



Sheppard Securities Limited

Audited Financial Statements`

For the year ended February 28, 2023

Sheppard Securities Limited

Unconsolidated Financial Statements

For the year ended February 28, 2023
(Expressed in Trinidad and Tobago Dollars)

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Independent Auditor's Report

To the Shareholders of
Sheppard Securities Limited

Opinion

We have audited the unconsolidated financial statements of Sheppard Securities Limited (the "Company"), which comprise the unconsolidated statement of financial position as at February 28, 2023, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity, and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated financial statements.



Independent Auditor's Report (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for BDO, consisting of the letters 'BDO' in a blue, stylized, handwritten-style font.

May 25, 2023

Port of Spain,
Trinidad, West Indies

Sheppard Securities Limited

Unconsolidated Statement of Financial Position

As at February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
Assets			
Non-current assets			
Property and equipment	3	1,668,234	1,655,102
Right-of-use assets	4	1,242,433	1,520,218
Investment in subsidiary	5	4,908,536	4,150,641
Loans to related parties	14	3,355,357	1,761,619
Investment at amortised cost	6	283,795	1,058,473
Total non-current assets		11,458,355	10,146,053
Current assets			
Investments at amortised cost	6	10,835,580	100,875
Accounts receivable and prepayments	7	591,239	1,562,602
Cash and cash equivalents	8	136,169,801	182,185,485
Total current assets		147,596,620	183,848,962
Total assets		\$159,054,975	\$193,995,015
Equity and liabilities			
Equity			
Stated capital	9	3,766,500	3,766,500
Retained earnings		21,667,696	17,661,702
Total equity		25,434,196	21,428,202
Liabilities			
Non-current liabilities			
Lease liabilities	4	836,275	1,178,021
Deferred tax liability	10	74,157	89,190
Total non-current liabilities		910,432	1,267,211
Current liabilities			
Funds held for clients	8	130,265,077	168,482,788
Lease liabilities	4	498,203	425,236
Accounts payable and accruals	11	567,967	1,247,599
Taxation payable	10	1,379,100	1,143,979
Total current liabilities		132,710,347	171,299,602
Total liabilities		133,620,779	172,566,813
Total equity and liabilities		\$159,054,975	\$193,995,015

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

These unconsolidated financial statements were approved by the Board of Directors of Sheppard Securities Limited on May 25, 2023.



Director



Director

Sheppard Securities Limited

Unconsolidated Statement of Comprehensive Income

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
Revenue			
Management fee income		22,541,874	21,374,868
Commission income		10,482,433	11,507,198
Service income		105,374	652,088
Other income		1,794,677	508,866
		34,924,358	34,043,020
Direct costs			
Commission expenses		(3,192,501)	(4,387,837)
Service fees		(26,839)	(334,257)
		(3,219,340)	(4,722,094)
Gross profit		31,705,018	29,320,926
Administrative expenses	12	(24,406,894)	(23,141,151)
Profit before taxation		7,298,124	6,179,775
Taxation charge	10	(1,738,370)	(1,486,392)
Total comprehensive income for the year		\$5,559,754	\$4,693,383

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

Sheppard Securities Limited

Unconsolidated Statement of Changes in Equity

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	Stated capital	Retained earnings	Total equity
Year ended February 28, 2023			
Balance as at March 1, 2022	3,766,500	17,661,702	21,428,202
Total comprehensive income for the year	-	5,559,754	5,559,754
Dividends paid	-	(1,553,760)	(1,553,760)
Balance as at February 28, 2023	\$3,766,500	\$21,667,696	\$25,434,196
Year ended February 28, 2022			
Balance as at March 1, 2021	2,062,500	14,263,319	16,325,819
Issue of shares	1,704,000	-	1,704,000
Total comprehensive income for the year	-	4,693,383	4,693,383
Dividends paid	-	(1,295,000)	(1,295,000)
Balance as at February 28, 2022	\$3,766,500	\$17,661,702	\$21,428,202

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

Sheppard Securities Limited

Unconsolidated Statement of Cash Flows

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	2023	2022
Cash flows from operating activities		
Profit before taxation	7,298,124	6,179,775
Adjustments for non-cash movements:		
Depreciation of property and equipment	328,372	325,562
Amortization of right-to-use asset	461,806	478,493
Interest expense on lease liability	-	90,318
Loss on disposal of assets	72,716	11,570
	8,161,018	7,085,718
Changes in working capital:		
Decrease/(increase) in accounts receivable and prepayments	971,363	(108,939)
Increase in loans to related parties	(1,593,738)	(1,761,619)
(Decrease)/increase in funds held for clients	(38,217,711)	6,695,113
Decrease in accounts payable and accruals	(679,632)	(101,753)
Taxes paid	(1,518,282)	(1,461,074)
Net cash (used in)/provided by operating activities	(32,876,982)	10,347,446
Cash flows from investing activities		
Purchase of property and equipment	(343,576)	(328,244)
Proceeds from sale of property and equipment	2,072	94,556
Investment in subsidiaries	(757,895)	(3,199,062)
Repayment of investment	97,004	102,639
Purchase of investment	(10,057,031)	-
Net cash used in investing activities	(11,059,426)	(3,330,111)
Cash flows from financing activities		
Dividends paid	(1,553,760)	(1,295,000)
Proceeds from the issuance of shares	-	1,704,000
Lease payments made	(525,516)	(546,683)
Net cash used in financing activities	(2,079,276)	(137,683)
Net (decrease)/increase in cash and cash equivalents	(46,015,684)	6,879,652
Cash and cash equivalents as at beginning of year	182,185,485	175,305,833
Cash and cash equivalents as at end of year	\$136,169,801	\$182,185,485

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

1. Incorporation and business activities

Sheppard Securities Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago on January 5, 2009. The Company's registered office is located at # 5-7 Sweet Briar Road, St. Clair, Trinidad.

The Company is registered with the Securities and Exchange Commission ("SEC") under the Securities Industry Act, 1995 to act as a securities broker and dealer.

2. Significant accounting policies

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

2.1 Basis of preparation

These financial statements are unconsolidated as they represent the separate financial statements of the Company. The Company also prepares consolidated financial statements in accordance with IFRS 10 - Consolidated Financial Statements.

The unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Trinidad and Tobago dollars. These unconsolidated financial statements are prepared under the historical cost convention.

The preparation of unconsolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unconsolidated financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

There are no areas involving a high degree of judgment or complexity, or any areas where assumptions and estimates are significant to the unconsolidated financial statements.

