------|---------------------|--------------------|
| Revenue | | | |
| Interest income calculated using the effective interest method | | 19,476,457 | 19,924,767 |
| Interest expense | | (8,926,596) | (9,302,573) |
| Net interest income | | 10,549,861 | 10,622,194 |
| Investment management fees | | 1,331,527 | 1,073,654 |
| Other fee income | | 279,963 | 275,062 |
| Net income from financial assets at FVTPL | 14 | 2,464,495 | 7,494,799 |
| Net (loss)/gain arising from derecognition of financial assets measured at amortised cost | | - | (233,897) |
| Total revenue | | 14,625,846 | 19,231,812 |
| Operating expenses | 15 | (8,497,263) | (8,670,313) |
| Net impairment loss on financial assets | 16 | (1,626,415) | (910,935) |
| (Loss)/gain on disposal of property, plant and equipment | | (1) | 1,771 |
| Foreign exchange gain | | 10,644 | 234,342 |
| Total operating expenses | | (10,113,035) | (9,345,135) |
| Profit before taxation | | 4,512,811 | 9,886,677 |
| Taxation | 17 | (1,127,538) | (2,123,423) |
| Profit after taxation being total comprehensive income for the year | | \$3,385,273 | \$7,763,254 |

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

KSBM Asset Management Limited

Statement of Changes in Equity For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

| | Stated Capital | Retained Earnings | Total Equity |
|--|---------------------|----------------------|---------------------|
| <i>Year ended March 31, 2022</i> | | | |
| Balance at April 1, 2021 | 15,534,012 | 19,889,419 | 35,423,431 |
| Total comprehensive income for the year | - | 3,385,273 | 3,385,273 |
| Transaction with owners of the Company | | | |
| Dividends to ordinary shareholders | - | (409,500) | (409,500) |
| Dividends to preference shareholders | - | (218,255) | (218,255) |
| Total transactions with owners of the Company | - | (627,755) | (627,755) |
| Balance at March 31, 2022 | \$15,534,012 | \$22,646,937 | \$38,180,949 |
| <i>Year ended March 31, 2021</i> | | | |
| Balance at April 1, 2020 | 15,534,012 | 12,344,420 | 27,878,432 |
| Total comprehensive income for the year | - | 7,763,254 | 7,763,254 |
| Transaction with owners of the Company | | | |
| Dividends to preference shareholders | - | (218,255) | (218,255) |
| Total transactions with owners of the Company | - | (218,255) | (218,255) |
| Balance at March 31, 2021 | \$15,534,012 | \$19,889,419 | \$35,423,431 |

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

KSBM Asset Management Limited

Statement of Cash Flows

For the year ended March 31, 2022

(Expressed in Trinidad and Tobago Dollars)

| | Notes | 2022 | 2021 |
|--|-------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 4,512,811 | 9,886,677 |
| Adjustments to reconcile profit before taxation to net cash from operating activities: | | | |
| Depreciation | 9 | 1,293,588 | 1,151,603 |
| Net impairment loss on financial assets | | 1,626,415 | 910,935 |
| Loss/(gain) on disposal of property, plant and equipment | | 1 | (1,771) |
| Interest income | | (19,476,457) | (19,924,767) |
| Interest receipts | | 19,405,691 | 20,538,061 |
| Interest expense | | 8,926,596 | 9,302,573 |
| Interest paid | | (8,846,225) | (11,641,567) |
| Taxes paid | | (146,589) | (126,227) |
| | | 7,295,831 | 10,095,517 |
| Changes in: | | | |
| - Debt instruments at amortised cost | | (6,692,543) | 7,154,935 |
| - Financial assets at fair value through profit or loss | | (5,430,371) | 13,246,714 |
| - Other receivables and prepayments | | (1,146,298) | 8,553 |
| - Securities sold under repurchase agreements | | 5,485,419 | (8,243,650) |
| - Accounts payable and accrued liabilities | | (118,547) | (6,880,415) |
| Net cash (used in) from operating activities | | (606,509) | 15,381,654 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 9 | (127,261) | (907,199) |
| Proceeds from sale of property, plant and equipment | | - | 12,000 |
| Net cash used in investing activities | | (127,261) | (895,199) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Change in short-term borrowings | | 5,579,693 | (12,308,353) |
| Net payment of lease liabilities | | (195,391) | (279,334) |
| Dividends paid | 19 | (627,755) | (218,255) |
| Net cash from (used in) financing activities | | 4,756,547 | (12,805,942) |
| Increase in cash and cash equivalents | | 4,022,777 | 1,680,513 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 13,773,172 | 12,092,659 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | \$17,795,949 | \$13,773,172 |

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

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

1. General Information

KSBM Asset Management Limited (the Company) was incorporated under the laws of the Republic of Trinidad and Tobago on January 13, 2010. The Company's principal business involves dealing in securities as well as providing portfolio management services to individual and institutional investors. The Company is registered with the Trinidad and Tobago Securities and Exchange Commission as a Broker-Dealer under the Securities Act 2012.

The Company's registered office is located at Unit 32-A, One Woodbrook Place, 189 Tragarete Road, Port of Spain.

2. Basis of Preparation

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

(a) *Basis of accounting*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. These financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet the mandatory repayment terms of its current liabilities. The Company has recognised profits of \$3,385,273 after tax for the year ended March 31, 2022, and as at that date, total assets exceed total liabilities by \$38,180,949.

(b) *Basis of measurement*

These financial statements have been prepared under the historical cost basis except for the revaluation of financial assets at fair value through profit or loss (FVTPL).

(c) *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 also the Company's functional currency.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

2. Basis of Preparation (continued)

(d) *Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 5.

3. Significant Accounting Policies

(a) *Foreign currency transactions*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 at amortised cost denominated in foreign currencies are recognised in profit or loss. Translation differences on financial assets and liabilities at FVTPL are recognised in profit or loss as part of net trading income.

(b) *Financial instruments*

Financial instruments include debt instruments, equity securities, cash and cash equivalents, borrowings, securities sold under sale and repurchase agreements, accounts payable and accrued liabilities and lease liabilities.

On initial recognition, the Company classifies its financial assets as debt instruments at amortised cost, debt instruments at FVOCI or financial assets at FVTPL. The classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management determines the classification of its financial assets at initial recognition.

All financial assets are recognised and derecognised on the trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes the business model for managing financial assets.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(b) *Financial instruments* (continued)

Debt instruments

Debt instruments are measured at amortised cost if they meet both of the following conditions and are not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL - see below). All debt instruments not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVTPL

Debt instruments that do not meet the amortised cost or FVOCI criteria, or that meet the criteria but the Company has chosen to designate at FVTPL at initial recognition, are measured at FVTPL.

All equity securities are designated at FVTPL as the Company manages such investments and makes purchases and sales decisions based on their fair value.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates interest income earned on debt instruments. Fair value is determined using market prices provided by recognised independent third parties.

