

Financial Statements of

**ROYTRIN MONEY MARKET FUND
CLASS A – TT DOLLAR**

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

June 30, 2023

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Statement of Trustee’s Responsibilities
Roytrin Money Market Fund Class A – TT Dollar

The Trustee is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Roytrin Money Market Fund Class A – TT Dollar (the Fund), which comprises the statement of financial position as at June 30, 2023, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Fund keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Fund’s assets, detection/prevention of fraud and the achievement of operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, to which the Fund is subject, but not limited to the Fund’s governing documentation; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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



Trustee **RBC TRUST**
(TRINIDAD & TOBAGO) LIMITED

Date: October 31, 2023



Trustee **RBC TRUST**
(TRINIDAD & TOBAGO) LIMITED

Date: October 31, 2023



KPMG
Chartered Accountants
Savannah East
11 Queen's Park East
P.O. Box 1328
Port of Spain
Trinidad and Tobago, W.I.

Tel: (868) 612-KPMG
Email: kpmg@kpmg.co.tt
Web: <https://home.kpmg/tt>

**Independent Auditors' Report
To the Trustee of Roytrin Money Market Fund Class A – TT Dollar**

Opinion

We have audited the financial statements of Roytrin Money Market Fund Class A – TT Dollar ("the Fund"), which comprise the statement of financial position as at June 30, 2023, the statements of profit or loss and other comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 Trustee and Those Charged with Governance for the Financial Statements

The Trustee, being charged with the governance of the Fund, is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit, conducted in accordance with ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.



Auditors' Responsibilities for the Audit of the Financial Statements
(continued)

- Conclude on the appropriateness of the Trustee'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

A handwritten signature of the KPMG firm, written in blue ink.

Chartered Accountants

Port of Spain
Trinidad and Tobago
October 31, 2023

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Statement of Financial Position

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

	Notes	2023 \$	2022 \$
ASSETS			
Investment securities	5	3,849,316,439	3,290,494,378
Interest income receivable		42,466,003	25,109,827
Other receivables	6	44,106,193	97,290,944
Cash and cash equivalents	10	<u>469,280,011</u>	<u>316,425,259</u>
Total assets		<u>4,405,168,646</u>	<u>3,729,320,408</u>
LIABILITIES			
Management fees payable	10	365,470	229,668
Other payables		<u>25,440,430</u>	<u>3,119,981</u>
Total liabilities		<u>25,805,900</u>	<u>3,349,649</u>
Net assets		<u>4,379,362,746</u>	<u>3,725,970,759</u>
Net assets attributable to unitholders		<u>4,379,362,746</u>	<u>3,725,970,759</u>
Number of participating units	9	<u>442,492,510</u>	<u>372,597,076</u>
Net asset value per unit		<u>9.90</u>	<u>10.00</u>


The notes on pages 9 to 38 are an integral part of these financial statements.

On October 31, 2023, the Trustee of the Roytrin Money Market Fund Class A – TT Dollar authorised these financial statements for issue.



Trustee

RBC TRUST
(TRINIDAD & TOBAGO) LIMITED



Trustee

RBC TRUST
(TRINIDAD & TOBAGO) LIMITED

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Statement of Profit or Loss and Other Comprehensive Income

Year ended June 30, 2023

(Expressed in Trinidad and Tobago dollars)

	Notes	2023	2022
		\$	\$
Income			
Interest income calculated using the effective interest method		79,966,488	57,172,161
Gains on disposal of investments		3,964,339	2,191,061
Foreign exchange gain (loss)		<u>5,092,476</u>	<u>(163,336)</u>
Total income		<u>89,023,303</u>	<u>59,199,886</u>
Expenses			
Management fees	10	(37,447,545)	(26,794,671)
Impairment loss	6	(49,837,354)	-
Other administrative expenses		<u>(460,099)</u>	<u>(508,314)</u>
Total operating expenses		<u>(87,744,998)</u>	<u>(27,302,985)</u>
Increase in net assets attributable to unitholders		<u>1,278,305</u>	<u>31,896,901</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Statement of Changes in Net Assets Attributable to Unitholders

Year ended June 30, 2023

(Expressed in Trinidad and Tobago dollars)

