



Chartered Accountants
& Business Advisors

PKF LIMITED



FIRSTLINE SECURITIES LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021



Chartered Accountants
& Business Advisors

PKF LIMITED

FIRSTLINE SECURITIES LIMITED

INDEX

	<u>Page</u>
Statement of Management Responsibilities	1
Independent Auditors' Report	2 - 3
Consolidated Statement of Financial Position	4
Consolidated Statement of Comprehensive Income	5
Consolidated Statement of Changes in Shareholders' Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8 - 36

Statement of Management Responsibilities

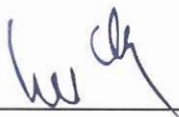
Management is responsible for the following:

- preparing and fairly presenting the accompanying consolidated financial statements of Firstline Securities Limited, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the group 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 group's assets, detection/prevention of fraud, and the achievement of group's operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

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

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

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



Keith M. King

Chairman

Date: March 28, 2022



Dalia King

Chief Executive Officer

Date: March 28, 2022



Chartered Accountants
& Business Advisors

PKF LIMITED

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Firstline Securities Limited

Opinion

We have audited the consolidated financial statements of Firstline Securities Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Telephone: (868) 235-5063
Address: 111 Eleventh Street, Barataria, Trinidad, West Indies
Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Directors: Renée-Lisa Philip Mark K. Superville



Chartered Accountants
& Business Advisors

PKF LIMITED

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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 consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PKF

Barataria
TRINIDAD
28 March 2022

FIRSTLINE SECURITIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

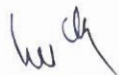
ASSETS

	<u>Notes</u>	31 December	
		<u>2021</u> (\$)	<u>2020</u> (\$)
Assets:			
Cash and short term funds	5	11,895,407	19,705,809
Cash at brokers	6	308,484	1,679,258
Other financial assets	7	165,675,991	157,154,497
Investments	8	66,388,013	77,814,795
Inventory		20,671	20,671
Investment Property	9	26,922,420	26,922,400
Fixed assets	10	<u>1,689,817</u>	<u>2,055,546</u>
Total Assets		<u>272,900,803</u>	<u>285,352,976</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:			
Accounts payable and accruals	11	11,854,632	10,035,907
Certificates of participation	12	202,184,235	207,790,750
Repurchase agreements	13	5,677,060	5,660,259
Margin accounts	14	12,095,269	14,043,307
Provision for taxation		<u>7,151</u>	<u>2,233,070</u>
Total Liabilities		<u>231,818,347</u>	<u>239,763,293</u>
Shareholders' Equity			
Stated capital	15	5,921,368	5,921,368
Revaluation reserve		-	-
Investment re-measurement reserve		10,719,460	15,536,263
Retained earnings		<u>24,441,628</u>	<u>24,132,052</u>
Total Shareholders' Equity		<u>41,082,456</u>	<u>45,589,683</u>
Total Liabilities and Shareholders' Equity		<u>272,900,803</u>	<u>285,352,976</u>

These financial statements were approved by the Board of Directors and authorised for issue on 28 March 2022 and signed on their behalf by:



Director



Director

The notes on pages 8 to 36 form an integral part of these financial statements

FIRSTLINE SECURITIES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<u>Notes</u>	For the year ended 31 December	
		<u>2021</u> (\$)	<u>2020</u> (\$)
Revenue			
Fees		8,839,525	12,089,652
Investment income		25,074,241	21,346,212
Other		<u>947,076</u>	<u>-</u>
		34,860,842	33,435,864
Management and operating expenses	16	(24,934,747)	(27,338,442)
Gain on revaluation of investment properties		-	2,961,134
Unrealised gain on investment properties		-	2,182,291
Gain/(loss) on sale on investments		804,676	(5,536,642)
/(Increase)/Decrease in expected credit losses		<u>(9,575,928)</u>	<u>3,029,637</u>
Net profit before taxation		1,154,843	8,733,842
Taxation	17	<u>(310,683)</u>	<u>(2,235,344)</u>
Net profit for the year		844,160	6,498,498
Other Comprehensive Income:			
<u>Items that may be reclassified subsequently to profit or loss -</u>			
Net gain on financial assets measured at FVOCI		<u>204,847</u>	<u>3,091,409</u>
Total Comprehensive Income for the year		<u>1,049,007</u>	<u>9,589,907</u>

The notes on pages 8 to 36 form an integral part of these financial statements

FIRSTLINE SECURITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Stated Capital (\$)	Revaluation Reserve (\$)	Investment Re-measurement Reserve (\$)	Retained Earnings (\$)	Total Equity (\$)
Balance, 1 January 2020	5,921,368	2,062,739	12,444,854	15,804,433	36,233,394
Total Comprehensive Income for the year	-	-	3,091,409	6,498,498	9,589,907
Transfer of prior period gains on investment properties	-	(2,062,739)	-	2,062,739	-
Dividends paid	-	-	-	(233,618)	(233,618)
Balance, 31 December 2020	<u>5,921,368</u>	<u>-</u>	<u>15,536,263</u>	<u>24,132,052</u>	<u>45,589,683</u>
Balance, 1 January 2021	5,921,368	-	15,536,263	24,132,052	45,589,683
Total Comprehensive Income for the year	-	-	204,847	844,160	1,049,007
Realised gain from interest repayment from other financial assets	-	-	(5,021,650)	-	(5,021,650)
Dividends paid	-	-	-	(534,584)	(534,584)
Balance, 31 December 2021	<u>5,921,368</u>	<u>-</u>	<u>10,719,460</u>	<u>24,441,628</u>	<u>41,082,456</u>