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

There were no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after March 1, 2022, that were adopted and had a material impact on the Company.

b) *New standards, amendments and interpretations issued but not effective and not early adopted*

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

b) New standards, amendments and interpretations issued but not effective and not early adopted (continued)

- In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of January 1, 2022, however, in July 2020 this was deferred until January 1, 2023, as a result of the COVID-19 pandemic. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings. The IASB, at its meeting held in June 2021, tentatively decided to amend the requirements in IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to annual reporting periods beginning no earlier than on or after January 1, 2024.
- In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
- In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
- In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

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

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

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

2.2 Functional and presentation currency

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.3 Transactions and balances

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

2.4 Property and equipment

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

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

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

Furniture, fixtures and Fittings	-	10-33%
Motor vehicles	-	25%
Software	-	33%
Leasehold improvements	-	10%

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

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

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

2.5 Leases

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.5 Leases (continued)

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

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

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

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

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

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

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

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.5 Leases (continued)

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

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

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

2.6 Investment in subsidiaries

Subsidiaries are all entities (including Special Purpose Entities) over which the Company directly or indirectly, has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investment in subsidiary is accounted for at cost less impairment in these unconsolidated financial statements.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments

(i) Financial Assets

Investment in Debt Instruments

The Company classifies its financial assets based on its business model.

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

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

Arising out of the assessment, the Company's debt portfolio was deemed to have the 'hold to collect' business model.

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

The Company classifies its financial assets in the amortised cost category. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not recognised at fair value through profit and loss (FVPL) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 6. Interest income from these financial assets is included in the unconsolidated statement of comprehensive income using the effective interest rate method.

Accounts receivable

Accounts receivable arise principally from the provision of services to customers. The Company classifies its accounts receivables at amortized cost. They are initially recognized at fair value are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

(i) *Financial Assets (continued)*

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short terms highly liquid investments with original maturities of three months or less, and - for the purpose of the unconsolidated statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the unconsolidated statement of financial position.

Recognition/de-recognition of financial assets

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

(ii) *Impairment*

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Impairment provisions for accounts receivable are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating and administrative expenses in the unconsolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for accounts receivable from related parties are recognized based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit-impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

(iii) *Expected credit loss measurement*

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

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

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per-Definition of default and credit-impaired above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of the claim and product type, while the availability of collateral is factored before LGD is considered. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the debt instrument.

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

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

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

(vi) *Financial liabilities*

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include borrowings, funds held for clients, lease liabilities, accounts payable and accruals. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.8 Stated capital

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

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the unconsolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

2.10 Funds held for clients

Funds held for clients represent cash provided by clients which are to be subsequently used for investment transactions on behalf of the client. This is recorded at amortised cost.

2.11 Accounts payable and accruals

Accounts payable is money owed by the Company to its suppliers. Accounts payable are recognised initially at fair value and are subsequently measured at amortised cost.

2.12 Provisions

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

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

2.13 Revenue recognition

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

2.14 Direct costs and administrative expenses

Direct costs and administrative expenses are recognised on the accrual basis in the reporting period during which the related income is earned.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.15 Income tax

(a) Current income tax

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

Business levy and green fund levy is provided at the statutory rate of 0.6% and 0.3% respectively on gross income for the year. Business levy takes effect only when it exceeds the current corporation tax liability.

The Corporation tax rate is 30% of chargeable income (2022: 30%)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the unconsolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the unconsolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Fiduciary activities

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

2.17 Offsetting

Financial assets and liabilities are offset and the net amount reported in the unconsolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023
(Expressed in Trinidad and Tobago Dollars)

3. Property and equipment

	Furniture, fixtures and fittings	Motor vehicles	Software	Leasehold improvements	Total
Year ended February 28, 2023					
Cost					
Cost as at March 1, 2022	2,064,655	-	838,514	966,404	3,869,573
Additions for the year	343,576	-	-	-	343,576
Disposals for the year	(6,619)	-	-	-	(6,619)
Cost as at February 28, 2023	2,401,612	-	838,514	966,404	4,206,530
Accumulated depreciation					
Accumulated depreciation as at March 1, 2022	(1,177,546)	-	(690,446)	(346,479)	(2,214,471)
Depreciation for the year	(217,028)	-	(49,352)	(61,992)	(328,372)
Depreciation on disposals	4,547	-	-	-	4,547
Accumulated depreciation as at February 28, 2023	(1,390,027)	-	(739,798)	(408,471)	(2,538,296)
Net book value as at February 28, 2022	\$1,011,585	\$-	\$98,716	\$557,933	\$1,668,234
Year ended February 28, 2022					
Cost					
Cost as at March 1, 2021	1,870,593	212,339	838,514	966,404	3,887,850
Additions for the year	328,244	-	-	-	328,244
Disposals for the year	(134,182)	(212,339)	-	-	(346,521)
Cost as at February 28, 2022	2,064,655	-	838,514	966,404	3,869,573
Accumulated depreciation					
Accumulated depreciation as at March 1, 2021	(1,117,499)	(117,784)	(616,423)	(277,598)	(2,129,304)
Depreciation for the year	(182,658)	-	(74,023)	(68,881)	(325,562)
Depreciation on disposals	122,611	117,784	-	-	240,395
Accumulated depreciation as at February 28, 2022	(1,177,546)	-	(690,446)	(346,479)	(2,214,471)
Net book value as at February 28, 2022	\$887,109	\$-	\$148,068	\$619,925	\$1,655,102

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

4. Leases

	Office premises	Office equipment	Total
Right-of-use asset			
Right-of-use asset as at March 1, 2022	1,513,074	7,144	1,520,218
Additions	-	184,021	184,021
Amortization	(422,252)	(39,554)	(461,806)
Right-of-use asset as at February 28, 2023	\$1,090,822	\$151,611	\$1,242,433
Lease Liability			
Lease liability as at March 1, 2022	1,595,625	7,632	1,603,257
Additions	-	184,021	184,021
Interest expense	68,734	3,982	72,716
Lease payments	(486,338)	(39,178)	(525,516)
Lease liability as at February 28, 2023	\$1,178,021	\$156,457	\$1,334,478
	Office premises	Office equipment	Total
Right-of-use asset			
Right-of-use asset as at March 1, 2021	1,935,326	63,385	1,998,711
Amortization	(422,252)	(56,241)	(478,493)
Right-of-use asset as at February 28, 2022	\$1,513,074	\$7,144	\$1,520,218
Lease Liability			
Lease liability as at March 1, 2021	1,993,343	66,279	2,059,622
Interest expense	88,620	1,698	90,318
Lease payments	(486,338)	(60,345)	(546,683)
Lease liability as at February 28, 2022	\$1,595,625	\$7,632	\$1,603,257

	up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Lease liabilities						
As at February 28, 2023	\$122,268	\$375,935	\$523,259	\$313,016	\$-	\$1,334,478
As at February 28, 2022	\$110,131	\$315,105	\$438,484	\$739,537	\$-	\$1,603,257