	2023	2022
	\$	\$
Balance as at July 1	<u>3,725,970,759</u>	<u>3,685,007,450</u>
Increase in net assets attributable to unitholders	1,278,305	31,896,901
Distributions paid to unitholders	(46,840,659)	(31,896,901)
Subscriptions	1,549,881,277	1,040,530,176
Redemptions	<u>(850,926,936)</u>	<u>(999,566,867)</u>
Balance as at June 30	<u>4,379,362,746</u>	<u>3,725,970,759</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Statement of Cash Flows

Year ended June 30, 2023

(Expressed in Trinidad and Tobago dollars)

	2023	2022
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before distributions	1,278,305	31,896,901
Adjustments for:		
Interest income	(79,966,488)	(56,751,763)
Foreign exchange and amortisation	(6,119,624)	(420,428)
Impairment loss	49,837,339	-
Gain on disposal of investment securities	(3,964,339)	(2,191,061)
Net loss before working capital changes	(38,934,792)	(27,466,351)
Changes in:		
- Management fees and other payables	22,456,251	357,737
- Other receivables	3,347,397	(95,516,492)
Interest received	62,610,312	51,258,881
Purchase of investments	(5,806,374,418)	(4,439,641,005)
Proceeds from disposal of investments	5,257,636,320	4,129,545,270
Net cash used in operating activities	<u>(499,258,930)</u>	<u>(381,461,960)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions	1,503,040,618	1,008,633,275
Redemptions paid	(850,926,936)	(999,566,867)
Net cash from financing activities	<u>652,113,682</u>	<u>9,066,408</u>
Net increase (decrease) in cash and cash equivalents	152,854,752	(372,395,552)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>316,425,259</u>	<u>688,820,811</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>469,280,011</u>	<u>316,425,259</u>

The notes on pages 9 to 38 are an integral part of these financial statements.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

1. Description of the Fund

The following brief description of the Roytrin Money Market Fund Class A – TT Dollar (the Fund) is provided for general information purposes only. Reference should be made to the Trust Deed and rules of the Fund for more complete information.

General

The Fund is an open-ended fund registered in Trinidad and Tobago and was established by RBC Royal Bank (Trinidad and Tobago) Limited, under a Trust Deed dated April 10, 2012. The principal activity of the Fund is to provide investors with the opportunity to invest in short term securities which offer high liquidity and a competitive rate of return. The Trustee of the Fund is RBC Trust (Trinidad and Tobago) Limited, and the Investment Manager is RBC Investment Management (Caribbean) Limited.

Subscriptions

Subscriptions to the Fund are made by investors and are expressed in units using the net asset value per unit determined on each business day. Units may be subscribed at a minimum initial value of \$100,000 and \$10,000 thereafter.

Distributions

The net income received by the Fund is allocated and distributed at the discretion of the Investment Manager supported by the management accounts. Net income paid out to investors is to be accrued daily and distributed monthly. All distributions will, in the absence of instructions from the investor to the contrary, be reinvested in additional units of the Fund at the net asset value of such units calculated on the date of distribution.

Redemptions

Units are redeemed without charge at a price per unit (bid price) based on the net asset value per unit at the date of receipt of the request for redemption. Units may be redeemed in cash up to a limit of \$1,000,000 or one percent of the net asset value of the Fund, whichever is lower, during any ninety-day period for any one investor. Should a redemption request exceed this limit, units in excess may, at the discretion of the Trustee, be redeemed in specie in proportion to the underlying assets.

Taxation

Distributions paid to resident unit holders are not subject to tax. For distributions paid to non-resident unit holders, tax on interest income is withheld at the rates applicable to the country in which the unit holders reside.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

2. Significant Accounting Policies

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

a. Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b. Basis of measurement

These financial statements have been prepared on a historical cost basis.

c. Use of judgements and estimates

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

d. Foreign currency transactions

(i) Functional and presentation currency

The financial statements are presented in Trinidad and Tobago dollars which is the Fund's functional and presentation currency.

(ii) 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 translation at year-end exchange rates of monetary assets and liabilities are recognised in increase or decrease in net assets attributable to unitholders. 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 increase or decrease in net assets attributable to unitholders.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

2. Significant Accounting Policies (continued)

e. Investment securities

The Fund classifies its investment securities and other receivables at amortised cost. Management determines the classification of its investment securities at initial recognition.