FIRSTLINE SECURITIES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended	
	31 December	
	<u>2021</u>	<u>2020</u>
	(\$)	(\$)
Cash Flows from Operating Activities		
Net profit before taxation	1,154,843	8,733,842
Adjustment for non-cash items:		
Amortisation of bonds	(81,780)	(507,898)
Depreciation	453,415	595,878
Loss on sale of investments	(804,676)	5,536,642
(Gain)/loss on disposal of fixed assets	4,084	605,508
Unrealised gain on investment properties	-	(2,182,291)
Gain on revaluation of investment properties	-	(2,961,134)
Allowance/(reversal of) for expected credit losses	<u>9,575,928</u>	<u>(3,029,637)</u>
	10,301,814	6,790,910
Net change in inventory	-	(506)
Net change in due to directors	-	-
Net change in cash at brokers	1,370,774	11,817,429
Net change in other financial assets	(23,119,072)	6,180,524
Net change in accounts payable and accruals	1,818,725	(6,846,457)
Net change in certificates of participation	(5,606,515)	1,995,748
Net change in margin accounts	<u>(1,948,038)</u>	<u>(19,836,471)</u>
	(17,182,312)	101,177
Taxation paid	<u>(2,536,602)</u>	<u>(557,612)</u>
Net cash used in Operating Activities	<u>(19,718,914)</u>	<u>(456,435)</u>
Investing Activities		
Purchase of fixed assets	(91,770)	(261,353)
Proceeds from disposal of fixed assets	-	90,000
Change in investment property	(20)	(3,705,527)
Net change in investments	<u>12,518,085</u>	<u>8,664,708</u>
Net cash provided by Investing Activities	<u>12,426,295</u>	<u>4,787,828</u>
Financing Activities		
Repurchase agreements	16,801	1,616,545
Dividends paid	<u>(534,584)</u>	<u>(233,618)</u>
Net cash (used in)/provided by Financing Activities	<u>(517,783)</u>	<u>1,382,927</u>
Net change in cash and cash equivalents	(7,810,402)	5,714,320
Cash and cash equivalents, beginning of year	<u>19,705,809</u>	<u>13,991,489</u>
Cash and cash equivalents, end of year	<u><u>11,895,407</u></u>	<u><u>19,705,809</u></u>
Represented by:		
Cash and short term funds	<u><u>11,895,407</u></u>	<u><u>19,705,809</u></u>

The notes on pages 8 to 36 form an integral part of these financial statements

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****1. Incorporation and Principal Activity:**

The Company was incorporated in the Republic of Trinidad and Tobago in November 2005.

The principal activity of the Company is arranging business financing for corporations and governments.

The Company has eleven (11) wholly-owned subsidiaries – 46 Agra Street Limited, Patrice Properties Limited, Liege Properties Limited, Firstline Oil Notes Limited, Firstline Securities (St. Lucia) Limited, Firstline Multi-Sector Notes Limited, Firstline Multi-Sector Notes II Limited, Sapvilla Limited, Mason Forrest Limited, Liege Properties II Limited, Liege Properties Limited and Hyder Park Limited.

2. Summary of Significant Accounting Policies:**(a) Basis of accounting -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and are stated in Trinidad and Tobago dollars. These financial statements have been prepared on the historical cost basis, except for financial assets measurement at fair value through profit or loss or other comprehensive income.

(b) Basis of consolidation -

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Subsidiaries, which were those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. All significant inter-company transactions, balances and unrealized gains in transactions between group companies are eliminated; unrealized losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(c) Use of estimates -

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group'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 financial statements and the reported amounts of revenues and expenses 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.

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):

(d) New Accounting Standards and Interpretations -

- i) The Group has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Group or have no material impact on its financial statements.

IFRS 1 First-time Adoption of Financial Reporting Standards - Amendments regarding subsidiary as first-time adopter (effective for accounting periods beginning on or after 1 January 2022).

IFRS 3 Business Combinations - Amendments regarding the reference to the conceptual framework (effective for accounting periods beginning on or after 1 January 2022).

IFRS 4 Insurance Contracts - Amendments regarding the interest rate benchmark reform (effective for accounting periods beginning on or after 1 January 2021).

IFRS 4 Insurance Contracts - Amendments regarding IFRS 17 and the extension of the temporary exemption from applying IFRS 9 (effective for accounting periods beginning on or after 1 January 2023).

IFRS 7 Financial Instruments: Disclosures - Amendments regarding additional disclosures arising from interest rate benchmark reform (effective for accounting periods beginning on or after 1 January 2021).

IFRS 9 Financial Instruments - Amendments regarding replacement issues in the context of the interest rate benchmark reform (effective for accounting periods beginning on or after 1 January 2021).

IFRS 9 Financial Instruments - Amendments regarding fees in the 'ten percent' test for derecognition of financial liabilities (effective for accounting periods beginning on or after 1 January 2022).

IFRS 16 Leases - Amendments regarding the interest rate benchmark reform (effective for accounting periods beginning on or after 1 January 2021).

IFRS 16 Leases – Amendment to extend the exemption from assessing whether a COVID -19 related rent concession is a lease modification (effective for accounting periods beginning on or after 1 April 2021).

IFRS 16 Leases - Amendments regarding the accounting treatment of lease incentives (effective for accounting periods beginning on or after 1 January 2022).