5. Investment in subsidiary

	2023	2022
Sheppard Stockbrokers Ltd 100% shareholding	2,250,000	2,250,000
Sheppard Investment Services Limited 100% shareholding	948,962	948,962
Sheppard Financial Technologies Limited 100% shareholding	100	100
Sheppard Insurance Brokers Limited 82% shareholding (2022: 80%)	1,709,474	951,579
	\$4,908,536	\$4,150,641

Sheppard Insurance Brokers Limited, Sheppard Stockbrokers Limited and Sheppard Financial Technologies Limited are incorporated in Trinidad and Tobago and their principal activities are insurance brokerage services, investment brokerage services and technology related services, respectively. Sheppard Investment Services Limited is incorporated in Saint Lucia and its principal activity is investment services.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

6. Investments	2023	2022
Investments at amortized cost		
<i>Current</i>		
Treasury bills	10,057,031	-
Corporate bonds	778,549	100,875
	<u>10,835,580</u>	<u>100,875</u>
<i>Non-current</i>		
Corporate bonds	275,269	1,049,947
Government bonds	8,526	8,526
	<u>283,795</u>	<u>1,058,473</u>
Total investments at amortised cost	<u>\$11,119,375</u>	<u>\$1,159,348</u>

As at both year ends, the fair value of the investments at amortised cost, which is based on estimated future cash flows discounted using the current market rates for debt with the same maturity period and credit risks, approximate the carrying value of the investments.

7. Accounts receivable and prepayments	2023	2022
Prepayments	418,704	261,625
Accounts receivable	96,860	1,221,629
Loans receivable	75,000	75,000
Staff receivables	675	4,348
	<u>\$591,239</u>	<u>\$1,562,602</u>

As at the year ends the accounts receivable balance comprises amounts which are less than 60 days overdue and are not considered impaired. No provision has been made for bad or doubtful debts.

8. Cash and cash equivalents	2023	2022
Client funds	130,265,077	168,482,788
Cash at bank	5,904,724	13,702,697
	<u>\$136,169,801</u>	<u>\$182,185,485</u>

The above cash balance includes:

- \$130,265,077 (2022: \$168,482,788) which represents cash held on behalf of clients in trust, the use of which is restricted.
- \$3,000,000 (2022: \$nil) pledged as collateral for a letter of credit with First Citizens Bank.

Funds held for clients represent cash provided by clients which are to be subsequently used for investment transactions on behalf of the client.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

9. Stated capital

Authorised capital

An unlimited number of common shares

An unlimited number of redeemable preferences shares

An unlimited number of redeemable non-voting non-participatory common shares

Issued capital

	2023	2022
2023: 1,909,000 (2022: 1,909,000) common shares	2,973,000	2,973,000
2023: 83,000 (2022: 83,000) redeemable non-voting non-participatory common shares	793,500	793,500
	<u>\$3,766,500</u>	<u>\$3,766,500</u>

Holders of common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all such meetings; to receive any dividends declared at the discretion of the Board of Directors of the Company; and to receive the remaining property of the Company upon dissolution, liquidation or winding up whether voluntary or involuntary in proportion to the number of shares then held by each of them.

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

10. Taxation

Deferred tax

The deferred tax liability arose as a result of accelerated tax wear and tear allowance.

	2023	2022
As at beginning of year	89,190	109,023
Credit to unconsolidated statement of comprehensive income	(15,033)	(19,833)
As at end of year	<u>\$74,157</u>	<u>\$89,190</u>

Taxation payable

	2023	2022
Corporation tax	1,312,683	1,065,965
Green fund levy	66,417	78,014
	<u>\$1,379,100</u>	<u>\$1,143,979</u>

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

10. Taxation (continued)

Current tax

	2023	2022
Corporation tax	1,658,366	1,418,262
Green fund levy	95,037	87,963
Deferred tax charge	(15,033)	(19,833)
	<u>\$1,738,370</u>	<u>\$1,486,392</u>

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

	2023	2022
Profit before taxation	<u>7,298,124</u>	<u>6,179,775</u>
Tax calculated at corporation tax rates	2,189,437	1,853,933
Income not subject to tax and allowances	(248,314)	(247,453)
Expenses not deductible for tax purposes	270,032	284,539
Group loss relief utilised	(552,789)	(472,757)
Green fund levy	95,037	87,963
Deferred tax charge	(15,033)	(19,833)
	<u>\$1,738,370</u>	<u>\$1,486,392</u>

11. Accounts payable and accruals

	2023	2022
Due to related parties	133,602	672,642
Accruals and other liabilities	200,736	249,658
Payroll liabilities	176,571	211,466
Accounts payable	57,058	113,833
	<u>\$567,967</u>	<u>\$1,247,599</u>

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

12. Administrative expenses

	2023	2022
Commissions paid	11,149,440	11,105,310
Staff costs	8,655,626	7,954,762
Software licenses	1,256,620	1,187,274
Depreciation and amortization	790,178	804,056
Professional fees	673,119	291,725
Computer and internet expenses	437,847	340,015
Insurance	421,528	348,447
Rent expense	221,104	140,585
Advertising and promotion	114,574	195,180
Office supplies	77,221	73,280
Janitorial expense	72,943	62,472
Entertainment	67,206	21,157
Interest and penalties	72,716	103,854
Travel expense	57,224	-
Postage and delivery	55,684	59,653
Business licenses and permits	55,667	(17,148)
Dues and subscriptions	44,912	148,045
Utilities	44,043	43,607
Telephone expense	40,124	39,057
Training	23,571	14,279
Charitable contributions	20,374	23,697
Bank service charges	30,718	20,052
Subsistence	8,237	6,333
Repairs and maintenance	6,733	10,064
Withholding tax	5,735	5,735
Automobile expense	3,750	3,560
Loss on disposal of property, plant and equipment	-	11,570
Foreign exchange loss	-	144,530
	\$24,406,894	\$23,141,151
Staff costs:		
Fixed salary	4,302,032	3,642,258
Commission based salary	2,423,159	2,777,229
Allowances	565,698	550,950
Bonus	840,259	487,074
NIS	388,703	351,226
Pension Contribution	130,275	109,000
Medical	5,500	23,825
Entertainment	-	13,200
	\$8,655,626	\$7,954,762

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

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(Expressed in Trinidad and Tobago Dollars)