(i) Classification

On initial recognition, the Fund classifies financial assets at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

2. Significant Accounting Policies (continued)

e. Investment securities (continued)

(i) Classification (continued)

Business model assessment (continued)

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

The Fund has determined that it has one business model.

- Held-to-collect business model: this includes investment securities, cash and cash equivalents and interest income receivable and other receivables. These financial assets are held to collect contractual cash flow.

(ii) Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in increase or decrease in net assets attributable to unitholders. Any interest in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

When the Fund enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and repurchase transactions.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in increase or decrease in net assets attributable to unitholders.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

2. Significant Accounting Policies (continued)

f. Impairment of financial assets

The Fund utilizes the expected credit loss (ECL) model to determine impairment of financial assets which are classified as financial instruments that are measured at amortised cost, for these financial instrument's lifetime ECLs are recognised.

Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the Fund about the following loss events:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as default or delinquency in payments;
- (iii) it is becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties;
- (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on assets in the group.

g. Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and comprise cash in hand and deposits with banks and short-term investments with original maturities of less than three months at the time of acquisition.

h. Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

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

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

2. Significant Accounting Policies (continued)

i. Net assets attributable to unitholders

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund has only one class of redeemable units in issue and on liquidation of the Fund, they entitle the holders to the residual net assets, after repayment of all debts, liabilities, fees or commissions outstanding. All redeemable units rank *pari passu* in all respects and have identical terms and conditions. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholder's share in the Fund's net assets at each redemption date, subject to certain restrictions as outlined in Note 1, and also in the event of the Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- It is in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

The Fund's redeemable units meet these conditions and are classified as equity.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

2. Significant Accounting Policies (continued)

j. Net income from financial instrument at amortised cost

Interest income comprise interest on financial asset measured at amortised cost calculated on an effective interest basis. The ‘effective interest rate’ is calculated on initial recognition of a financial instrument as the rate that exactly discounts estimated cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

The effective interest is applied to the gross carrying amount of the asset when the use is not impaired. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

k. Expenses

Expenses are accounted for in increase or decrease in net assets attributable to unitholders on the accrual basis.

l. Subscriptions and redemptions

Subscriptions and redemptions are recorded when the subscription and redemption is incurred.

m. Income tax

Under the current system of taxation in Trinidad and Tobago, the Fund is exempt from paying income taxes.

However, some dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

3. New and Revised International Financial Reporting Standards (IFRS)

a. *New and amended standards adopted by the Fund*

No standards have been adopted by the Fund for the first time for the financial year beginning on or after July 1, 2022.

b. *New and amended standards and interpretations that are not yet effective:*

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Fund has not early adopted. The Fund has assessed them with respect to its operations and has determined that the following are considered relevant:

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2023, and clarifies those costs that comprise the costs of fulfilling the contract. The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Fund does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. An entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

3. New and Revised International Financial Reporting Standards (IFRS) (continued)

b. New and amended standards and interpretations that are not yet effective: (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

With the amendments, convertible instruments may become current. In light of this, the amendments clarify how an entity classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the entity's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

The Fund does not expect the amendment to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023, and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring entities to disclose their *material* accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a fund's financial statements.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

3. New and Revised International Financial Reporting Standards (IFRS) (continued)

b. New and amended standards and interpretations that are not yet effective (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements”.

The Fund is assessing the impact that the amendment will have on its financial statements.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

The Fund is assessing the impact that the amendment will have on its 2024 financial statements.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

June 30, 2023

(Expressed in Trinidad and Tobago dollars)

4. Critical Accounting Estimates and Judgments in Applying Accounting Principles

Expected Credit Losses

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost. The Fund measures loss allowances at an amount equal to lifetime ECLs, except the following, which are measured at 12-month ECLs:

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

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

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to actions such as realising security (if any held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'.

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

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

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4. Critical Accounting Estimates and Judgments in Applying Accounting Principles (continued)

Expected Credit Losses

Measurements of ECLs

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flow that the Fund expects to receive).

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amounts of the assets.