FIRSTLINE MULTI-SECTOR NOTES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2021****2. Summary of Significant Accounting Policies (Cont'd):****(d) New Accounting Standards and Interpretations (cont'd) -**

- IFRS 17 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2023).
- IAS 1 Presentation of Financial Statements - Amendments regarding the disclosure of accounting policies (effective for accounting periods beginning on or after 1 January 2023).
- IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities as current and non-current (effective for accounting periods beginning on or after 1 January 2023).
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments regarding the definition of accounting estimates (effective for accounting periods beginning on or after 1 January 2023).
- IAS 12 Income Taxes - Amendments regarding deferred tax on leases and decommissioning obligations (effective for accounting periods beginning on or after 1 January 2023).
- IAS 16 Property, Plant and Equipment - Amendments regarding proceeds before intended use (effective for accounting periods beginning on or after 1 January 2022).
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding onerous contracts and cost of fulfilling a contract (effective for accounting periods beginning on or after 1 January 2022).
- IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding replacement issues in the context of the IBOR reform (effective for accounting periods beginning on or after 1 January 2021).
- IAS 41 Agriculture - Amendments regarding taxation in fair value measurements (effective for accounting periods beginning on or after 1 January 2022).

FIRSTLINE MULTI-SECTOR NOTES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 DECEMBER 2021****2. Summary of Significant Accounting Policies (Cont'd):****(e) Foreign currencies -****(i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('functional currency').

The financial statements are presented in Trinidad and Tobago dollars, which is the Group'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 settlement of such transactions and from the translation of year end exchange rates of monetary assets and liabilities denominated in foreign currencies and recognized in the profit and loss account.

(f) Cash and short term funds -

Cash and short term funds are carried in the Statement of Financial Position at cost. For the purpose of the cash flow statements, cash and cash equivalents comprise cash on hand, and other short term highly liquid investments.

(g) Financial instruments -

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets -

The Group measures investments and loans at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amounts outstanding.

FIRSTLINE MULTI-SECTOR NOTES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):

(g) Financial instruments (cont'd)-

Financial assets (cont'd) -

The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest income from these financial assets is included in "Investment Income" using the effective interest rate method. For unquoted equity investments which are recognised at amortised cost, the cost approximates to the valuation as the purchase was made within the last two (2) years.

The Business Model Assessment

The business model reflects how the Group manages groups of financial assets to generate cash flows and achieve its business objective. An assessment is made at a portfolio level and is based on factors such as:

- The stated objectives and policies of the portfolios;
- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

Financial assets -

The SPPI Test

The SPPI test requires the Group to assess the contractual terms of the financial assets. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes typically the consideration for the time value of money and credit risk. However, where the contractual term introduces volatilities that are inconsistent with a basic lending arrangement or risk exposures, the related financial assets are to be classified and measured at FVTPL.

Impairment of financial assets -

Under IFRS 9

With the adoption of IFRS 9, the existing incurred loss model is replaced with a forward-looking expected credit loss (ECL) model.

IFRS 9 requires the Group to record an allowance for ECL's for all secured loan notes and other debt financial instruments not held at Fair Value Through Profit and Loss (FVPL).

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****2. Summary of Significant Accounting Policies (Cont'd):****(g) Financial instruments (cont'd)-****Impairment of financial assets (cont'd) -****Under IFRS 9 (cont'd)**

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether the asset is considered to be credit impaired. The Group uses the probability of default (PD) approach when calculating ECLs.

The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. Lifetime ECL results from all possible default events over the expected life of the financial instrument. Both 12-month and lifetime ECLs are calculated on either an individual or collective basis, depending on the size and nature of the underlying portfolio of financial assets.

IFRS 9 outlines a three-stage model for impairment, which the Group uses to classify its financial assets:

Stage 1

When financial assets are first recognized, are not credit impaired, continue to perform in accordance with its contractual terms and conditions and credit risk is continuously monitored, the Group records an allowance based on 12-month ECLs.

Stage 2

When financial assets are identified as having significant increases in credit risk since origination, but are not yet deemed to be credit impaired, the Group records an allowance based on lifetime ECLs.

Stage 3

When financial assets have objective evidence of impairment at the reporting date i.e. when these financial assets are deemed to be credit impaired, the Group records an allowance based on lifetime ECLs.

The calculation of Expected Credit Losses

The Group calculates ECL's based on a historical estimate of cash shortfalls discounted at a discount rate that takes account of the coupon rate on the secured loan note, any applicable penalty interest rate, and any arrangement fee rate paid at origination of the note. A cash shortfall is the difference between the cash flows that are due to the Group and the cash flows that the Group expects to receive.

The key elements of the ECL calculation are as follows.

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):**(g) Financial instruments (cont'd)-****The calculation of Expected Credit Losses (cont'd)*****Probability of Default***

The Probability of Default is an estimate of the likelihood of default over a given period of time. The Group uses a Probability of Default based upon its internal grading of secured loan notes.

Exposure at Default

The Exposure at Default is the estimate of the exposure to default under the secured loan note at the reporting date.

Loss Given Default

The Loss Given Default is the estimate of the loss arising in the case where a default occurs at a given point in time. It is an estimate of the loss that would arrive on a secured loan note and is based upon its historical experience of losses arising on secured loan notes in default.

The mechanics of the ECL method under IFRS 9 are summarised as follows:

Stage 1

The 12 months ECL is calculated as a portion of lifetime ECL's that represent the ECL's that result from default events on a financial instrument that are possible within a 12-month period from the Group's reporting date. 12-month ECL's are calculated by multiplying the Exposure at Default by the Probability of Default and the Loss Given Default.