Financial liabilities

A financial instrument is classified as a financial liability if it is (1) a contractual obligation to deliver cash or another asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the reporting entity; or (2) a contract that will or may be settled in the reporting entity's own equity instruments under certain circumstances.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(b) *Financial instruments* (continued)

The Company measures financial liabilities at amortised cost. Financial liabilities measured at amortised cost include short-term borrowings, securities sold under repurchase agreements, lease liabilities and medium-term loans.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held-for-trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(b) *Financial instruments* (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest. The Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specific assets (e.g. non-recourse asset arrangements).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Debt instruments at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the gross carrying amount on initial recognition.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(b) *Financial instruments* (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(b) *Financial instruments* (continued)

Derecognition of financial instruments

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are sale-and-repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and liabilities with the same counter-party are offset and the net amount reported in the statement of financial position when, and only 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.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(b) *Financial instruments* (continued)

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset earned at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Impairment of financial assets

The Company recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be BBB-or higher as rated by Standard & Poor's rating agency.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(b) *Financial instruments* (continued)

Impairment of financial assets (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). Probabilities of default for debt securities are estimated using data published by Standard & Poor's on historical corporate and sovereign default rates by credit rating over different time horizons. Loss given default parameters are based on estimated recovery rates for individual securities as assessed by Standard & Poor's, Moody's or Fitch, or using historical recovery rates published by Moody's.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(c) *Sale and repurchase agreements*

Securities sold subject to repurchase agreements are retained in the financial statements as debt instruments at amortised cost and debt instruments at fair value through profit or loss and the corresponding liability stated as securities sold under repurchase agreements. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective interest yield method.

(d) *Property, plant and equipment*

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Right-of-use assets related to leased office equipment and leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

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

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

| | | |
|------------------------|---|------------------------|
| Leasehold improvements | - | over the term of lease |
| Plant and equipment | - | 4 years |
| Computer equipment | - | 3 years |
| Motor vehicles | - | 4 years |

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(e) *Intangible assets*

The costs of purchasing and implementing computer software, together with associated relevant expenditure, are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably. Computer software is recorded initially at cost and then amortised over its useful life on a straight-line basis which does not exceed 3 years.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(f) *Impairment of non-financial assets*

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

(g) *Cash and cash equivalents*

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

(h) *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(i) *Preference shares*

Preference shares which are non-redeemable and on which dividends are declared at the discretion of the directors are classified as equity.

(j) *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 will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(k) *Interest income and expense*

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Company estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income is recognised on an accrual basis in the period in which it is due and in accordance with the underlying contract terms and conditions except for loans classified as impaired or for loans classified as non-accrual when in management's judgment there was a deterioration in credit quality that if continued would lead to impairment.

Other income is accounted for on the accruals basis.

(l) *Net trading income*

'Net trading income' comprises gains less losses related to trading financial assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

(m) *Leases*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(m) Leases (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental funding rate. Generally, the Company uses its incremental funding rate as the discount rate.

The Company determines its incremental funding rate based on the rate paid to obtain funding via sale and repurchase agreement in the currency of the lease payments for a term of one year, the maximum term offered on sale and repurchase agreement transactions.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company discloses right-of-use assets, that do not meet the definition of investment property, and lease liabilities in the financial statements.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(m) Leases (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Current and deferred income tax

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

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

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

(o) Employee benefits - profit-sharing and bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

(p) *Investment management fees*

Investment management fees related to investment funds are recognised rateably over the period the service is provided and accrued in accordance with pre-approved fee scales.

(q) *Fiduciary activities*

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

(r) *Standards and interpretations*

(i) *New and amended standards and interpretations adopted by the Company*

The Company has adopted all relevant standards and interpretations that are mandatory for financial periods beginning on or after January 1, 2021.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2021:

- a. COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).
- b. Interest Rate Benchmark Reform - IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The changes in these standards did not have a material impact on the Company's financial statements.

(ii) *New standards, amendments and interpretations issued but not yet effective*

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- *Onerous Contracts - Cost of Fulfilling a Contract* (Amendments to IAS 37);
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendments to IAS 16);
- *Annual Improvements to IFRS Standards 2018-2020* (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- *References to Conceptual Framework* (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2);
- *Definition of Accounting Estimates* (Amendments to IAS 8); and
- *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12).

These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management

(a) *Financial risk factors*

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), and liquidity risk.

The Company is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Company to transfer the securities might be temporarily impaired.

The Company's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Company is exposed and seeks to minimise potential adverse effects on the Company's financial performance. All investments present a risk of loss of capital. The maximum loss on purchased debt and equity securities is limited to the fair value of those positions.

The management of these risks is carried out by the risk manager under policies approved by the Board of Directors (the Board). The Board through the Compliance and Risk Management committee, a Board committee, provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and the use of derivative financial instruments and non-derivative financial instruments. The Company's policy specifically prevents investment in derivative financial instruments.

The Company's use of leverage and borrowings can increase the Company's exposure to these risks, which in turn, can also increase the potential returns the Company can achieve. The risk manager manages these exposures at a portfolio level. The Company has specific internal limits on the level of leverage and borrowings to manage the overall potential exposure. These limits include a maximum ratio of portfolio to capital.

The Company monitors and assesses the actual and potential impact of the COVID-19 pandemic on the various financial risks to which it is exposed. The Company's operations, income and operating costs have not been affected by COVID-19 and there have been no material changes to the level of market risk and liquidity risk faced by the Company as a result of the pandemic. To the extent that the issuers of debt instruments held in the Company's portfolio are negatively affected by COVID-19, this would impact the level of credit risk to which the Company is exposed. The Company's model for calculating expected credit losses (ECL) includes the impact of the COVID-19 pandemic by incorporating credit rating downgrades and forward-looking macroeconomic scenarios. The Company continues to monitor, assess and take appropriate risk-mitigating measures as the pandemic evolves.

The Company uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(b) Credit risk

The Company takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the Company is exposed arises from the Company's investments in debt securities. The Company is also exposed to counterparty credit risk on cash and cash equivalents and other receivable balances.

The maximum exposure to credit risk before any credit enhancements at March 31 is the carrying amount of the financial assets as set out below.

| | 2022 | 2021 |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents | 17,795,949 | 13,773,172 |
| Other receivables (Note 6) | 1,565,389 | 416,400 |
| Financial assets at fair value through profit or loss - Debt securities (Note 7) | 23,041,526 | 19,024,766 |
| Debt instruments at amortised cost (Note 8) | <u>286,892,042</u> | <u>281,755,147</u> |
| At March 31 | <u>\$329,294,906</u> | <u>\$314,969,485</u> |

Management is confident that the Company's focus primarily on investments with a minimum credit rating of BB or higher would enable it to minimise its exposure to credit risk resulting from both its cash and cash equivalents and debt securities portfolios.