Write-off

The gross carrying amounts of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

	<u>2023</u>	<u>2022</u>
	\$	\$
5. Investment Securities at amortised cost		
Government debt securities	1,771,231,494	1,823,212,212
Corporate investments	<u>2,078,084,945</u>	<u>1,467,282,166</u>
Total investment securities	<u>3,849,316,439</u>	<u>3,290,494,378</u>

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6. Other Receivables

	<u>2023</u>	<u>2022</u>
	\$	\$
Interest receivable	346,603	-
Credit impaired investment securities (b)	41,669,590	91,506,944
Accrued subscriptions (a)	<u>2,090,000</u>	<u>5,784,000</u>
Total other receivables	<u>44,106,193</u>	<u>97,290,944</u>

(a) Accrued subscriptions relate to transactions recorded in the Branches on the last day of the year but for which cash was subsequently transferred to the Fund on the next day.

(b) Included in other receivables is credit impaired investment securities in the sum of \$41,669,590.

This has been determined based on the following inputs, assumptions and techniques used for estimating impairment:

- Probability weightings applied:
The use of comparable instrument types, credit ratings, the probability of default was obtained from S&P, while the Loss Given default was obtained from Moody.
- Drivers of forward-looking information:
This is a formulation of three scenarios consisting of a central scenario, most likely comparable (with one upside and one downside) and less likely.

The drivers for the forward looking information are GDP annual growth rate, inflation rate and unemployment rate with weightings of 10%, 20% and 70%. External information considered includes economic data and forecasts published by Government, monetary and supranational organisations such as the International Monetary Fund.
- Sensitivity of expected credit losses to future economic conditions:
The ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations and analysis of loss allowance.

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6. Other Receivables (continued)

Maximum expose credit risk.

The following table contains an analysis of the credit exposure of financial instrument for which on ECL allowance is recognised. The gross carrying amount of financial assets below represents the Fund's maximum exposure to credit risk on these assets.

Other receivables

	<u>2023</u>
	\$
Credit Grade	
Default	91,506,944
Less loss allowance	<u>(49,837,354)</u>
	<u>41,669,590</u>

The following table show reconciliations from the opening to the closing balance of loss allowances by financial instruments.

	<u>Stage 3</u>	<u>Total</u>
	\$	\$
Balance as at 1 July 2022	-	-
Net remeasurement of loss allowance	<u>49,837,354</u>	<u>49,837,354</u>
Balance as at 30 June 2023	<u>49,837,354</u>	<u>49,837,354</u>

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7. Total Annual Return

Total annual return represents the increase in the net asset value per unit over prior year and the accumulated daily income distribution rates during the period. Income distribution, which is based on the net income, is calculated and accrued daily. All returns were reinvested (see Note 1).

	<u>2023</u>	<u>2022</u>
	%	%
Average rate of return	<u>1.15</u>	<u>0.90</u>

8. Management Fees

Management fees are paid to the Trustee at a rate of up to 2% of the daily average total assets of the Fund, out of which the Investment Manager will be remunerated.

	<u>2023</u>	<u>2022</u>
	No.	No.
Units outstanding at beginning of the year	372,597,076	368,500,745
Subscriptions	154,988,127	104,053,017
Redemptions	<u>(85,092,693)</u>	<u>(99,956,686)</u>
Units outstanding at the end of the year	<u>442,492,510</u>	<u>372,597,076</u>

10. Related Party Transactions

A party is related to the Fund if:

- (a) The party is a subsidiary or an associate of the Fund;
- (b) The party is, directly or indirectly, either under common control or subject to significant influence with the Fund, or has significant influence over or joint control of the Fund.
- (c) The party is a close family member of a person who is part of key management personnel or who controls the Fund;
- (d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Fund;
- (e) The party is a joint venture in which the Fund is a venture partner;
- (f) The party is a member of the Fund's or its Trustee's key management personnel;
- (g) The party is a post-employment benefit plan for Fund's employees.
- (h) The party, or any member of a group of which it is a part, provides key management personnel services to the Fund.

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10. Related Party Transactions (continued)

The related party balances and transactions are as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
<i>Investment Manager:</i>		
Management fees charged	<u>37,447,545</u>	<u>26,794,671</u>
Management fees payable	<u>365,470</u>	<u>229,668</u>
<i>Other Related Parties:</i>		
Cash at bank	<u>469,280,011</u>	<u>316,425,259</u>
Net assets attributable to unitholders	<u>20,653,864</u>	<u>7,697,996</u>
Distributions to unit holders	<u>139,897</u>	<u>68,649</u>
Subscriptions	<u>14,519,749</u>	<u>436,658</u>
Redemptions	<u>1,349,171</u>	<u>824,299</u>

All transactions and balances with related parties are based on agreed terms within the prospectus and normal banking relationships.