Stage 2

When a secured loan note has shown a significant increase in credit risk since origination the Group records an allowance for lifetime expected credit losses. The Probabilities of Default and Loss Given Default are estimated over the lifetime of the secured loan note.

Stage 3

For secured loan notes considered to be credit impaired the group recognises lifetime expected credit losses. The probability of default for secured loan notes classified within Stage 3 is set at 100%.

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):(g) **Financial instruments (cont'd)-****Impairment of financial assets (cont'd) -****Impairment allowance for secured loan notes**

The table below indicates the credit quality and the maximum exposure to credit risk based on the Group's Credit rating system and the process by which all secured loan notes receive a stage classification at the reporting date.

	31 December	
	<u>2021</u>	<u>2020</u>
	(\$)	(\$)
Secured loan notes	169,115,129	154,350,678
Stage 1: 12 month Expected Credit Losses	(736,500)	(1,929,200)
Stage 2: Lifetime Expected Credit Losses	-	-
Stage 3: Credit Impaired – Lifetime Expected Credit Losses	<u>(13,377,494)</u>	<u>(2,608,866)</u>
	<u>155,001,135</u>	<u>149,812,612</u>

Financial liabilities -

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

Financial liabilities comprise accounts payable, repurchase agreements, margin accounts and cash at brokers.

(h) **Sale and repurchase agreements -**

Securities sold subject to sale and repurchase agreements ("repos") are retained on the Statement of Financial Position and the counterparty liability is disclosed separately under the heading "Due under repurchase agreements".

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****2. Summary of Significant Accounting Policies (Cont'd):****(i) Fixed assets -**

Fixed Assets are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period. The cost of an item of fixed assets is recognised as an asset only if it is probable that the future economic benefits associated with the item will flow to the Company and its cost can be measured reliably.

Cost includes the purchase price and any expenditure directly attributable to the acquisition of the item. Expenditures incurred for repairs and maintenance is recognised in profit or loss as incurred.

The carrying amount of an item of fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of the item, determined as the difference between the net disposal proceeds and the carrying amount of the item is recognised in profit or loss when the item is derecognised.

Owner occupied properties comprise land and buildings used by the Group for the supply of goods and services or for administrative purposes and are stated at fair values less accumulated depreciation and accumulated impairment losses.

Fair values are based on independent professional open market valuations that are conducted at least once every five (5) years. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the property and the net amount is restated to the revalued amount.

Increases in carrying amounts arising from revaluations are recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve. Increases are recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss.

Decreases in carrying amounts arising from revaluations are recognized in other comprehensive income to the extent of any credit balance existing in revaluation surplus in respect of that asset. All other decreases are recognised in profit or loss.

Revaluation surpluses are transferred directly to retained earnings as the assets are used, measured as the difference between depreciation based on the revalued amounts and depreciation based on asset's original cost, and upon derecognition of the respective assets.

All assets are recorded at historical cost less depreciation with the exception of land and building.

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):**(i) Fixed assets (cont'd) -**

Depreciation is charged as follows:

	Method	Rates
Leasehold improvements	Reducing balance	6.67%
Office furniture and equipment	Reducing balance	15% - 25%
Motor vehicles	Reducing balance	25%

(j) Investment properties

Investment properties comprise of land and buildings held for rentals and/or for capital appreciation rather than occupied by the Group for use in the supply of goods and services or for administrative purposes. Land and buildings that comprise a portion held to earn rentals and/or for capital appreciation and another portion that is occupied by the Group for administrative purposes are classified as investment properties only if an insignificant portion is held primarily for administrative purposes. Otherwise it is classified as fixed assets.

An investment property is recognised as an asset only if it is probable that future economic benefits associated with the investment property will flow to the Group and its cost can be reliably measured.

Investment properties are initially measured at cost including transaction costs. Cost is the amounts of cash and cash equivalents paid or the fair value of other consideration given to acquire the asset at the time of its acquisition or construction.

After initial recognition, investment properties are measured at fair values. Fair values are based on independent professional open market valuations that are conducted at least once every five (5) years. Gains and losses arising from changes in fair values are included in profit or loss in the period in which they arise.

Transfer to or from investment properties are made only when there is a change in use.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gains or losses arising from the retirement or disposal is determined as the difference between the net proceeds and the carrying amount of the asset and is recognised in profit or loss in the period of retirement or disposal.

Valuations were conducted during the year for all investment properties.

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****2. Summary of Significant Accounting Policies (Cont'd):****(k) Taxation -**

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the net taxable income for the year, using the prevailing tax rate and any adjustments for previous years.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts for financial reporting purposes the amounts used for taxation purposes. Currently enacted tax rates are used to determine deferred income tax. In the opinion of Management, the effect of temporary differences at 31 December 2021 is not considered material.

Deferred tax assets are taxed recoverable in future periods in respect of deductible temporary difference. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) 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.

(m) Provisions -

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

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

(n) Investment income -

Interest income is recognized in the profit and loss account using the effective interest method. Dividends on equity instruments are recognized in the profit and loss account when the entity's right to receive payment is established.

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):(o) **Fee income -**

Fee income is recognized on an accrual basis when the service has been provided. Management fees and commissions arising from negotiating or participating in the negotiation of, a transaction for a third party are recognized on completion of the underlying transaction. Portfolio, asset management and other management advisory and service fees are recognized based on the applicable service contracts over the period the service is provided.

(p) **Comparative figures -**

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported net profit.

3. Financial Risk Management:**Financial instruments -**

The Group's activities are primarily related to the use of financial instruments. The Group accepts funds from investors and earns interest by investing in equity investments, bonds and on-lending to customers at higher interest rates.