The Company's policy to manage credit risk is to invest primarily in debt securities that have been assigned a credit rating of BB or higher by Standard & Poor's or the equivalent by other recognised rating agencies. The highest speculative grade credit rating is BB+ and the lowest investment grade rating is BBB-. Within the above limit, the Company may also invest in unrated assets where a rating is assigned by the risk manager using an approach that is consistent with the approach used by the international rating agencies. The analysis below summarises the credit quality of the Company's debt portfolio.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(b) Credit risk (continued)

| | Debt Securities | Financial Assets at Fair Value Through Profit or Loss (Debt Securities) | Total |
|------------------------------|-----------------------------|--|-----------------------------|
| <u>March 31, 2022</u> | | | |
| Rating Category | | | |
| Investment grade | 119,350,848 | 181,640 | 119,532,488 |
| Speculative grade | 167,413,717 | 22,859,886 | 190,273,603 |
| Not rated | 127,477 | - | 127,477 |
| Total | <u>\$286,892,042</u> | <u>\$23,041,526</u> | <u>\$309,933,568</u> |
| <u>March 31, 2021</u> | | | |
| Rating Category | | | |
| Investment grade | 111,792,891 | - | 111,792,891 |
| Speculative grade | 169,822,808 | 19,024,766 | 188,847,574 |
| Not rated | 139,448 | - | 139,448 |
| Total | <u>\$281,755,147</u> | <u>\$19,024,766</u> | <u>\$300,779,913</u> |

Debt securities with a speculative grade rating at March 31 would have had a minimum rating of BB at the time of purchase in accordance with the Company's investment policy. However, certain securities were subject to a ratings downgrade subsequent to purchase. All issuers of debt securities in the Company's portfolios are rated by an external credit rating agency except for an amount representing less than 1% of the portfolio that was received as part of the restructuring of debt securities that were previously rated.

The Company manages limits and controls concentrations of credit risk wherever they are identified; in particular, to individual counterparties and to countries. In accordance with the Company's policy, the risk manager monitors the Company's credit position on a daily basis; the Compliance and Risk Management committee reviews it on a quarterly basis.

Debt securities held in the Company's portfolios are generally unsecured.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(b) Credit risk (continued)

Debt instruments at amortised cost

For its debt securities the Company monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Company supplements this by reviewing changes in bond yields and other relevant market data, together with available press and regulatory information about issuers. The Company compares the probability of default on the date of initial recognition to the probability of default on the financial statement date for each debt security to determine whether there has been a significant increase in credit risk.

12-month and lifetime probabilities of default (PD) are determined based on historical data supplied by Standard and Poor's for each credit rating. Loss given default (LGD) parameters are based on estimated recovery rates for individual securities as assessed by Standard & Poor's, Moody's or Fitch, or using historical recovery rates published by Moody's which range from 46% to 48%.

The following table presents an analysis of the credit quality of debt securities at amortised cost as at March 31. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit impaired.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------------|----------------------|----------------------|------------|----------------------|
| <u>March 31, 2022</u> | | | | |
| Rating category | | | | |
| Investment grade | 119,384,093 | - | - | 119,384,093 |
| Speculative grade | 38,445,004 | 135,192,860 | - | 173,637,864 |
| Not rated | 127,477 | - | - | 127,477 |
| Gross carrying amount | 157,956,574 | 135,192,860 | - | 293,149,434 |
| ECL allowance | (824,216) | (5,433,176) | - | (6,257,392) |
| Net carrying amount | \$157,132,358 | \$129,759,684 | - | \$286,892,042 |
| <u>March 31, 2021</u> | | | | |
| Rating category | | | | |
| Investment grade | 111,821,043 | - | - | 111,821,043 |
| Speculative grade | 88,445,456 | 85,980,176 | - | 174,425,632 |
| Not rated | 139,448 | - | - | 139,448 |
| Gross carrying amount | 200,405,947 | 85,980,176 | - | 286,386,123 |
| ECL allowance | (899,601) | (3,731,375) | - | (4,630,976) |
| Net carrying amount | \$199,506,346 | \$82,248,801 | - | \$281,755,147 |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(b) Credit risk (continued)

The movement in the allowance for impairment for debt securities at amortised cost during the year was as follows.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|-------------------------|---------------------------|------------|---------------------------|
| <u>March 31, 2022</u> | | | | |
| Balance at April 1, 2021 | 899,601 | 3,731,375 | - | 4,630,976 |
| Net remeasurement due to changes in PD/LGD | (88,667) | 1,701,801 | - | 1,613,134 |
| New assets added | 15,121 | - | - | 15,121 |
| Financial assets repaid | (1,839) | - | - | (1,839) |
| Balance at 31 March | <u>\$824,216</u> | <u>\$5,433,176</u> | - | <u>\$6,257,392</u> |

The increase in the loss allowance during the year is due to credit ratings downgrade of certain securities.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|-------------------------|---------------------------|-------------|---------------------------|
| <u>March 31, 2021</u> | | | | |
| Balance at April 1, 2021 | 1,074,600 | 2,363,454 | 3,592,839 | 7,030,893 |
| Net remeasurement due to changes in PD/LGD | (120,851) | 1,367,921 | - | 1,247,070 |
| New assets added | - | - | - | - |
| Financial assets repaid | (54,148) | - | (3,592,839) | (3,646,987) |
| Balance at 31 March | <u>\$899,601</u> | <u>\$3,731,375</u> | - | <u>\$4,630,976</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(b) Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Company's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by country. For this table, the Company has allocated exposures to countries or regions based on the country of domicile of its counterparties.

| | <u>Trinidad</u> | <u>Caribbean</u> | <u>Central & South America</u> | <u>North America</u> | <u>Total</u> |
|------------------------------------|----------------------|---------------------|--|--------------------------|----------------------|
| <u>March 31, 2022</u> | | | | | |
| Cash and cash equivalents | 14,490,798 | - | - | 3,305,152 | 17,795,950 |
| Other receivables | 1,565,389 | - | - | - | 1,565,389 |
| FVTPL - debt securities | 19,471,363 | - | 181,640 | 3,388,523 | 23,041,526 |
| Debt instruments at amortised cost | <u>118,755,984</u> | <u>54,633,074</u> | <u>56,839,518</u> | <u>56,663,466</u> | <u>286,892,042</u> |
| Total | <u>\$154,283,534</u> | <u>\$54,633,074</u> | <u>\$57,021,158</u> | <u>\$63,357,141</u> | <u>\$329,294,907</u> |

| | <u>Trinidad</u> | <u>Caribbean</u> | <u>Central & South America</u> | <u>North America</u> | <u>Total</u> |
|------------------------------------|----------------------|---------------------|--|--------------------------|----------------------|
| <u>March 31, 2021</u> | | | | | |
| Cash and cash equivalents | 12,888,648 | - | - | 884,524 | 13,773,172 |
| Other receivables | 416,400 | - | - | - | 416,400 |
| FVTPL - debt securities | 5,953,430 | 13,071,336 | - | - | 19,024,766 |
| Debt instruments at amortised cost | <u>122,364,796</u> | <u>46,016,583</u> | <u>53,506,255</u> | <u>59,867,513</u> | <u>281,755,147</u> |
| Total | <u>\$141,623,274</u> | <u>\$59,087,919</u> | <u>\$53,506,255</u> | <u>\$60,752,037</u> | <u>\$314,969,485</u> |

The Company manages this concentration risk using country limits which are approved by the Board.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(c) Market risk

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arise from open positions in equity and fixed income securities in the Company's trading portfolio, which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and credit spreads as well as from positions held in foreign currencies which are subject to changes in foreign exchange rates.