11. Financial Risk Management

Financial Instruments

Financial assets include investment securities, interest income receivable, other receivables and cash and cash equivalents.

Financial liabilities include management fees and other payables.

a. Risk management

The Fund's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to the financial business and operational risks are an inevitable consequence of being in business. The Trustee's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects in the Fund's financial performance by focusing on the unpredictability of financial markets.

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11. Financial Risk Management (continued)

a. Risk management (continued)

The Trustee's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up to date information systems.

The most important types of risks to the Fund are liquidity risk, market risk, and credit risk. Market risks include currency risk, interest rate risk and other price risk.

While the Trustee is ultimately responsible for identifying and controlling risks, there are separate independent bodies responsible for managing and monitoring risks as follows:

Board of Directors

The Board of Directors of the Trustee has overall responsibility and oversight for corporate governance and specifically, approval of the investment policy and limits of authority. The Board of Directors has delegated authority to the Investment Committee and the Sub-Investment Committee as appropriate.

Investment Policy Committee

The Investment Policy Committee is the body responsible for approving all Statements of Investment Policy (SIP) and reviewing compliance with same. The Investment Policy Committee meets on a quarterly basis to review and ratify any changes to the SIP.

Investment Strategy Committee

The Investment Strategy Committee is engaged in providing guidance to the Investment Manager relative to economic and capital markets. In this regard, input would include economic data, foreign currency perspectives, local, regional and international equity and fixed income information. From this body of information, the Committee shall distil its views with respect to an assessment of global fiscal and monetary conditions, projected economic growth, inflation, direction of interest rates, major currencies and stock prices.

Excessive Risk Concentration

In order to avoid an excessive concentration of risk, the Fund's investment policy and risk management procedures include specific guidelines to ensure the maintenance of a diversified portfolio.

The Investment Manager is mandated within prescribed limits to manage excessive concentration risk when it arises.

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

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(Expressed in Trinidad and Tobago dollars)

11. Financial Risk Management (continued)

a. Risk management (continued)

Excessive Risk Concentration (continued)

As at the reporting date, the Fund's debt securities were concentrated as follows;

	<u>2023</u>	<u>2022</u>
	%	%
Government	46	55
Corporate	<u>54</u>	<u>45</u>
	<u>100</u>	<u>100</u>

b. Classification of financial assets and financial liabilities

The table below sets out the classifications of the carrying amounts of the Fund's financial assets and financial liabilities into the categories of financial instruments.

	<u>2023</u>		
	<u>Financial Assets at Amortised Cost</u>	<u>Financial Liabilities at Amortised Cost</u>	<u>Total</u>
	\$	\$	\$
Other receivables	44,106,193	-	44,106,193
Cash and cash equivalents	469,280,011	-	469,280,011
Investment securities	3,849,316,439	-	3,849,316,439
Interest income receivable	<u>42,466,003</u>	-	<u>42,466,003</u>
	<u>4,405,168,646</u>	-	<u>4,405,168,646</u>
Management fees payable	-	365,470	365,470
Other payables	<u>-</u>	<u>25,440,430</u>	<u>25,440,430</u>
	<u>-</u>	<u>25,805,900</u>	<u>25,805,900</u>

ROYTRIN MONEY MARKET FUND CLASS A – TT DOLLAR

Notes to the Financial Statements

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(Expressed in Trinidad and Tobago dollars)

11. Financial Risk Management (continued)

b. Classification of financial assets and financial liabilities (continued)

	2022		
	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Total
	\$	\$	\$
Other receivables	97,290,944	-	97,290,944
Cash and cash equivalents	316,425,259	-	316,425,259
Investment securities	3,290,494,378	-	3,290,494,378
Interest income receivable	25,109,827	-	25,109,827
	<u>3,729,320,408</u>	<u>-</u>	<u>3,729,320,408</u>
Management fees payable	-	229,668	229,668
Other payables	-	3,119,981	3,119,981
	<u>-</u>	<u>3,349,649</u>	<u>3,349,649</u>

c. Liquidity risk

The Fund is exposed to daily cash redemptions of units. At least 5% of the investment portfolio is usually held in short-term instruments that can be quickly converted to cash. The Fund also has the ability to borrow in the short term to ensure settlement, however no such borrowing occurred during the year. The Trust Deed also permits the Fund to settle in specie in proportion to the underlying assets, if the redemptions of a unitholder are in excess of 1% of the net asset value of the Fund or \$1,000,000.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis with the Investment Policy Committee performing a quarterly review.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the undiscounted cash flows for the remaining period at the reporting date to the contractual maturity date.