The following table summarizes the carrying amounts and fair values of the Group's financial assets and liabilities.

	2021	
	<u>Carrying Value</u> (\$)	<u>Fair Value</u> (\$)
Financial Assets		
Cash and Short-Term Funds	11,895,407	11,895,407
Cash at Brokers	308,484	308,484
Other Financial Assets	165,675,991	165,675,991
Investments	66,388,013	66,388,013
Financial Liabilities		
Accounts Payable and Accruals	11,854,632	11,854,632
Certificates of Participation	202,184,235	202,184,235
Repurchase Agreements	5,677,060	5,677,060
Margin Accounts	12,095,269	12,095,269

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

3. Financial Risk Management (Cont'd):

	2020	
	<u>Carrying Value</u> (\$)	<u>Fair Value</u> (\$)
Financial Assets		
Cash and Short-Term Funds	19,705,809	19,705,809
Cash at Brokers	1,679,258	1,679,258
Other Financial Assets	157,154,497	157,154,497
Investments	77,814,795	77,814,795
Financial Liabilities		
Accounts Payable and Accruals	10,035,907	10,035,907
Certificates of Participation	207,790,750	207,790,750
Repurchase Agreements	5,660,259	5,660,259
Margin Accounts	14,043,307	14,043,307

Financial risk factors

The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Group to manage these risks are discussed below:

(a) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including short-term investments.

	Up to 1 year (\$)	1 to 5 years (\$)	2021 Over 5 years (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets					
Cash and short terms funds	11,895,407	-	-	-	11,895,407
Cash at brokers	-	-	-	308,484	308,484
Other financial assets	98,622,756	62,068,500	1,050,000	3,934,735	165,675,991
Investments	<u>13,480,284</u>	<u>22,542,149</u>	-	<u>30,365,580</u>	<u>66,388,013</u>
	<u>123,998,447</u>	<u>84,610,649</u>	<u>1,050,000</u>	<u>34,608,799</u>	<u>244,267,895</u>
Financial Liabilities					
Accounts payable and accruals	-	-	-	11,854,632	11,854,632
Certificates of participation	105,630,473	5,000,000	91,553,762	-	202,184,235
Repurchase agreements	677,060	5,000,000	-	-	5,677,060
Margin accounts	<u>12,095,269</u>	-	-	-	<u>12,095,269</u>
	<u>118,402,802</u>	<u>10,000,000</u>	<u>91,553,762</u>	<u>11,854,632</u>	<u>231,811,196</u>

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

3. Summary of Significant Accounting Policies (Cont'd):(a) **Interest rate risk (cont'd) -**

	Up to 1 year (\$)	1 to 5 years (\$)	2020 Over 5 years (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets					
Cash and short terms funds	19,705,809	-	-	-	19,705,809
Cash at brokers	-	-	-	1,679,258	1,679,258
Other financial assets	94,977,742	30,725,953	26,054,472	5,396,330	157,154,497
Investments	<u>25,616,749</u>	<u>25,486,490</u>	<u>-</u>	<u>26,711,556</u>	<u>77,814,795</u>
	<u>140,300,300</u>	<u>56,212,443</u>	<u>26,054,472</u>	<u>33,787,144</u>	<u>256,354,359</u>
Financial Liabilities					
Accounts payable and accruals	-	-	-	10,035,907	10,035,907
Certificates of participation	92,046,551	27,827,015	87,917,184	-	207,790,750
Repurchase agreements	-	5,660,259	-	-	5,660,259
Margin accounts	<u>14,043,307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,043,307</u>
	<u>106,089,858</u>	<u>33,487,274</u>	<u>87,917,184</u>	<u>10,035,907</u>	<u>237,530,223</u>

(b) **Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has no significant credit risk.

Cash balances are held with high credit quality financial institutions and the Group has policies to limit the amount of exposure to any financial institution.

The Group also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****3. Financial Risk Management (Cont'd):****(b) Credit risk (cont'd) -**

Credit risk arises primarily from structuring of loan notes and investment in bonds.

i) Bonds

The Group invests in bonds issued only by governments, financial institutions and corporations with acceptable credit ratings. The Group actively reviews all bond-issuing entities in which investments are being considered. The Group also limits the size of any given bond issue compared to size of its investment portfolio.

ii) Loan Notes

The Group relies heavily on a written Credit Policy Manual, which sets out in detail the current policies governing the loan notes that it invests in. Adherence to these guidelines is expected to communicate the Group's philosophy, provide policy guidelines to team members involved in investing, establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration, as well as create the foundation for a sound credit portfolio.

All team members involved with the structuring of loan notes are required to be familiar with the contents of the Credit Policy Manual and are required to adhere to the policies therein. Serious breaches results in disciplinary measures being taken. It is the responsibility of the Chief Executive Officer to ensure that policies are adhered to.

The Group's secured loan note portfolio is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

iii) Concentration

The Group has set an upper limit of total assets that can be invested with any one company or group of related companies so as to avoid any significant concentration of credit risk.

iv) Global economic developments and government policies

The Group actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****3. Financial Risk Management (Cont'd):****(b) Credit risk (cont'd) -****v) Credit Risk Ratings and Probability of Default (PD) estimations**

The Group uses internal credit risk ratings, which reflect its assessment of the individual counterparties risk profile. Borrower and loan note specific information collected at the time of the application (such as asset value, sales turnover, credit history, security structure, geographical location) is fed into the model. Each exposure is allocated a credit risk rating on initial recognition based on the information inputted into the model.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk-rating band. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts;
- Actual and expected significant changes in the financial, economic, political, regulatory and technological environment of the borrower and/or in its business activities;
- Payment records inclusive of overdue status (where applicable); and
- Utilization of approved credit facilities.