Positions held in the trading portfolio are entered into primarily to take advantage of market movements to generate capital gains. The performance of positions held in the trading portfolio is monitored by the trading portfolio investment manager on a daily basis and reported to the Compliance and Risk Management Committee of the Board on a quarterly basis.

Market risk is managed through the use of limits on the size and duration of positions in the trading portfolio and restrictions on the period open positions are held to a maximum of 180 days. Exceptions to this limit require the approval of the Compliance and Risk Management Committee of the Board.

Foreign exchange risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency which is monitored daily. As a matter of policy, the Company only undertakes foreign currency investments in United States dollars.

The table below summarises the Company's exposure to foreign currency exchange rate risk. Included in the table are the Company's financial instruments at carrying amounts, categorised by currency.

| | TT | US | Total |
|---|-----------------------|---------------------|---------------------|
| March 31, 2022 | | | |
| Assets | | | |
| Cash and cash equivalents | 4,761,549 | 13,034,400 | 17,795,949 |
| Other receivables | 429,854 | 1,135,535 | 1,565,389 |
| Fair value through profit or loss | 9,503,418 | 24,136,076 | 33,639,494 |
| Debt instruments at amortised cost | 1,534,355 | 285,357,687 | 286,892,042 |
| Total | 16,229,176 | 323,663,698 | 339,892,874 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 1,880,091 | 101,371 | 1,981,462 |
| Taxation payable | 672,708 | - | 672,708 |
| Short-term borrowings | - | 55,051,284 | 55,051,284 |
| Lease liabilities | 1,429,270 | - | 1,429,270 |
| Securities sold under repurchase agreements | 52,440,231 | 194,844,130 | 247,284,361 |
| Total | 56,422,300 | 249,996,785 | 306,419,085 |
| Net assets | \$(40,193,124) | \$73,666,913 | \$33,473,789 |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(c) Market risk (continued)

Foreign exchange risk (continued)

| | TT | US | Total |
|---|------------------------------|--------------------------|----------------------------|
| <u>March 31, 2021</u> | | | |
| Assets | | | |
| Cash and cash equivalents | 5,194,355 | 8,578,817 | 13,773,172 |
| Other receivables | 416,400 | - | 416,400 |
| Fair value through profit or loss | 8,019,410 | 20,189,713 | 28,209,123 |
| Debt instruments at amortised cost | 3,254,919 | 278,500,228 | 281,755,147 |
| Total | 16,885,084 | 307,268,758 | 324,153,842 |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 1,949,634 | 150,375 | 2,100,009 |
| Short-term borrowings | - | 49,471,591 | 49,471,591 |
| Lease liabilities | 1,624,660 | - | 1,624,660 |
| Securities sold under repurchase agreements | 46,938,024 | 194,780,547 | 241,718,571 |
| Total | 50,512,318 | 244,402,513 | 294,914,831 |
| Net assets | <u>\$(33,627,234)</u> | <u>62,866,245</u> | <u>\$29,239,011</u> |

Sensitivity analysis

The results of the sensitivity analyses conducted as at March 31, on the possible impact on net profits before tax and on equity of fluctuations of the US dollar foreign exchange rate relative to the TT dollar, are presented below:

| Change in currency rate | Effect on PBT | | Effect on equity | |
|-------------------------|---------------|-------------|------------------|-------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Increase of 1% | \$736,669 | \$628,662 | \$515,668 | \$440,063 |
| Decrease of 1% | \$(736,669) | \$(628,662) | \$(515,668) | \$(440,063) |

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its fair value. Interest margins may increase as a result of such changes but may also reduce resulting in losses in the event that unexpected movements arise.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest rate maturities

March 31, 2022

| | Up to 1 Month | 1 - 3 Months | 3 - 12 Months | 1 - 5 Years | Over 5 Years | Non- Interest Bearing | Total |
|---|----------------------------------|----------------------------------|-----------------------------------|--------------------------------|---------------------------------|-------------------------------|--------------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 17,795,949 | - | - | - | - | - | 17,795,949 |
| Debt instruments at amortised cost | - | - | 174,684 | 82,720,392 | 203,996,966 | - | 286,892,042 |
| Fair value through profit or loss | - | - | - | 13,673,110 | 9,368,416 | 10,597,968 | 33,639,494 |
| Other receivables | - | - | - | - | - | 1,565,389 | 1,565,389 |
| Total | 17,795,949 | - | 174,684 | 96,393,502 | 213,365,382 | 12,163,357 | 339,892,874 |
| Liabilities | | | | | | | |
| Short-term borrowings | 55,051,284 | - | - | - | - | - | 55,051,284 |
| Securities sold under repurchase agreements | 13,385,004 | 40,408,685 | 178,121,713 | 15,368,959 | - | - | 247,284,361 |
| Lease liabilities | - | - | - | 1,429,270 | - | - | 1,429,270 |
| Taxation payable | - | - | - | - | - | 672,708 | 672,708 |
| Accounts payable and accrued liabilities | - | - | - | - | - | 1,981,462 | 1,981,462 |
| Total | 68,436,288 | 40,408,685 | 178,121,713 | 16,798,229 | - | 2,654,170 | 306,419,085 |
| Interest sensitivity gap | <u>\$(50,640,339)</u> | <u>\$(40,408,685)</u> | <u>\$(177,947,029)</u> | <u>\$79,595,273</u> | <u>\$213,365,382</u> | <u>\$9,509,187</u> | <u>\$33,473,789</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest rate maturities (continued)