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11. Financial Risk Management (continued)

c. Liquidity risk (continued)

	2023				
	Carrying Value	Contractual Cash Flows			
		Total	Up to 1 Year	1 – 5 Years	Over 5 Years
\$	\$	\$	\$	\$	
Financial liabilities					
Management fees payable	365,470	365,470	365,470	-	-
Other payables	25,440,430	25,440,430	25,440,430	-	-
Total financial liabilities	<u>25,805,900</u>	<u>25,805,900</u>	<u>25,805,900</u>	-	-

	2022				
	Carrying Value	Contractual Cash Flows			
		Total	Up to 1 Year	1 – 5 Years	Over 5 Years
\$	\$	\$	\$	\$	
Financial liabilities					
Management fees payable	229,668	229,668	229,668	-	-
Other payables	3,119,981	3,119,981	3,119,981	-	-
Total financial liabilities	<u>3,349,649</u>	<u>3,349,649</u>	<u>3,349,649</u>	-	-

d. Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to equity securities price risk.

The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. The Fund's overall market positions are reviewed on a quarterly basis by the Investment Policy Committee and the Board of Directors.

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11. Financial Risk Management (continued)

e. Interest rate risk

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

The Fund takes on exposure to the effects of fluctuations in prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Investment Policy sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored on a quarterly basis by the Investment Policy Committee and the Board of Directors.

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

	2023		
	Up to 1 year	Non-Interest Bearing	Total
	\$	\$	\$
Financial assets			
Investment securities	3,849,316,439	-	3,849,316,439
Interest income receivable	-	42,466,003	42,466,003
Other receivables	-	44,106,193	44,106,193
Cash and cash equivalents	7,258,202	462,021,809	469,280,011
Total financial assets	<u>3,856,574,641</u>	<u>548,594,005</u>	<u>4,405,168,646</u>
Financial liabilities			
Management fees payable	-	365,470	365,470
Other payables	-	25,440,430	25,440,430
Total financial liabilities	<u>-</u>	<u>25,805,900</u>	<u>25,805,900</u>

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11. Financial Risk Management (continued)

e. Interest rate risk (continued)

	2022		Total \$
	Up to 1 year \$	Non-Interest Bearing \$	
Financial assets			
Investment securities	3,290,494,378	-	3,290,494,378
Interest income receivable	-	25,109,827	25,109,827
Other receivables	-	97,290,944	97,290,944
Cash and cash equivalents	<u>20,943,391</u>	<u>295,481,868</u>	<u>316,425,259</u>
Total financial assets	<u>3,311,437,769</u>	<u>417,882,639</u>	<u>3,729,320,408</u>
Financial liabilities			
Management fees payable	-	229,668	229,668
Other payables	<u>-</u>	<u>3,119,981</u>	<u>3,119,981</u>
Total financial liabilities	<u>-</u>	<u>3,349,649</u>	<u>3,349,649</u>

Sensitivity of possible movements in interest rates

As at June 30, 2023, had the interest rates increased or decreased by 100 basis points with all other variables held constant, the increase or decrease in net assets attributable to unitholders would amount to \$17,186,105 (2022: \$13,763,415), arising substantially from the increase/decrease in market values of debt securities.

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11 Financial Risk Management (continued)

f. Currency risk

Currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund holds assets denominated in currencies other than the TT\$, the functional currency. The Fund is therefore exposed to currency risk as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund's policy is not to enter into any currency hedging transactions but to manage the risk by monitoring the level of non-TT\$ investments. The table below summarises the Fund's exposure to currency risks. The USD denominated balances are unquoted in TT dollars for both the current and comparative years.