PDs for exposures. The Group looked at performance and number of defaults over a period of time analysed by credit risk grading. Historical PDs were developed using statistical models, which analysed the data collected, generating estimates of the Probability of Default of exposures.

vi) Significant increase in credit risk

In order to determine whether a financial asset or portfolio of financial assets are subject to 12 month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. Whether the risk of default on a financial instrument has increased significantly, the Group 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 Group's historical experience and credit assessment.

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

3. Financial Risk Management (Cont'd):

(b) Credit risk (cont'd) -

vii) Default and credit impaired assets

The Group considers a financial asset defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when it meets one or more of the following criteria:

- The borrower is more than 180 days past due on its contractual obligations;
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as collateral realization;
- It is probable that there would be a modification to the original agreement due to the borrower's inability to pay its credit obligations; and
- The exposure has been classified as Accounts in Liquidation as per the Group's classification process.

viii) Analysis of Gross Carrying Amount and Corresponding ECLs

	31 December	
	<u>2021</u>	<u>2020</u>
Secured Loan Notes and Commercial Paper		
Stage 1: 12 month Expected Credit Losses	42.1%	87.6%
Stage 2: Lifetime Expected Credit Losses	34.9%	0.0%
Stage 3: Credit Impaired - Lifetime Expected Credit Losses	<u>23.0%</u>	<u>12.4%</u>
	<u>100%</u>	<u>100%</u>
	31 December	
	<u>2021</u>	<u>2020</u>
	\$	\$
Stage 1		
Gross Loan Notes	71,130,180	135,192,829
Expected Credit Loss Allowance	<u>(736,500)</u>	<u>(1,929,200)</u>
	<u>70,393,680</u>	<u>133,263,629</u>
Expected Credit Loss Allowance as % of Gross Loan Notes	<u>0.1%</u>	<u>1.4%</u>
Stage 2		
Gross Loan Notes	59,019,402	-
Expected Credit Loss Allowance	<u>-</u>	<u>-</u>
	<u>59,019,402</u>	<u>-</u>
Expected Credit Loss Allowance as % of Gross Loan Notes	0.0%	0.0%

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

3. **Financial Risk Management (Cont'd):**(b) **Credit risk (cont'd) -**viii) **Analysis of Gross Carrying Amount and Corresponding ECLs (cont'd)**

	31 December	
	<u>2021</u>	<u>2020</u>
	\$	\$
Stage 3		
Gross Loan Notes	38,965,547	19,157,849
Expected Credit Loss Allowance	<u>(13,377,494)</u>	<u>(2,608,866)</u>
	<u>25,588,053</u>	<u>16,548,983</u>
Expected Credit Loss Allowance as % of Gross Loan Notes	34.3%	13.6%

(c) **Liquidity risk -**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Group is exposed to daily calls on its available cash resources to settle financial and other liabilities.

Liquidity gap

	2021			Total (\$)
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	
Financial Assets				
Cash and short term funds	11,895,407	-	-	11,895,407
Cash at brokers	308,484	-	-	308,484
Other financial assets	102,360,480	62,265,511	1,050,000	165,675,991
Investments	<u>43,845,864</u>	<u>22,542,149</u>	-	<u>66,388,013</u>
	<u>158,410,235</u>	<u>84,807,660</u>	<u>1,050,000</u>	<u>244,267,895</u>
Financial Liabilities				
Accounts payable and accruals	11,854,632	-	-	11,854,632
Certificates of participation	105,630,473	77,162,545	19,391,217	202,184,235
Repurchase agreements	677,060	5,000,000	-	5,677,060
Margin accounts	<u>12,095,269</u>	-	-	<u>12,095,269</u>
	<u>130,257,434</u>	<u>82,162,545</u>	<u>19,391,217</u>	<u>231,811,196</u>

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

3. **Financial Risk Management (Cont'd):**(c) **Liquidity risk (cont'd)**Liquidity gap (cont'd)

	2020			
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
Financial Assets				
Cash and short term funds	19,705,809	-	-	19,705,809
Cash at brokers	1,679,258	-	-	1,679,258
Other financial assets	100,374,072	30,725,953	26,054,472	157,154,497
Investments	<u>52,328,305</u>	<u>25,486,490</u>	<u>-</u>	<u>77,814,795</u>
	<u>174,087,444</u>	<u>56,212,443</u>	<u>26,054,472</u>	<u>256,354,359</u>
Financial Liabilities				
Accounts payable and accruals	10,035,907	-	-	10,035,907
Certificates of participation	92,046,551	27,827,015	87,917,184	207,790,750
Repurchase agreements	-	5,660,259	-	5,660,259
Margin accounts	<u>14,043,307</u>	<u>-</u>	<u>-</u>	<u>14,043,307</u>
	<u>116,125,765</u>	<u>33,487,274</u>	<u>87,917,184</u>	<u>237,530,223</u>

(d) **Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(e) **Operational risk -**

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

(f) **Compliance risk -**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to the extent of monitoring controls applied by the Group.

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****3. Financial Risk Management (Cont'd):****(g) Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to the Group's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group. The Group applies procedures to minimize this risk.

Fair value estimation

The fair values of the Group's financial assets and liabilities approximates to their carrying amounts at the reporting date.