13. Financial risk management

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

a) *Liquidity risk*

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

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

	One to three months	Three to twelve months	One to five years	Total
As at February 28, 2023				
Liabilities				
Funds held for clients	130,265,077	-	-	130,265,077
Lease liabilities	122,268	375,935	836,275	1,334,478
Accounts payable and accruals	567,967	-	-	567,967
Total liabilities	\$130,955,312	\$375,935	\$836,275	\$132,167,522
As at February 28, 2022				
Liabilities				
Funds held for clients	168,482,788	-	-	168,482,788
Lease Liabilities	110,131	315,105	1,178,021	1,603,257
Accounts payable and accruals	1,247,599	-	-	1,247,599
Total liabilities	\$169,840,518	\$315,105	\$1,178,021	\$171,333,644

b) *Credit risk*

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

13. Financial risk management (continued)

b) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
As at February 28, 2023				
Investments at amortised cost	11,119,375	-	-	11,119,375
Loan to related parties	3,355,357	-	-	3,355,357
Accounts receivable	10,388	162,147	-	172,535
Cash and cash equivalents	136,169,801	-	-	136,169,801
	\$150,654,921	\$162,147	\$-	\$150,817,068
As at February 28, 2022				
Investment at amortised cost	1,159,348	-	-	1,159,348
Loan to related parties	1,761,619	-	-	1,761,619
Accounts receivable	434,575	866,402	-	1,300,977
Cash and cash equivalents	182,185,485	-	-	182,185,485
	\$185,541,027	\$866,402	\$-	\$186,407,429

c) Market risk

i) Interest rate risk

Interest sensitivity of assets and liabilities

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

	Up to one year	One to five years	Over five years	No stated maturity	Total
As at February 28, 2023					
Assets					
Investments at amortised cost	10,835,580	283,795	-	-	11,119,375
Loan to related party	-	-	-	3,355,357	3,355,357
Accounts receivable	172,535	-	-	-	172,535
Cash and cash equivalents	136,169,801	-	-	-	136,169,801
Total assets	\$147,177,916	\$283,795	\$-	\$3,355,357	\$150,817,068
As at February 28, 2022					
Assets					
Investment at amortised cost	100,875	1,058,473	-	-	1,159,348
Loan to related party	-	-	-	1,761,619	1,761,619
Accounts receivable	1,300,977	-	-	-	1,300,977
Cash and cash equivalents	182,185,485	-	-	-	182,185,485
Total assets	\$183,587,337	\$1,058,473	\$-	\$1,761,619	\$186,407,429

Sensitivity analysis

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

13. Financial risk management (continued)

c) Market risk (continued)

i) Interest rate risk (continued)

Change in interest rate:	Effect on Shareholders' Equity 2023	Effect on Shareholders' Equity 2022
+1%	1,508,171	1,852,481
-1%	(1,508,171)	(1,852,481)

ii) Foreign exchange risk

Foreign exchange risk arises from recognised financial assets and financial liabilities denominated in a currency that is not the Company's functional currency. The Company's major foreign exchange risk relates to cash and cash equivalents, accounts receivables, funds held for clients and accounts payables that are denominated in United States Dollar. The Company has the following significant currency positions.

	TT	US	Other	Total
As at February 28, 2023				
Assets				
Investment at amortised cost	8,526	11,110,849	-	11,119,375
Loan to related parties	3,355,357	-	-	3,355,357
Accounts receivable	179,716	(3,160)	(4,021)	172,535
Cash and cash equivalents	104,890,721	30,998,888	280,192	136,169,801
	108,434,320	42,106,577	276,171	150,817,068
Liabilities				
Funds held for clients	104,945,165	25,114,273	205,639	130,265,077
Accounts payable	565,643	1,112	1,212	567,967
Lease liabilities	1,334,478	-	-	1,334,478
	106,845,286	25,115,385	206,851	132,167,522
Net currency gap	\$1,589,034	\$16,991,192	\$69,320	\$18,649,546
Effect on profit of 1% change in exchange rates		\$169,912	\$693	\$186,495
As at February 28, 2022				
Assets				
Investment at amortised cost	8,526	1,150,822	-	1,159,348
Loan to related parties	1,761,619	-	-	1,761,619
Accounts receivable	1,293,363	12,306	(4,692)	1,300,977
Cash and cash equivalents	107,123,627	74,891,039	170,819	182,185,485
	110,187,135	76,054,167	166,127	186,407,429
Liabilities				
Funds held for clients	106,261,749	61,983,726	237,313	168,482,788
Accounts payable	1,235,362	10,664	1,573	1,247,599
Lease liabilities	1,603,257	-	-	1,603,257
	109,100,368	61,994,390	238,886	171,333,644
Net currency gap	\$1,086,767	\$14,059,777	\$(72,759)	\$15,073,785
Effect on profit of 1% change in exchange rates		\$140,598	\$(728)	\$139,870

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

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13. Financial risk management (continued)

d) Capital management (continued)

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

Management monitors capital based on a gearing ratio. The Company meets its objectives for managing capital and ensures adherence to the requirements of Regulatory Authorities by continuous monitoring and ensuring awareness of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

14. Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

	2023	2022
Key management compensation	\$2,509,488	\$2,511,891
Due from related parties		
Loans to related parties	\$3,355,357	\$1,761,619
Receivable from subsidiary	\$99,740	\$944,337
Receivable from other related parties	\$2,000	\$112,961
Due to related parties		
Payable to other related parties	\$133,602	\$672,642
Transactions with related parties		
Commissions paid to related parties	\$9,164,867	\$8,642,300
Income earned from subsidiary	\$595,000	\$495,000
Recharges for services provided to subsidiary	\$110,186	\$48,750
Expenses recharged from subsidiary	\$179,150	\$1,159,517
Staff reimbursements	\$5,994	\$9,951
Directors fees	\$15,000	\$20,000

Receivable from other related parties is included in the accounts receivable and prepayments balance. Payable to other related parties is included in accounts payable and accruals.

Loan to related parties represent interest-free loans to the Company's subsidiaries. There is no stated maturity date on these loans.

15. Contingencies

On January 4, 2012, the Company entered into an agreement with Pershing LLC, a subsidiary of The Bank of New York Mellon, to provide trading and other auxiliary services in the global financial markets on a fully disclosed basis. This agreement requires the Company to guarantee minimum revenue to Pershing of US\$50,000 per calendar quarter. During the financial year ended February 28, 2023, the Company met its minimum obligation.

16. Fiduciary activities

The Company provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these unconsolidated financial statements as they are not the assets of the Company. These assets under administration as at February 28, 2023 totalled \$6,286,321,296 (2022: \$6,228,647,243).

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

17. Impact of Covid-19

The World Health Organization declared the outbreak of a respiratory disease caused by a coronavirus as a “pandemic”. First identified in late 2019 and known now as COVID 19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

No impairments were recorded as of the unconsolidated statement of financial position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgement regarding this could change in the future. In addition, the Company's results of operations, cash flows and financial condition has not been negatively impacted.

18. Subsequent events

Management evaluated all events that occurred from March 1, 2023, through May 25, 2023, the date the unconsolidated financial statements were available to be issued. During the period, the Company did not have any subsequent events requiring recognition or disclosure in the unconsolidated financial statements.