March 31, 2021

| | <u>Up to 1 Month</u> | <u>1 - 3 Months</u> | <u>3 - 12 Months</u> | <u>1 - 5 Years</u> | <u>Over 5 Years</u> | <u>Non- Interest Bearing</u> | <u>Total</u> |
|---|--------------------------|-------------------------|--------------------------|------------------------|-------------------------|--------------------------------------|--------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 13,773,172 | - | - | - | - | - | 13,773,172 |
| Debt instruments at amortised cost | - | - | 5,142,368 | 24,656,771 | 251,956,008 | - | 281,755,147 |
| Fair value through profit or loss | - | - | - | 13,071,336 | 5,953,430 | 9,184,357 | 28,209,123 |
| Other receivables | - | - | - | - | - | 416,400 | 416,400 |
| Total | 13,773,172 | - | 5,142,368 | 37,728,107 | 257,909,438 | 9,600,757 | 324,153,842 |
| Liabilities | | | | | | | |
| Short-term borrowings | 49,471,591 | - | - | - | - | - | 49,471,591 |
| Securities sold under repurchase agreements | 14,742,507 | 33,803,731 | 186,943,656 | 6,228,677 | - | - | 241,718,571 |
| Lease liabilities | - | - | - | 30,817 | 1,593,843 | - | 1,624,660 |
| Accounts payable and accrued liabilities | - | - | - | - | - | 2,100,009 | 2,100,009 |
| Total | 64,214,098 | 33,803,731 | 186,943,656 | 6,259,494 | 1,593,843 | 2,100,009 | 294,914,831 |
| Interest sensitivity gap | \$(50,440,926) | \$(33,803,731) | \$(181,801,288) | \$31,468,613 | \$256,315,595 | \$7,500,748 | \$29,239,011 |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(c) Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The results of the sensitivity analysis conducted as at March 31, on the impact on net profits before tax and on equity as a consequence of changes in interest rates, are presented below:

| Change in interest rate | Effect on PBT | | Effect on equity | |
|-------------------------|---------------|---------------|------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Increase of 1% | \$(3,687,089) | \$(3,260,228) | \$(2,580,962) | \$(2,282,160) |
| Decrease of 1% | \$3,687,089 | \$3,260,228 | \$2,580,962 | \$2,282,160 |

(d) Liquidity risk

Liquidity risk is the risk that the Company will be unable to generate or obtain sufficient cash or its equivalent in a timely and cost-effective manner to meet its commitments when they fall due under normal and stress circumstances and arises from fluctuation in cash flows. While the Company's assets and major liabilities have scheduled maturities, there is the inherent risk that early repayment requests or the withdrawal of liquidity facilities may not be met from replacement funding necessitating forced asset sales and resulting in losses.

The Company actively manages liquidity on a daily basis by projecting inflows and outflows and ensuring sufficient funding is available to meet requirements. The Company's liabilities have specified maturity dates which make funding requirements easier to forecast.

The Company's liquidity management strategy include maintaining adequate cash balances and having liquidity back up facilities that are sufficient to cover any single day's maturities, maintaining a portfolio of highly marketable assets that can easily be liquidated to meet any unforeseen cash flow requirements, managing the size and concentration of liabilities and sourcing replacement funding for liabilities that mature and are not renewed.

Non-derivative cash flows

The table below presents the cash flows receivable and payable by the Company under non-derivative financial assets and liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, which include estimated interest payments, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows. There are no derivative financial assets or liabilities at the reporting date.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(d) Liquidity risk (continued)

March 31, 2022

| | Carrying Amount \$ | Gross Nominal Inflow \$ | Up to 1 Month \$ | 1 - 3 Months \$ | 3 - 12 Months \$ | 1 - 5 Years \$ | Over 5 Years \$ |
|--|--------------------------|----------------------------------|------------------------|-----------------------|------------------------|----------------------|-----------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 17,795,949 | 17,795,949 | 17,795,949 | - | - | - | - |
| Debt instruments at amortised cost | 286,892,042 | 460,773,849 | 1,393,214 | 4,724,319 | 13,502,634 | 97,385,635 | 343,768,047 |
| Fair value through profit or loss | 33,639,494 | 42,679,598 | 9,425,873 | 333,660 | 1,462,363 | 20,605,990 | 10,851,712 |
| Other receivables | 1,565,389 | 1,565,389 | 1,508,243 | - | - | 57,146 | - |
| Total | 339,892,874 | 522,814,785 | 30,123,279 | 5,057,979 | 14,964,997 | 118,048,771 | 354,619,759 |
| Liabilities | | | | | | | |
| Short-term borrowings | 55,051,284 | 55,051,284 | 55,051,284 | - | - | - | - |
| Securities sold under repurchase agreements | 247,284,361 | 253,555,463 | 13,408,158 | 40,845,050 | 182,759,638 | 16,542,617 | - |
| Lease liabilities | 1,429,270 | 1,539,085 | 27,779 | 55,557 | 250,006 | 1,205,743 | - |
| Taxation payable | 672,708 | 672,708 | 172,296 | 200,000 | 200,000 | 100,412 | - |
| Accounts payable and accrued liabilities | 1,981,462 | 1,981,462 | 1,178,702 | 802,760 | - | - | - |
| Total | 306,419,085 | 312,800,002 | 69,838,219 | 41,903,367 | 183,209,644 | 17,848,772 | - |
| Net liquidity gap | - | 210,014,783 | (39,714,940) | (36,845,388) | (168,244,647) | 100,199,999 | 354,619,759 |

March 31, 2021

| | Carrying Amount \$ | Gross Nominal Inflow \$ | Up to 1 Month \$ | 1 - 3 Months \$ | 3 - 12 Months \$ | 1 - 5 Years \$ | Over 5 Years \$ |
|--|--------------------------|----------------------------------|------------------------|-----------------------|------------------------|----------------------|-----------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | 13,773,172 | 13,773,172 | 13,773,172 | - | - | - | - |
| Debt instruments at amortised cost | 281,755,147 | 465,868,283 | 1,387,041 | 4,449,725 | 14,841,929 | 99,107,185 | 346,082,403 |
| Fair value through profit or loss | 28,209,123 | 33,481,073 | 9,428,929 | - | 1,371,089 | 15,212,979 | 7,468,076 |
| Other receivables | 416,400 | 416,400 | 259,254 | 100,000 | - | - | 57,146 |
| Total | 324,153,842 | 513,538,928 | 24,848,396 | 4,549,725 | 16,213,018 | 114,320,164 | 353,607,625 |
| Liabilities | | | | | | | |
| Short-term borrowings | 49,471,591 | 49,471,591 | 49,471,591 | - | - | - | - |
| Securities sold under repurchase agreements | 241,718,571 | 247,752,071 | 14,764,958 | 34,071,288 | 192,276,516 | 6,639,309 | - |
| Lease liabilities | 1,624,660 | 1,775,857 | 27,778 | 55,557 | 250,007 | 1,442,515 | - |
| Accounts payable and accrued liabilities | 2,100,009 | 2,100,009 | 955,393 | 1,144,616 | - | - | - |
| Total | 294,914,831 | 301,099,528 | 65,219,720 | 35,271,461 | 192,526,523 | 8,081,824 | - |
| Net liquidity gap | - | 212,439,400 | (40,371,324) | (30,721,736) | (176,313,505) | 106,238,340 | 353,607,625 |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(e) Fair value of financial assets and liabilities