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Group's accounting policies (see Note 2(d)).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future and actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held to maturity investments or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for plant and equipment is used.
- iv) Measurement of the expected credit loss allowance.
- v) Classification and measurement of financial assets.

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****4. Critical Accounting Estimates and Judgments (Cont'd):**

The key assumption concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

Measurement of the expected credit loss allowance

The measurement of impairment losses under IFRS 9 requires the use of complex models and requires significant assumptions. A number of significant accounting judgements and estimates were required for the ECL model, these include:

- The Group's internal credit rating model, as this was used in calculating PD;
- The estimation of the present value of collateral values when determining impairment losses;
- Determining criteria for assessing if there has been a significant increase in credit risk; and
- Development of ECL models, including the various formulae.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and business model assessment. The Group determines the business model at a level that reflects how financial assets are managed together to achieve the business objectives. An assessment is made at a portfolio level and is based on factors such as:

- How information about financial assets and their performance is reported and evaluated by the entity's key management personnel; and
- Management's identification of and response to the risks that affect the performance of the business model.

Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and the useful lives and residual values of these assets.

Deferred tax assets

Management uses judgement in determining whether it is probable that future taxable profits will be available against which deductible temporary differences can be utilised before deferred tax assets arising there from are recognised.

FIRSTLINE SECURITIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2021

5. Cash and Short Term Funds:

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Cash in hand and at bank	11,562,868	7,413,190
Money market instruments	<u>332,539</u>	<u>12,292,619</u>
	<u>11,895,407</u>	<u>19,705,809</u>
Current portion of cash and short term funds	<u>11,895,407</u>	<u>19,705,809</u>

6. Cash at Brokers:

This balance represents start up cash used by the Group to open brokerage accounts.

As at 31 December 2021, the Group held investments valued at **\$25,003,036** (2020 - **\$29,184,059**) on behalf of its clients. These investments were not included in the Group's assets in the Statement of Financial Position.

7. Other Financial Assets:

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Accrued interest income	10,632,231	7,284,260
Prepaid expenses	42,625	42,625
Other receivables	-	15,000
Secured loan notes and commercial paper	<u>169,115,129</u>	<u>154,350,678</u>
	179,789,985	161,692,563
Less: Expected credit loss allowance (IFRS 9)	<u>(14,113,994)</u>	<u>(4,538,066)</u>
	<u>165,675,991</u>	<u>157,154,497</u>

Movement in allowance for expected credit losses

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Balance, beginning of year	4,538,066	7,567,703
Allowance/ (Reversal)	<u>9,575,928</u>	<u>(3,029,637)</u>
Balance, end of year	<u>14,113,994</u>	<u>4,538,066</u>

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

7. Other Financial Assets (Cont'd):

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Current portion of other financial assets	102,360,480	100,374,072
Non-current portion of other financial assets	<u>63,315,511</u>	<u>56,780,425</u>
	<u>165,675,991</u>	<u>157,154,497</u>

8. Investments:

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Equities	30,356,778	25,765,300
Mutual funds UTC	8,802	7,783
Corporate bonds TT\$	<u>36,022,433</u>	<u>52,041,712</u>
	<u>66,388,013</u>	<u>77,814,795</u>
Current portion of investments	43,845,864	52,328,305
Non-current portion of investments	<u>22,542,149</u>	<u>25,486,490</u>
	<u>66,388,013</u>	<u>77,814,795</u>

9. Investment Property:

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Balance as at beginning of year	26,922,400	14,000,000
Additions	20	3,705,527
Transfer from Fixed Assets	-	6,255,739
Gain on revaluation	<u>-</u>	<u>2,961,134</u>
Balance as at end of year	<u>26,922,420</u>	<u>26,922,400</u>
Income earned	153,616	86,495

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

10. **Fixed Assets:****2021**

	Land and Building (\$)	Motor Vehicle (\$)	Office Furniture and Equipment (\$)	Total (\$)
Cost				
Balance as at 1 January 2021	326,971	1,810,055	1,946,647	4,083,673
Additions	-	-	91,770	91,770
Disposals	<u>-</u>	<u>-</u>	<u>(46,836)</u>	<u>(46,836)</u>
Balance as at 31 December 2021	<u>326,971</u>	<u>1,810,055</u>	<u>1,991,581</u>	<u>4,128,607</u>
Accumulated Depreciation				
Balance as at 1 January 2021	40,009	834,956	1,153,162	2,028,127
Charge for the year	18,658	243,110	191,647	453,415
Adjustments	<u>-</u>	<u>-</u>	<u>(42,752)</u>	<u>(42,752)</u>
Balance as at 31 December 2021	<u>58,667</u>	<u>1,078,066</u>	<u>1,302,057</u>	<u>2,438,790</u>
Net Book Value				
Balance as at 31 December 2021	<u><u>268,304</u></u>	<u><u>731,989</u></u>	<u><u>689,524</u></u>	<u><u>1,689,817</u></u>
Balance as at 31 December 2020	<u><u>286,962</u></u>	<u><u>975,099</u></u>	<u><u>793,485</u></u>	<u><u>2,055,546</u></u>