Sheppard Securities Limited

Audited Financial Statements`

For the year ended February 28, 2023

Sheppard Securities Limited

Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

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Independent Auditor's Report

To the Shareholders of
Sheppard Securities Limited

Opinion

We have audited the unconsolidated financial statements of Sheppard Securities Limited (the "Company"), which comprise the unconsolidated statement of financial position as at February 28, 2023, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity, and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated financial statements.



Independent Auditor's Report (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO

May 25, 2023

Port of Spain,
Trinidad, West Indies

Sheppard Securities Limited

Unconsolidated Statement of Financial Position

As at February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
Assets			
Non-current assets			
Property and equipment	3	1,668,234	1,655,102
Right-of-use assets	4	1,242,433	1,520,218
Investment in subsidiary	5	4,908,536	4,150,641
Loans to related parties	14	3,355,357	1,761,619
Investment at amortised cost	6	283,795	1,058,473
Total non-current assets		11,458,355	10,146,053
Current assets			
Investments at amortised cost	6	10,835,580	100,875
Accounts receivable and prepayments	7	591,239	1,562,602
Cash and cash equivalents	8	136,169,801	182,185,485
Total current assets		147,596,620	183,848,962
Total assets		\$159,054,975	\$193,995,015
Equity and liabilities			
Equity			
Stated capital	9	3,766,500	3,766,500
Retained earnings		21,667,696	17,661,702
Total equity		25,434,196	21,428,202
Liabilities			
Non-current liabilities			
Lease liabilities	4	836,275	1,178,021
Deferred tax liability	10	74,157	89,190
Total non-current liabilities		910,432	1,267,211
Current liabilities			
Funds held for clients	8	130,265,077	168,482,788
Lease liabilities	4	498,203	425,236
Accounts payable and accruals	11	567,967	1,247,599
Taxation payable	10	1,379,100	1,143,979
Total current liabilities		132,710,347	171,299,602
Total liabilities		133,620,779	172,566,813
Total equity and liabilities		\$159,054,975	\$193,995,015

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

These unconsolidated financial statements were approved by the Board of Directors of Sheppard Securities Limited on May 25, 2023.



Director



Director

Sheppard Securities Limited

Unconsolidated Statement of Comprehensive Income

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
Revenue			
Management fee income		22,541,874	21,374,868
Commission income		10,482,433	11,507,198
Service income		105,374	652,088
Other income		1,794,677	508,866
		34,924,358	34,043,020
Direct costs			
Commission expenses		(3,192,501)	(4,387,837)
Service fees		(26,839)	(334,257)
		(3,219,340)	(4,722,094)
Gross profit		31,705,018	29,320,926
Administrative expenses	12	(24,406,894)	(23,141,151)
Profit before taxation		7,298,124	6,179,775
Taxation charge	10	(1,738,370)	(1,486,392)
Total comprehensive income for the year		\$5,559,754	\$4,693,383

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

Sheppard Securities Limited

Unconsolidated Statement of Changes in Equity

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	Stated capital	Retained earnings	Total equity
Year ended February 28, 2023			
Balance as at March 1, 2022	3,766,500	17,661,702	21,428,202
Total comprehensive income for the year	-	5,559,754	5,559,754
Dividends paid	-	(1,553,760)	(1,553,760)
Balance as at February 28, 2023	\$3,766,500	\$21,667,696	\$25,434,196
Year ended February 28, 2022			
Balance as at March 1, 2021	2,062,500	14,263,319	16,325,819
Issue of shares	1,704,000	-	1,704,000
Total comprehensive income for the year	-	4,693,383	4,693,383
Dividends paid	-	(1,295,000)	(1,295,000)
Balance as at February 28, 2022	\$3,766,500	\$17,661,702	\$21,428,202

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

Sheppard Securities Limited

Unconsolidated Statement of Cash Flows

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

	2023	2022
Cash flows from operating activities		
Profit before taxation	7,298,124	6,179,775
Adjustments for non-cash movements:		
Depreciation of property and equipment	328,372	325,562
Amortization of right-to-use asset	461,806	478,493
Interest expense on lease liability	-	90,318
Loss on disposal of assets	72,716	11,570
	8,161,018	7,085,718
Changes in working capital:		
Decrease/(increase) in accounts receivable and prepayments	971,363	(108,939)
Increase in loans to related parties	(1,593,738)	(1,761,619)
(Decrease)/increase in funds held for clients	(38,217,711)	6,695,113
Decrease in accounts payable and accruals	(679,632)	(101,753)
Taxes paid	(1,518,282)	(1,461,074)
Net cash (used in)/provided by operating activities	(32,876,982)	10,347,446
Cash flows from investing activities		
Purchase of property and equipment	(343,576)	(328,244)
Proceeds from sale of property and equipment	2,072	94,556
Investment in subsidiaries	(757,895)	(3,199,062)
Repayment of investment	97,004	102,639
Purchase of investment	(10,057,031)	-
Net cash used in investing activities	(11,059,426)	(3,330,111)
Cash flows from financing activities		
Dividends paid	(1,553,760)	(1,295,000)
Proceeds from the issuance of shares	-	1,704,000
Lease payments made	(525,516)	(546,683)
Net cash used in financing activities	(2,079,276)	(137,683)
Net (decrease)/increase in cash and cash equivalents	(46,015,684)	6,879,652
Cash and cash equivalents as at beginning of year	182,185,485	175,305,833
Cash and cash equivalents as at end of year	\$136,169,801	\$182,185,485

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

1. Incorporation and business activities

Sheppard Securities Limited (the "Company") was incorporated in the Republic of Trinidad and Tobago on January 5, 2009. The Company's registered office is located at # 5-7 Sweet Briar Road, St. Clair, Trinidad.

The Company is registered with the Securities and Exchange Commission ("SEC") under the Securities Industry Act, 1995 to act as a securities broker and dealer.

2. Significant accounting policies

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

2.1 Basis of preparation

These financial statements are unconsolidated as they represent the separate financial statements of the Company. The Company also prepares consolidated financial statements in accordance with IFRS 10 - Consolidated Financial Statements.

The unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Trinidad and Tobago dollars. These unconsolidated financial statements are prepared under the historical cost convention.

The preparation of unconsolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unconsolidated financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

There are no areas involving a high degree of judgment or complexity, or any areas where assumptions and estimates are significant to the unconsolidated financial statements.