Fair value hierarchy

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

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

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

The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------------------|----------------------------|-----------------|----------------------------|
| <u>As at March 31, 2022</u> | | | | |
| Financial assets as at fair value through profit or loss: | | | | |
| Equity securities | 10,597,968 | - | - | 10,597,968 |
| Debt securities | - | 23,041,526 | - | 23,041,526 |
| | <u>\$10,597,968</u> | <u>\$23,041,526</u> | <u>-</u> | <u>\$33,639,494</u> |
| <u>As at March 31, 2021</u> | | | | |
| Financial assets as at fair value through profit or loss: | | | | |
| Equity securities | 9,184,357 | - | - | 9,184,357 |
| Debt securities | - | 19,024,766 | - | 19,024,766 |
| | <u>\$9,184,357</u> | <u>\$19,024,766</u> | <u>-</u> | <u>\$28,209,123</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

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

Financial instruments not measured at fair value

The table below shows the financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | <u>Level</u> | <u>Carrying Value 2022</u> | <u>Fair Value 2022</u> | <u>Carrying Value 2021</u> | <u>Fair Value 2021</u> |
|--|--------------|------------------------------------|--------------------------------|------------------------------------|--------------------------------|
| | | \$ | \$ | \$ | \$ |
| Financial assets | | | | | |
| Cash and cash equivalents | - | 17,795,949 | 17,795,949 | 13,773,172 | 13,773,172 |
| Debt instruments at amortised cost | 2 | <u>286,892,041</u> | <u>289,260,753</u> | <u>281,755,147</u> | <u>305,381,782</u> |
| Financial liabilities | | | | | |
| Short-term borrowings | - | 55,051,284 | 55,051,284 | 49,471,591 | 49,471,591 |
| Securities sold under repurchase agreements | - | 247,284,361 | 247,284,361 | 241,718,571 | 241,718,571 |
| Lease liabilities | - | <u>1,429,270</u> | <u>1,429,270</u> | <u>1,624,660</u> | <u>1,624,660</u> |

Debt instruments at amortised cost

The fair value measurement for debt instruments at amortised cost is generally done using inputs at level 2 in the fair value hierarchy, namely, broker/dealer price quotations. Where this information is not available, fair value is estimated based on discounted cash flows using interest rates for securities of comparable credit quality with similar remaining maturity. Approximately 99% of the fair value of Debt Instruments at Amortised Cost was determined using level 2 inputs (2021: 99%).

Cash and cash equivalents

These amounts are short-term in nature and are taken to be equivalent to fair value.

Financial Liabilities

Short-term borrowings, securities sold under repurchase agreements and lease liabilities are negotiated at market rates and are assumed to have discounted cash flow values that approximate the carrying values.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

(f) Capital management

The Company's objectives when managing capital are:

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

The Company is subject to minimum capital requirements imposed by the Trinidad and Tobago Securities and Exchange Commission (the Authority). The Authority requires each Broker-Dealer to hold the minimum level of the regulatory capital of Five Million Trinidad and Tobago Dollars. Management monitors capital adequacy daily and reports to the Authority on compliance with regulatory capital requirements on a quarterly basis.

In addition to the minimum level of regulatory capital, the Company's management also monitor capital adequacy using relevant benchmarks. Capital adequacy calculations are reported monthly to executive management and quarterly to the Compliance and Risk Management Committee and the Board of Directors.

The table below summarises the composition of regulatory capital of the Company for the year ended March 31. During the financial year the Company complied with all of the externally imposed capital requirements to which it is subject.

| | 2022 | 2021 |
|-------------------------------|----------------------------|----------------------------|
| Regulatory capital | | |
| Share capital | 15,534,012 | 15,534,012 |
| Retained earnings | <u>22,646,937</u> | <u>19,889,419</u> |
| Total equity | <u>\$38,180,949</u> | <u>\$35,423,431</u> |
| Regulatory requirement | <u>\$5,000,000</u> | <u>\$5,000,000</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

5. Critical Accounting Estimates and Judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following note:

- Note 3(b) - *Classification of financial assets*: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal outstanding.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended March 31, 2022 is included in the following notes:

- Note 4(b) -ECL model for determining impairment on debt instruments at amortised cost: Company's criteria for assessing if there has been a significant increase in credit risk; development of ECL model including the choice of inputs; and selection of forward-looking macroeconomic scenarios and their probability of occurrence.
- Note 10 - *Recognition of deferred tax assets*: availability of future taxable profit against which unrealised losses can be utilised.

| | 2022 | 2021 |
|--------------------------------------|--------------------|------------------|
| 6. Other Receivables and Prepayments | | |
| Prepayments | 103,781 | 106,472 |
| Other receivables | <u>1,565,389</u> | <u>416,400</u> |
| | <u>\$1,669,170</u> | <u>\$522,872</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

7. Financial Assets at Fair Value through Profit or Loss

| | 2022 | 2021 |
|------------------------|----------------------------|----------------------------|
| Debt securities (i) | 23,041,526 | 19,024,766 |
| Equity securities (ii) | <u>10,597,968</u> | <u>9,184,357</u> |
| | <u>\$33,639,494</u> | <u>\$28,209,123</u> |

(i) Debt securities

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

| | 2022 | 2021 |
|---|----------------------------|----------------------------|
| As at April 1 | 19,024,766 | 33,686,737 |
| Additions | 62,653,001 | 27,834,708 |
| Repayments/disposals | (52,072,216) | (45,558,953) |
| Gains (losses) from changes in fair value | (6,564,025) | 2,912,352 |
| Exchange differences | <u>-</u> | <u>149,922</u> |
| As at March 31 | <u>\$23,041,526</u> | <u>\$19,024,766</u> |

Debt securities at fair value through profit or loss comprise of investment securities with fixed coupons. These investment securities are pledged under the Company's short-term borrowings.

(ii) Equity securities

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

| | 2022 | 2021 |
|----------------------------------|----------------------------|---------------------------|
| As at April 1 | 9,184,357 | 7,769,100 |
| Additions | - | - |
| Disposals | (664,381) | - |
| Gains from changes in fair value | 2,077,992 | 1,411,436 |
| Exchange differences | <u>-</u> | <u>3,821</u> |
| As at March 31 | <u>\$10,597,968</u> | <u>\$9,184,357</u> |

8. Debt Instruments at Amortised Cost

| | 2022 | 2021 |
|----------------------------|-----------------------------|---------------------------|
| Gross carrying amount | 293,149,434 | 286,386,123 |
| Expected credit losses | <u>(6,257,392)</u> | <u>(4,630,976)</u> |
| Net carrying amount | <u>\$286,892,042</u> | <u>281,755,147</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

8. Debt Instruments at Amortised Cost (continued)

The movement in debt securities at amortised cost may be summarised as follows:

| | 2022 | 2021 |
|-----------------------------------|-----------------------------|-----------------------------|
| As at April 1 | 281,755,147 | 290,434,311 |
| Additions | 11,480,159 | 2,630,841 |
| Disposals/repayments | (4,969,502) | (11,352,897) |
| Net change in accrued interest | 70,767 | (613,294) |
| Net premium/discount amortisation | 181,886 | 287,039 |
| Impairment charge | (1,626,415) | (910,935) |
| Foreign exchange movement | - | 1,280,082 |
| As at March 31 | <u>\$286,892,042</u> | <u>\$281,755,147</u> |

Debt securities at amortised cost comprise of investment securities with fixed coupons. These investment securities are pledged under the Company's short-term borrowings and sale and repurchase agreements.