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

10. Fixed Assets (Cont'd):2020

	Land and Building (\$)	Motor Vehicle (\$)	Office Furniture and Equipment (\$)	Total (\$)
Cost				
Balance as at 1 January 2020	7,236,982	1,810,055	1,856,654	10,903,691
Additions	138,436	-	122,917	261,353
Disposals	(792,708)	-	(32,924)	(825,632)
Transfers to Investment Property	<u>(6,255,739)</u>	<u>-</u>	<u>-</u>	<u>(6,255,739)</u>
Balance as at 31 December 2020	<u>326,971</u>	<u>1,810,055</u>	<u>1,946,647</u>	<u>4,083,673</u>
Accumulated Depreciation				
Balance as at 1 January 2020	122,572	509,922	929,879	1,562,373
Charge for the year	38,131	325,034	232,713	595,878
Adjustments	<u>(120,694)</u>	<u>-</u>	<u>(9,430)</u>	<u>(130,124)</u>
Balance as at 31 December 2020	<u>40,009</u>	<u>834,956</u>	<u>1,153,162</u>	<u>2,028,127</u>
Net Book Value				
Balance as at 31 December 2020	<u><u>286,962</u></u>	<u><u>975,099</u></u>	<u><u>793,485</u></u>	<u><u>2,055,546</u></u>
Balance as at 31 December 2019	<u><u>7,114,410</u></u>	<u><u>1,300,133</u></u>	<u><u>926,775</u></u>	<u><u>9,341,318</u></u>

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

11. Accounts Payables and Accruals:

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Funds under management	3,824,490	1,802,954
Accrued interest	2,753,863	2,415,082
Holdback reserve	-	313,084
Debt service account	494,482	1,752,273
Statutory deductions	119,838	84,650
Unrealised income	2,061,765	2,980,087
Investor funds	2,091,106	251,204
Other accounts payables	<u>509,088</u>	<u>436,573</u>
	<u>11,854,632</u>	<u>10,035,907</u>
Current portion of accounts payable and accruals	11,854,632	10,035,907
Non-current portion of accounts payable and accruals	<u>-</u>	<u>-</u>
	<u>11,854,632</u>	<u>10,035,907</u>

12. Certificates of Participation:

The Group's Firstline Oilnotes (FONL) investments have interest rates range from .40% - 6.00% (2020: .40% - 6.00%).

Investors have purchased zero coupon notes in the Firstline Multi Sector Notes I and Firstline Multi Sector Notes II at yields ranging from 1.0% - 6.5% (2020: 3.25% - 6.5%) at varying tenors.

	31 December	
	<u>2021</u> (\$)	<u>2020</u> (\$)
Current portion of certificates of participation	105,630,473	92,046,551
Non-current portion of certificates of participation	<u>96,553,762</u>	<u>115,744,199</u>
	<u>202,184,235</u>	<u>207,790,750</u>

13. Repurchase Agreements:

The repurchase agreements become due in 2022 and 2023. Interest is accrued thereon at the rate of 2.00% - 4.10% per annum (2020: 2.00% - 4.10%).

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

14. Margin Accounts:

The average rate of funding from the Group's brokerage institutions is 1.380% (2020 : .865%). The market value of the investment securities held as collateral for this facility amounted to \$37,972,959 (2020 : \$51,747,120).

15. Stated Capital:

	31 December	
	<u>2021</u>	<u>2020</u>
	(\$)	(\$)
Authorized		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
5,921,368/825,000 ordinary shares of no par value	5,921,368	5,197,500
Deposit on shares	-	723,868
	<u>5,921,368</u>	<u>5,921,368</u>

16. Management and Operating Expenses:

	31 December	
	<u>2021</u>	<u>2020</u>
	(\$)	(\$)
Administrative expenses	3,034,142	2,049,643
Interest expenses	10,496,113	13,623,711
Depreciation	453,415	595,878
Legal and professional fees	854,994	897,444
Salaries and staff benefits	10,091,999	9,566,258
Loss on disposal of fixed assets	4,084	605,508
	<u>24,934,747</u>	<u>27,338,442</u>

17. Taxation:

	31 December	
	<u>2021</u>	<u>2020</u>
	(\$)	(\$)
Corporation Tax/Business Levy - Trinidad and Tobago	192,110	2,115,999
Green Fund Levy - Trinidad and Tobago	118,573	119,345
	<u>310,683</u>	<u>2,235,344</u>

FIRSTLINE SECURITIES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

18. Related Party Transactions:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

	31 December	
	<u>2021</u>	<u>2020</u>
	(\$)	(\$)
Key management compensation		
Short-term benefits	2,142,000	2,142,000
Dividends paid	534,584	233,618

19. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

20. Capital Risk Management:

The Group manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to the shareholders. The Group's overall strategy remains unchanged from previous years.

The capital structure of the Group consists of equity attributable to the shareholder, which comprises stated capital and retained earnings.

FIRSTLINE SECURITIES LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****31 DECEMBER 2021****21. Capital Commitments:**

The Group does not have any confirmed capital commitments as at 31 December 2021, however, the Group intends to upgrade its current investment management software or acquire and implement new software in the future. Either option selected will incur additional costs in the future though Management has not yet been determined the amount required as at the year end.

22. COVID-19 impact:

In March 2020, a global pandemic was declared by the World Health Organization related to the novel coronavirus disease 2019 (COVID-19). COVID-19 and the actions being taken to respond to same has already begun to impact individuals and businesses in the markets and communities where the Group operates. Management continues to evaluate the potential impact of the coronavirus disease 2019 (Covid-19) on the financial status of the Group.

The following are areas are likely to be impacted negatively:

- Liquidity;
- Collections;
- Expected credit losses;
- Fair values of assets;
- Earnings and productivity;
- Projects and planned business expansions, including those of customers;
- Capital market;
- Supply chain;
- Hours of operations in facilities;
- Availability of Company personnel; and
- Business and economic activity due to disruptions in tourism, sports, cultural and other leisure activities.