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

There were no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after March 1, 2022, that were adopted and had a material impact on the Company.

b) *New standards, amendments and interpretations issued but not effective and not early adopted*

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

b) *New standards, amendments and interpretations issued but not effective and not early adopted (continued)*

- In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of January 1, 2022, however, in July 2020 this was deferred until January 1, 2023, as a result of the COVID-19 pandemic. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings. The IASB, at its meeting held in June 2021, tentatively decided to amend the requirements in IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year to annual reporting periods beginning no earlier than on or after January 1, 2024.
- In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.
- In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
- In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

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

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

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

2.2 Functional and presentation currency

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.3 Transactions and balances

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

2.4 Property and equipment

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

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

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

Furniture, fixtures and Fittings	-	10-33%
Motor vehicles	-	25%
Software	-	33%
Leasehold improvements	-	10%

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

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

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

2.5 Leases

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.5 Leases (continued)

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

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

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

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

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

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

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

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

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

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.5 Leases (continued)

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

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

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

2.6 Investment in subsidiaries

Subsidiaries are all entities (including Special Purpose Entities) over which the Company directly or indirectly, has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Investment in subsidiary is accounted for at cost less impairment in these unconsolidated financial statements.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments

(i) Financial Assets

Investment in Debt Instruments

The Company classifies its financial assets based on its business model.

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

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

Arising out of the assessment, the Company's debt portfolio was deemed to have the 'hold to collect' business model.

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

The Company classifies its financial assets in the amortised cost category. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not recognised at fair value through profit and loss (FVPL) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 6. Interest income from these financial assets is included in the unconsolidated statement of comprehensive income using the effective interest rate method.

Accounts receivable

Accounts receivable arise principally from the provision of services to customers. The Company classifies its accounts receivables at amortized cost. They are initially recognized at fair value are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

(i) *Financial Assets (continued)*

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short terms highly liquid investments with original maturities of three months or less, and - for the purpose of the unconsolidated statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the unconsolidated statement of financial position.

Recognition/de-recognition of financial assets

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

(ii) *Impairment*

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Impairment provisions for accounts receivable are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating and administrative expenses in the unconsolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for accounts receivable from related parties are recognized based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit-impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

(iii) *Expected credit loss measurement*

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

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

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

Sheppard Securities Limited

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(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per-Definition of default and credit-impaired above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of the claim and product type, while the availability of collateral is factored before LGD is considered. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the debt instrument.

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

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

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

(vi) *Financial liabilities*

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include borrowings, funds held for clients, lease liabilities, accounts payable and accruals. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.8 Stated capital

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

2.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the unconsolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

2.10 Funds held for clients

Funds held for clients represent cash provided by clients which are to be subsequently used for investment transactions on behalf of the client. This is recorded at amortised cost.

2.11 Accounts payable and accruals

Accounts payable is money owed by the Company to its suppliers. Accounts payable are recognised initially at fair value and are subsequently measured at amortised cost.

2.12 Provisions

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

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

2.13 Revenue recognition

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

2.14 Direct costs and administrative expenses

Direct costs and administrative expenses are recognised on the accrual basis in the reporting period during which the related income is earned.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.15 Income tax

(a) Current income tax

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

Business levy and green fund levy is provided at the statutory rate of 0.6% and 0.3% respectively on gross income for the year. Business levy takes effect only when it exceeds the current corporation tax liability.

The Corporation tax rate is 30% of chargeable income (2022: 30%)

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the unconsolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the unconsolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.16 Fiduciary activities

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

2.17 Offsetting

Financial assets and liabilities are offset and the net amount reported in the unconsolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

3. Property and equipment

	Furniture, fixtures and fittings	Motor vehicles	Software	Leasehold improvements	Total
Year ended February 28, 2023					
Cost					
Cost as at March 1, 2022	2,064,655	-	838,514	966,404	3,869,573
Additions for the year	343,576	-	-	-	343,576
Disposals for the year	(6,619)	-	-	-	(6,619)
Cost as at February 28, 2023	2,401,612	-	838,514	966,404	4,206,530
Accumulated depreciation					
Accumulated depreciation as at March 1, 2022	(1,177,546)	-	(690,446)	(346,479)	(2,214,471)
Depreciation for the year	(217,028)	-	(49,352)	(61,992)	(328,372)
Depreciation on disposals	4,547	-	-	-	4,547
Accumulated depreciation as at February 28, 2023	(1,390,027)	-	(739,798)	(408,471)	(2,538,296)
Net book value as at February 28, 2022	\$1,011,585	\$-	\$98,716	\$557,933	\$1,668,234
Year ended February 28, 2022					
Cost					
Cost as at March 1, 2021	1,870,593	212,339	838,514	966,404	3,887,850
Additions for the year	328,244	-	-	-	328,244
Disposals for the year	(134,182)	(212,339)	-	-	(346,521)
Cost as at February 28, 2022	2,064,655	-	838,514	966,404	3,869,573
Accumulated depreciation					
Accumulated depreciation as at March 1, 2021	(1,117,499)	(117,784)	(616,423)	(277,598)	(2,129,304)
Depreciation for the year	(182,658)	-	(74,023)	(68,881)	(325,562)
Depreciation on disposals	122,611	117,784	-	-	240,395
Accumulated depreciation as at February 28, 2022	(1,177,546)	-	(690,446)	(346,479)	(2,214,471)
Net book value as at February 28, 2022	\$887,109	\$-	\$148,068	\$619,925	\$1,655,102

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

4. Leases

	Office premises	Office equipment	Total
Right-of-use asset			
Right-of-use asset as at March 1, 2022	1,513,074	7,144	1,520,218
Additions	-	184,021	184,021
Amortization	(422,252)	(39,554)	(461,806)
Right-of-use asset as at February 28, 2023	\$1,090,822	\$151,611	\$1,242,433
Lease Liability			
Lease liability as at March 1, 2022	1,595,625	7,632	1,603,257
Additions	-	184,021	184,021
Interest expense	68,734	3,982	72,716
Lease payments	(486,338)	(39,178)	(525,516)
Lease liability as at February 28, 2023	\$1,178,021	\$156,457	\$1,334,478
	Office premises	Office equipment	Total
Right-of-use asset			
Right-of-use asset as at March 1, 2021	1,935,326	63,385	1,998,711
Amortization	(422,252)	(56,241)	(478,493)
Right-of-use asset as at February 28, 2022	\$1,513,074	\$7,144	\$1,520,218
Lease Liability			
Lease liability as at March 1, 2021	1,993,343	66,279	2,059,622
Interest expense	88,620	1,698	90,318
Lease payments	(486,338)	(60,345)	(546,683)
Lease liability as at February 28, 2022	\$1,595,625	\$7,632	\$1,603,257

	up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Lease liabilities						
As at February 28, 2023	\$122,268	\$375,935	\$523,259	\$313,016	\$-	\$1,334,478
As at February 28, 2022	\$110,131	\$315,105	\$438,484	\$739,537	\$-	\$1,603,257

5. Investment in subsidiary

	2023	2022
Sheppard Stockbrokers Ltd 100% shareholding	2,250,000	2,250,000
Sheppard Investment Services Limited 100% shareholding	948,962	948,962
Sheppard Financial Technologies Limited 100% shareholding	100	100
Sheppard Insurance Brokers Limited 82% shareholding (2022: 80%)	1,709,474	951,579
	\$4,908,536	\$4,150,641