9. Property, plant and Equipment

| | Office Building | Leasehold Improvements | Motor Vehicles | Office Equipment & Fixtures | Computer Equipment | Total |
|----------------------------------|---------------------------|---------------------------|-------------------------|-----------------------------------|------------------------|---------------------------|
| Year ended March 31, 2022 | | | | | | |
| Opening net book value | 1,563,239 | 1,567,934 | 1,435,273 | 188,981 | 56,554 | 4,811,981 |
| Additions | - | - | - | 118,361 | 8,900 | 127,261 |
| Disposals | - | - | - | (1) | - | (1) |
| Depreciation Charge | (293,107) | (293,816) | (594,425) | (80,766) | (31,474) | (1,293,588) |
| Closing net book value | <u>\$1,270,132</u> | <u>\$1,274,118</u> | <u>\$840,848</u> | <u>\$226,575</u> | <u>\$33,980</u> | <u>\$3,645,653</u> |
| At March 31, 2022 | | | | | | |
| Cost | 1,758,644 | 1,760,926 | 2,377,701 | 521,010 | 336,905 | 6,755,186 |
| Accumulated depreciation | (488,512) | (486,808) | (1,536,853) | (294,435) | (302,925) | (3,109,533) |
| Net book value | <u>\$1,270,132</u> | <u>\$1,274,118</u> | <u>\$840,848</u> | <u>\$226,575</u> | <u>\$33,980</u> | <u>\$3,645,653</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

9. Property, plant and Equipment (continued)

| | Office Building | Leasehold Improvements | Motor Vehicles | Office Equipment & Fixtures | Computer Equipment | Total |
|----------------------------------|--------------------|---------------------------|--------------------|-----------------------------------|-----------------------|--------------------|
| Year ended March 31, 2021 | | | | | | |
| Opening net book value | 1,835,615 | 1,006,393 | 2,029,698 | 147,692 | 47,216 | 5,066,614 |
| Additions | - | 754,533 | - | 116,332 | 36,334 | 907,199 |
| Disposals | - | - | - | (10,229) | - | (10,229) |
| Depreciation Charge | (272,376) | (192,992) | (594,425) | (64,814) | (26,996) | (1,151,603) |
| Closing net book value | \$1,563,239 | \$1,567,934 | \$1,435,273 | \$188,981 | \$56,554 | \$4,811,981 |
| At March 31, 2021 | | | | | | |
| Cost | 1,758,644 | 1,760,926 | 2,377,701 | 496,423 | 328,005 | 6,721,699 |
| Accumulated depreciation | (195,405) | (192,992) | (942,428) | (307,442) | (271,451) | (1,909,718) |
| Net book value | \$1,563,239 | \$1,567,934 | \$1,435,273 | \$188,981 | \$56,554 | \$4,811,981 |

10. Deferred Tax Asset

(i) The net deferred tax asset is attributable to the following items:

| | 2022 | 2021 |
|-------------------------------|------------------|--------------------|
| <i>Deferred tax asset</i> | | |
| Available tax losses | - | 2,148,631 |
| Net unrealised losses | 782,057 | - |
| Property, plant and equipment | 175,669 | 107,063 |
| | 957,726 | 2,255,694 |
| <i>Deferred tax liability</i> | | |
| Net unrealised gains | - | (989,727) |
| Net deferred tax asset | \$957,726 | \$1,265,967 |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

10. Deferred Tax Asset (continued)

| | 2022 | 2021 |
|--|-------------------------|---------------------------|
| (ii) The movement in the deferred tax account comprised: | | |
| Balance at beginning of year | 1,265,967 | 3,263,163 |
| Charge to profit or loss (Note 17) | <u>(308,241)</u> | <u>(1,997,196)</u> |
| Balance at end of year | <u>\$957,726</u> | <u>\$1,265,967</u> |

11. Short-Term Borrowings

The Company maintains short-term credit lines with financial institutions. The borrowed funds are secured by investment securities and are repayable on demand. The average funding rate is 1.75% p.a.

12. Securities Sold under Repurchase Agreements

Securities sold under repurchase agreements are secured by the investment security subject to the repurchase agreement (See Note 8). Interest rates on repurchase agreements range from 3.0% to 4.0%.

13. Stated Capital

Authorised

An unlimited number of ordinary shares of no par value

An unlimited number of preference shares of no par value

Issued and fully paid

| | 2022 | 2021 |
|-----------------------|----------------------------|----------------------------|
| 546 ordinary shares | 13,650,000 | 13,650,000 |
| 297 preference shares | <u>1,884,012</u> | <u>1,884,012</u> |
| | <u>\$15,534,012</u> | <u>\$15,534,012</u> |

The preference shareholders are entitled to receive out of legally available funds, dividends at a rate of 11% of the original issue price per annum, payable when, as and if declared by the Board of Directors of the Company. In the event of any liquidation, dissolution or winding up of the Company, the holders of the preference shares are entitled to receive in preference to the ordinary shares an amount payable in cash equal to the original issue price for the preference shares plus declared and unpaid dividends.

The Company may, at its sole discretion, repurchase in whole or in part the preference shares for an amount payable in cash equal to the original issue price for the shares plus declared and unpaid dividends. Holders of Preference shares are not entitled to attend or vote at meetings of ordinary shareholders of the company.

Cumulative preference dividends declared during the financial year and included in these financial statements as accrued liabilities as at the reporting date amounted to \$218,255 (2021: \$218,255).

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

14. Net Income from Financial Instruments at FVTPL

The gains and losses below represent income (expenses) primarily from debt instruments.

| | 2022 | 2021 |
|------------|---------------------------|---------------------------|
| Realised | 942,107 | 3,120,245 |
| Unrealised | <u>1,522,388</u> | <u>4,374,554</u> |
| | <u>\$2,464,495</u> | <u>\$7,494,799</u> |

The realised gain from financial instruments at FVTPL represents the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its settlement price.