	<u>2023</u>		
	<u>TTD</u>	<u>USD</u>	<u>Total</u>
	\$	\$	\$
Financial assets			
Investment securities -	3,375,501,487	473,814,952	3,849,316,439
Interest income receivable	37,541,592	4,924,411	42,466,003
Other receivables	37,739,924	6,366,269	44,106,193
Cash and cash equivalents	<u>462,021,810</u>	<u>7,258,201</u>	<u>469,280,011</u>
Total financial assets	<u>3,912,804,813</u>	<u>492,363,833</u>	<u>4,405,168,646</u>
Financial liabilities			
Management fees payable	365,470	-	365,470
Other payables	<u>25,440,430</u>	-	<u>25,440,430</u>
Total financial liabilities	<u>25,805,900</u>	-	<u>25,805,900</u>

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11. Financial Risk Management (continued)

f. Currency risk (continued)

	<u>2022</u>		
	<u>TTD</u>	<u>USD</u>	<u>Total</u>
	\$	\$	\$
Financial assets			
Investment securities -	3,021,048,885	269,445,493	3,290,494,378
Interest income receivable	23,552,389	1,557,438	25,109,827
Other receivables	97,290,944	-	97,290,944
Cash and cash equivalents	20,943,391	295,481,868	316,425,259
Total financial assets	<u>3,162,835,609</u>	<u>566,484,799</u>	<u>3,729,320,408</u>
Financial liabilities			
Management fees payable	229,668	-	229,668
Other payables	3,119,981	-	3,119,981
Total financial liabilities	<u>3,349,649</u>	<u>-</u>	<u>3,349,649</u>

Sensitivity of possible movement in select currencies

Stress testing is used as a market risk measurement technique which provides an indication of the potential size of losses that could arise in extreme conditions. The stress test conducted by the Fund includes risk factor testing, where stress movements are applied to each foreign currency. The US dollar was the major foreign currency to which the Fund had significant exposure. An analysis was conducted to demonstrate the sensitivity to reasonable possible movements of the US dollar against the TT dollar.

As at June 30, 2023, had the exchange rate between the TT dollar and other currencies increased or decreased by 9 basis points (2022: 20 basis points) with all other variables held constant, the increase or decrease in net assets attributable to unitholders would amount to \$500,147 (2022: \$590,558).

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11. Financial Risk Management (continued)

g. Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit exposures arise principally in investment activities that bring debt securities and other bills into the Fund's asset portfolio.

Credit risk is mitigated to some extent by not limiting the Fund's total exposure to a single credit. The Fund also reduces this risk by prudent credit analysis of issuers to restrict questionable credits in the Fund. The Fund also manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The Trustee has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating and are validated, where appropriate, by comparisons with externally available data. The rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. Risk ratings are subject to regular revision. The credit quality review process allows the Trustee to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(i) Internal ratings scale and mapping of external ratings

Internal Rating	Description of Grade	External rating Standard & Poor's Equivalent
1	Excellent	AAA, AA, A
2	Very good	BBB
3	Good	BB
4	Special mention	B, CCC
5	Unacceptable	CC, C

The rating of the major rating agency shown in the table above are mapped to the internal rating classes based on the long-term average default rates of each external grade. The Fund uses the external ratings where available to benchmark the internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle. Where a credit is not assigned a risk rating under the internal risk rating system and cannot be benchmarked against an international rating, these have been classified as unrated.

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11. Financial Risk Management (continued)

g. Credit risk (continued)

(ii) Maximum exposure to credit risk

The Fund's exposure to credit risk arises in respect of the following financial instruments.

The table below represents a worst-case scenario of credit risk exposure to the Fund as at June 30, 2023, and 2022.

	Maximum Exposure	
	2023	2022
	\$	\$
Investment securities		
- Government debt securities	1,771,231,494	1,823,212,212
- Corporate investments	2,078,084,945	1,467,282,166
Interest income receivable		
- Government debt securities	18,298,952	12,736,321
- Corporate investments	24,167,051	12,373,506
	3,891,782,442	3,315,604,205
Other receivables	44,106,193	97,290,944
Cash and cash equivalents	469,280,011	316,425,259
	<u>4,405,168,646</u>	<u>3,729,320,408</u>

(iii) Investment securities and interest income receivable

Investment securities and interest income receivable are summarised as follows:

	2023		2022	
	Investment Securities	Interest Income Receivable	Investment Securities	Interest Income Receivable
	\$	\$	\$	\$
Neither past due nor impaired	3,849,316,439	42,466,003	3,290,494,378	25,109,827

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Notes to the Financial Statements

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11. Financial Risk Management (continued)

g. Credit risk (continued)

(iv) Credit quality

The credit quality of the investment securities and investment income receivable that are neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Fund. There were no impaired securities as at June 30, 2023.