Sheppard Insurance Brokers Limited, Sheppard Stockbrokers Limited and Sheppard Financial Technologies Limited are incorporated in Trinidad and Tobago and their principal activities are insurance brokerage services, investment brokerage services and technology related services, respectively. Sheppard Investment Services Limited is incorporated in Saint Lucia and its principal activity is investment services.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

6. Investments	2023	2022
Investments at amortized cost		
<i>Current</i>		
Treasury bills	10,057,031	-
Corporate bonds	778,549	100,875
	<u>10,835,580</u>	<u>100,875</u>
<i>Non-current</i>		
Corporate bonds	275,269	1,049,947
Government bonds	8,526	8,526
	<u>283,795</u>	<u>1,058,473</u>
Total investments at amortised cost	<u>\$11,119,375</u>	<u>\$1,159,348</u>

As at both year ends, the fair value of the investments at amortised cost, which is based on estimated future cash flows discounted using the current market rates for debt with the same maturity period and credit risks, approximate the carrying value of the investments.

7. Accounts receivable and prepayments	2023	2022
Prepayments	418,704	261,625
Accounts receivable	96,860	1,221,629
Loans receivable	75,000	75,000
Staff receivables	675	4,348
	<u>\$591,239</u>	<u>\$1,562,602</u>

As at the year ends the accounts receivable balance comprises amounts which are less than 60 days overdue and are not considered impaired. No provision has been made for bad or doubtful debts.

8. Cash and cash equivalents	2023	2022
Client funds	130,265,077	168,482,788
Cash at bank	5,904,724	13,702,697
	<u>\$136,169,801</u>	<u>\$182,185,485</u>

The above cash balance includes:

- \$130,265,077 (2022: \$168,482,788) which represents cash held on behalf of clients in trust, the use of which is restricted.
- \$3,000,000 (2022: \$nil) pledged as collateral for a letter of credit with First Citizens Bank.

Funds held for clients represent cash provided by clients which are to be subsequently used for investment transactions on behalf of the client.

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

9. Stated capital

Authorised capital

An unlimited number of common shares

An unlimited number of redeemable preferences shares

An unlimited number of redeemable non-voting non-participatory common shares

Issued capital

	2023	2022
2023: 1,909,000 (2022: 1,909,000) common shares	2,973,000	2,973,000
2023: 83,000 (2022: 83,000) redeemable non-voting non-participatory common shares	793,500	793,500
	<u>\$3,766,500</u>	<u>\$3,766,500</u>

Holders of common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all such meetings; to receive any dividends declared at the discretion of the Board of Directors of the Company; and to receive the remaining property of the Company upon dissolution, liquidation or winding up whether voluntary or involuntary in proportion to the number of shares then held by each of them.

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

10. Taxation

Deferred tax

The deferred tax liability arose as a result of accelerated tax wear and tear allowance.

	2023	2022
As at beginning of year	89,190	109,023
Credit to unconsolidated statement of comprehensive income	(15,033)	(19,833)
As at end of year	<u>\$74,157</u>	<u>\$89,190</u>

Taxation payable

	2023	2022
Corporation tax	1,312,683	1,065,965
Green fund levy	66,417	78,014
	<u>\$1,379,100</u>	<u>\$1,143,979</u>

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

10. Taxation (continued)

Current tax

	2023	2022
Corporation tax	1,658,366	1,418,262
Green fund levy	95,037	87,963
Deferred tax charge	(15,033)	(19,833)
	<u>\$1,738,370</u>	<u>\$1,486,392</u>

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

	2023	2022
Profit before taxation	7,298,124	6,179,775
Tax calculated at corporation tax rates	2,189,437	1,853,933
Income not subject to tax and allowances	(248,314)	(247,453)
Expenses not deductible for tax purposes	270,032	284,539
Group loss relief utilised	(552,789)	(472,757)
Green fund levy	95,037	87,963
Deferred tax charge	(15,033)	(19,833)
	<u>\$1,738,370</u>	<u>\$1,486,392</u>

11. Accounts payable and accruals

	2023	2022
Due to related parties	133,602	672,642
Accruals and other liabilities	200,736	249,658
Payroll liabilities	176,571	211,466
Accounts payable	57,058	113,833
	<u>\$567,967</u>	<u>\$1,247,599</u>

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

12. Administrative expenses

	2023	2022
Commissions paid	11,149,440	11,105,310
Staff costs	8,655,626	7,954,762
Software licenses	1,256,620	1,187,274
Depreciation and amortization	790,178	804,056
Professional fees	673,119	291,725
Computer and internet expenses	437,847	340,015
Insurance	421,528	348,447
Rent expense	221,104	140,585
Advertising and promotion	114,574	195,180
Office supplies	77,221	73,280
Janitorial expense	72,943	62,472
Entertainment	67,206	21,157
Interest and penalties	72,716	103,854
Travel expense	57,224	-
Postage and delivery	55,684	59,653
Business licenses and permits	55,667	(17,148)
Dues and subscriptions	44,912	148,045
Utilities	44,043	43,607
Telephone expense	40,124	39,057
Training	23,571	14,279
Charitable contributions	20,374	23,697
Bank service charges	30,718	20,052
Subsistence	8,237	6,333
Repairs and maintenance	6,733	10,064
Withholding tax	5,735	5,735
Automobile expense	3,750	3,560
Loss on disposal of property, plant and equipment	-	11,570
Foreign exchange loss	-	144,530
	\$24,406,894	\$23,141,151
Staff costs:		
Fixed salary	4,302,032	3,642,258
Commission based salary	2,423,159	2,777,229
Allowances	565,698	550,950
Bonus	840,259	487,074
NIS	388,703	351,226
Pension Contribution	130,275	109,000
Medical	5,500	23,825
Entertainment	-	13,200
	\$8,655,626	\$7,954,762

Sheppard Securities Limited

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For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