The unrealised gain represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current reporting period, and its carrying amount at the end of the reporting period.

| | 2022 | 2021 |
|---------------------------------|---------------------------|---------------------------|
| 15. Operating Expenses | | |
| Staff costs | 5,990,840 | 6,263,008 |
| Directors' fees | 79,000 | 90,002 |
| Technical and professional fees | 192,886 | 225,070 |
| Information technology expenses | 338,913 | 333,522 |
| Office expenses | 423,666 | 427,367 |
| Marketing costs | 34,663 | 48,925 |
| Depreciation | 1,293,588 | 1,151,603 |
| General administrative expenses | <u>143,707</u> | <u>130,816</u> |
| | <u>\$8,497,263</u> | <u>\$8,670,313</u> |

| | 2022 | 2021 |
|--|---------------------------|-------------------------|
| 16. Net Impairment Loss on Financial Assets | | |
| Debt instruments at amortised cost | <u>\$1,626,415</u> | <u>\$910,935</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

17. Taxation

| | 2022 | | 2021 | |
|--|--------------------|--------------------|--------------------|--------------------|
| (i) Taxation expense for the year is made up as follows: | | | | |
| Business levy | | - | | 126,227 |
| Corporation tax | | 647,001 | | - |
| Prior year under provision | | 172,296 | | - |
| Deferred tax (Note 10) | | 308,241 | | 1,997,196 |
| | | <u>\$1,127,538</u> | | <u>\$2,123,423</u> |
| (ii) The tax on profit before tax differs from the theoretical amount that would arise using the basic rate of tax as follows: | | | | |
| | | 2022 | | 2021 |
| | | % | | % |
| Profit before taxation | <u>4,512,811</u> | 100.00 | <u>9,886,677</u> | 100.00 |
| Tax calculated at 30% | 1,353,843 | 30.00 | 2,966,003 | 30.00 |
| Expenses not deductible for tax purposes | 4,707,197 | 104.31 | 2,680,415 | 27.11 |
| Items deductible for tax purposes | (5,414,039) | (119.97) | (5,805,813) | (58.72) |
| Prior year under provision | 172,296 | 3.82 | - | - |
| Deferred tax | 308,241 | 6.83 | 1,997,196 | 20.20 |
| Loss relief utilised | - | - | 159,395 | 1.61 |
| Business levy | - | - | 126,227 | 1.28 |
| Income tax expense | <u>\$1,127,538</u> | 24.99 | <u>\$2,123,423</u> | 21.48 |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

18. Leases

The Company leases property and office equipment. The leases typically run for a period of three years, with property leases having an option to renew the lease after that date. For certain leases, the Company is restricted from entering into any sub-lease arrangements.

Information about leases for which the Company is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties, that do not meet the definition of investment property, are disclosed in the financial statements (see Note 3(m)). These right of use assets are included within the property plan and equipment balances.

Year ended March 31, 2022

| | <u>Office Building</u> | <u>Office Equipment</u> | <u>Total</u> |
|----------------------------------|----------------------------|-----------------------------|---------------------------|
| Balance at April 1, 2021 | 1,563,198 | 29,917 | 1,593,115 |
| Additions to right-of-use assets | 41 | 89,410 | 89,451 |
| Disposal | - | (1) | (1) |
| Depreciation charge | (293,107) | (29,916) | (323,023) |
| Closing net book value | <u>\$1,270,132</u> | <u>\$89,410</u> | <u>\$1,359,542</u> |

Year ended March 31, 2021

| | <u>Office Building</u> | <u>Office Equipment</u> | <u>Total</u> |
|----------------------------------|----------------------------|-----------------------------|---------------------------|
| Balance at April 1, 2020 | 1,835,575 | 59,833 | 1,895,408 |
| Additions to right-of-use assets | - | - | - |
| Disposal | - | - | - |
| Depreciation charge | (272,377) | (29,916) | (302,293) |
| Closing net book value | <u>\$1,563,198</u> | <u>\$29,917</u> | <u>\$1,593,115</u> |

(ii) Amounts recognised in profit and loss

| | 2022 | 2021 |
|-------------------------------|-----------------|-----------------|
| Interest on lease liabilities | <u>\$48,542</u> | <u>\$38,384</u> |

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

18. Leases (continued)

(iii) Amounts recognized in statement of cash flows

| | 2022 | 2021 |
|--------------------------------------|-------------------------|-------------------------|
| Interest on lease liabilities | 48,542 | 38,384 |
| Payment of lease liabilities | 284,800 | 279,334 |
| Total cash outflow for leases | <u>\$333,342</u> | <u>\$317,718</u> |

(iv) Lease liabilities

Lease liabilities are payable as follows:

March 31, 2022

| | <u>Future minimum Lease payments</u> | <u>Interest</u> | <u>Present value of minimum lease payments</u> |
|----------------------------|--|---------------------------|--|
| Less than one year | 333,342 | (42,139) | 291,203 |
| Between one and five years | 1,203,133 | (65,066) | 1,138,067 |
| More than five years | - | - | - |
| | <u>\$1,536,475</u> | <u>\$(107,205)</u> | <u>\$1,429,270</u> |

March 31, 2021

| | <u>Future minimum Lease payments</u> | <u>Interest</u> | <u>Present value of minimum lease payments</u> |
|----------------------------|--|---------------------------|--|
| Less than one year | 333,342 | (48,542) | 284,800 |
| Between one and five years | 1,317,391 | (101,812) | 1,215,579 |
| More than five years | 125,123 | (842) | 124,281 |
| | <u>\$1,775,856</u> | <u>\$(151,196)</u> | <u>\$1,624,660</u> |

(v) Extension options

The Company has a lease of property that contains options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessor. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company currently has one lease expiring in 2023 and it is reasonably certain this lease will be extended for a further 3 years at a total cost of \$1.04 million.

KSBM Asset Management Limited

Notes to the Financial Statements For the year ended March 31, 2022 (Expressed in Trinidad and Tobago Dollars)

19. Dividends Paid

| | 2022 | 2021 |
|----------------------------|-------------------------|-------------------------|
| Ordinary share dividends | 409,500 | - |
| Preference share dividends | <u>218,255</u> | <u>218,255</u> |
| | <u>\$627,755</u> | <u>\$218,255</u> |

20. Third Party Assets under Management

Third party owned assets which are managed by the Company in a fiduciary capacity, and therefore not included in these financial statements, amounted to \$351 million as at March 31, 2022 (2021: \$339 million).

21. Related Party Transactions and Balances

| | 2022 | 2021 |
|---|----------------------------|----------------------------|
| <u>Directors and key management personnel</u> | | |
| Transactions | | |
| Interest expense | 398,961 | 382,443 |
| Salaries and benefits | <u>4,802,669</u> | <u>4,109,813</u> |
| | <u>\$5,201,630</u> | <u>\$4,492,256</u> |
| Balances | | |
| Securities sold under repurchase agreements | <u>\$10,857,135</u> | <u>\$11,025,069</u> |

All balances with related parties are conducted on an arm's length basis and are secured by the investment security subject to the repurchase agreement. Interest rates range from 3.00% to 3.75%.

22. Events after the Reporting Date

There are no events occurring after the reporting date and before the date of approval of the financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.