	<u>2023</u>	<u>2022</u>
	\$	\$
1. Excellent (AAA, AA, A)	98,421,778	96,945,893
2. Very good (BBB)	1,961,668,372	1,824,672,099
3. Good (BB)	27,228,291	27,227,146
4. Special mention (B, CCC)	1,804,464,001	1,366,759,067
5. Unacceptable (CC, C)	-	-
6. Unrated	-	-
Total	<u>3,891,782,442</u>	<u>3,315,604,205</u>

(v) Amounts arising from ECLs

Impairment on investment securities, cash and cash equivalents, and interest income receivable has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Fund considers that these exposures have low credit risks based on the external credit rating of the counterparties.

The Fund monitors changes in credit risk on these exposures by tracking published external credit ratings of the counterparties.

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12. Operational Risk Management

Operational risk is inherent within all business activities. It is the risk of direct or indirect loss arising from lapses in the Trustee's processes, internal controls, personnel, technology and other external factors.

Examples include natural disasters, errors and omissions by personnel, and intentional behaviours such as fraud.

The Trustee's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and innovation. Operational risk is managed by developing standards and guidelines in the following areas:

- Appropriate segregation of duties and access
- Reconciling and monitoring of transactions
- Documentation of controls and procedures
- Training and development of staff
- Reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Assessments of the processes
- Business continuity planning

The operational risk framework is supported by a programme of periodic review undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management and summaries are submitted to the Audit Committee. The last Internal Audit Review was completed on February 10, 2022.

13. Fair Value of Financial Instruments

a. Valuation framework

The Fund has an established control framework with respect to the measurement of fair values. This framework includes oversight by the Investment Management Committee. The main valuation methodology used is the Discounted Cash Flow (DCF) method. The DCF method requires the determination of the following three parameters:

1. projection period;
2. cash flows over the projection period plus terminal value;

b. Valuation models

The Fund's financial assets are measured at fair value at the end of each reporting period. The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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13. Fair Value of Financial Instruments

b. Valuation models (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from quoted prices).
- Level 3 fair value measurements are those from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

c. Fair value of financial assets and liabilities that are not measured at fair value

Management considers that the carrying amounts of the following financial assets and financial liabilities recognised in these financial statements approximate to their fair values due to short maturities on these instruments.

	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$	\$	\$	\$
Financial assets				
Investment securities	3,849,316,439	3,849,316,439	3,290,494,378	3,290,494,378
Interest income receivable	42,466,003	42,466,003	25,109,827	25,109,827
Other receivables	44,106,193	44,106,193	97,290,944	97,290,944
Cash and cash equivalents	469,280,011	469,280,011	316,425,259	316,425,259
	<u>4,405,168,646</u>	<u>4,405,168,646</u>	<u>3,729,320,408</u>	<u>3,729,320,408</u>
Financial liabilities				
Management fees payable	365,470	365,470	229,668	229,668
Other payables	25,440,430	25,440,430	3,119,981	3,119,981
	<u>25,805,900</u>	<u>25,805,900</u>	<u>3,349,649</u>	<u>3,349,649</u>

The financial instruments not measured at fair value include investment securities, cash and cash equivalents, interest income receivable, management fees payable and other receivables/payables. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value because of their short-term nature and the high credit quality of counterparties and are determined to be level 2 in the fair value hierarchy.

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Notes to the Financial Statements

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14. Events after the Reporting Date

The Trustees have evaluated events occurring after June 30, 2023, in order to assess and determine the need for potential recognition or disclosure in these financial statements. Such events were evaluated through October 31, 2023, the date these financial statements were available to be issued. Based upon this evaluation, the Trustees have determined that there was one subsequent event that required adjustment in the amount of \$45,562,354.

The credit impaired investment securities included in Note 6 has been further impaired subsequent to year end due to a significant change of one event that has affected the ability to report the value as at June 30, 2023.

The issuer had challenges due to the loss of a major contract that has rendered the Company unable to operate until such time as a new contract can be renegotiated. On October 24, 2023, the credit rating of the issuer was down-graded from Cari A- to Cari B and this led to the need for an additional increase in the expected credit loss compared to what existed at June 30, 2023.