13. Financial risk management

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

a) *Liquidity risk*

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

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

	One to three months	Three to twelve months	One to five years	Total
As at February 28, 2023				
Liabilities				
Funds held for clients	130,265,077	-	-	130,265,077
Lease liabilities	122,268	375,935	836,275	1,334,478
Accounts payable and accruals	567,967	-	-	567,967
Total liabilities	\$130,955,312	\$375,935	\$836,275	\$132,167,522
As at February 28, 2022				
Liabilities				
Funds held for clients	168,482,788	-	-	168,482,788
Lease Liabilities	110,131	315,105	1,178,021	1,603,257
Accounts payable and accruals	1,247,599	-	-	1,247,599
Total liabilities	\$169,840,518	\$315,105	\$1,178,021	\$171,333,644

b) *Credit risk*

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

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

Sheppard Securities Limited

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13. Financial risk management (continued)

b) Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
As at February 28, 2023				
Investments at amortised cost	11,119,375	-	-	11,119,375
Loan to related parties	3,355,357	-	-	3,355,357
Accounts receivable	10,388	162,147	-	172,535
Cash and cash equivalents	136,169,801	-	-	136,169,801
	\$150,654,921	\$162,147	\$-	\$150,817,068
As at February 28, 2022				
Investment at amortised cost	1,159,348	-	-	1,159,348
Loan to related parties	1,761,619	-	-	1,761,619
Accounts receivable	434,575	866,402	-	1,300,977
Cash and cash equivalents	182,185,485	-	-	182,185,485
	\$185,541,027	\$866,402	\$-	\$186,407,429

c) Market risk

i) Interest rate risk

Interest sensitivity of assets and liabilities

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

	Up to one year	One to five years	Over five years	No stated maturity	Total
As at February 28, 2023					
Assets					
Investments at amortised cost	10,835,580	283,795	-	-	11,119,375
Loan to related party	-	-	-	3,355,357	3,355,357
Accounts receivable	172,535	-	-	-	172,535
Cash and cash equivalents	136,169,801	-	-	-	136,169,801
Total assets	\$147,177,916	\$283,795	\$-	\$3,355,357	\$150,817,068
As at February 28, 2022					
Assets					
Investment at amortised cost	100,875	1,058,473	-	-	1,159,348
Loan to related party	-	-	-	1,761,619	1,761,619
Accounts receivable	1,300,977	-	-	-	1,300,977
Cash and cash equivalents	182,185,485	-	-	-	182,185,485
Total assets	\$183,587,337	\$1,058,473	\$-	\$1,761,619	\$186,407,429

Sensitivity analysis

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

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

13. Financial risk management (continued)

c) Market risk (continued)

i) Interest rate risk (continued)

Change in interest rate:	Effect on Shareholders' Equity 2023	Effect on Shareholders' Equity 2022
+1%	1,508,171	1,852,481
-1%	(1,508,171)	(1,852,481)

ii) Foreign exchange risk

Foreign exchange risk arises from recognised financial assets and financial liabilities denominated in a currency that is not the Company's functional currency. The Company's major foreign exchange risk relates to cash and cash equivalents, accounts receivables, funds held for clients and accounts payables that are denominated in United States Dollar. The Company has the following significant currency positions.

	TT	US	Other	Total
As at February 28, 2023				
Assets				
Investment at amortised cost	8,526	11,110,849	-	11,119,375
Loan to related parties	3,355,357	-	-	3,355,357
Accounts receivable	179,716	(3,160)	(4,021)	172,535
Cash and cash equivalents	104,890,721	30,998,888	280,192	136,169,801
	108,434,320	42,106,577	276,171	150,817,068
Liabilities				
Funds held for clients	104,945,165	25,114,273	205,639	130,265,077
Accounts payable	565,643	1,112	1,212	567,967
Lease liabilities	1,334,478	-	-	1,334,478
	106,845,286	25,115,385	206,851	132,167,522
Net currency gap	\$1,589,034	\$16,991,192	\$69,320	\$18,649,546
Effect on profit of 1% change in exchange rates		\$169,912	\$693	\$186,495
As at February 28, 2022				
Assets				
Investment at amortised cost	8,526	1,150,822	-	1,159,348
Loan to related parties	1,761,619	-	-	1,761,619
Accounts receivable	1,293,363	12,306	(4,692)	1,300,977
Cash and cash equivalents	107,123,627	74,891,039	170,819	182,185,485
	110,187,135	76,054,167	166,127	186,407,429
Liabilities				
Funds held for clients	106,261,749	61,983,726	237,313	168,482,788
Accounts payable	1,235,362	10,664	1,573	1,247,599
Lease liabilities	1,603,257	-	-	1,603,257
	109,100,368	61,994,390	238,886	171,333,644
Net currency gap	\$1,086,767	\$14,059,777	\$(72,759)	\$15,073,785
Effect on profit of 1% change in exchange rates		\$140,598	\$(728)	\$139,870

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

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13. Financial risk management (continued)

d) Capital management (continued)

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

Management monitors capital based on a gearing ratio. The Company meets its objectives for managing capital and ensures adherence to the requirements of Regulatory Authorities by continuous monitoring and ensuring awareness of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

14. Related party transactions and balances

A number of transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions.

	2023	2022
Key management compensation	\$2,509,488	\$2,511,891
Due from related parties		
Loans to related parties	\$3,355,357	\$1,761,619
Receivable from subsidiary	\$99,740	\$944,337
Receivable from other related parties	\$2,000	\$112,961
Due to related parties		
Payable to other related parties	\$133,602	\$672,642
Transactions with related parties		
Commissions paid to related parties	\$9,164,867	\$8,642,300
Income earned from subsidiary	\$595,000	\$495,000
Recharges for services provided to subsidiary	\$110,186	\$48,750
Expenses recharged from subsidiary	\$179,150	\$1,159,517
Staff reimbursements	\$5,994	\$9,951
Directors fees	\$15,000	\$20,000

Receivable from other related parties is included in the accounts receivable and prepayments balance. Payable to other related parties is included in accounts payable and accruals.

Loan to related parties represent interest-free loans to the Company's subsidiaries. There is no stated maturity date on these loans.

15. Contingencies

On January 4, 2012, the Company entered into an agreement with Pershing LLC, a subsidiary of The Bank of New York Mellon, to provide trading and other auxiliary services in the global financial markets on a fully disclosed basis. This agreement requires the Company to guarantee minimum revenue to Pershing of US\$50,000 per calendar quarter. During the financial year ended February 28, 2023, the Company met its minimum obligation.

16. Fiduciary activities

The Company provides custody, trustee and investment management services to third parties. All related assets are held in a fiduciary capacity and are not included in these unconsolidated financial statements as they are not the assets of the Company. These assets under administration as at February 28, 2023 totalled \$6,286,321,296 (2022: \$6,228,647,243).

Sheppard Securities Limited

Notes to the Unconsolidated Financial Statements

For the year ended February 28, 2023

(Expressed in Trinidad and Tobago Dollars)

17. Impact of Covid-19

The World Health Organization declared the outbreak of a respiratory disease caused by a coronavirus as a "pandemic". First identified in late 2019 and known now as COVID 19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

No impairments were recorded as of the unconsolidated statement of financial position date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgement regarding this could change in the future. In addition, the Company's results of operations, cash flows and financial condition has not been negatively impacted.

18. Subsequent events

Management evaluated all events that occurred from March 1, 2023, through May 25, 2023, the date the unconsolidated financial statements were available to be issued. During the period, the Company did not have any subsequent events requiring recognition or disclosure in the unconsolidated financial statements.